

DOWA

Business Structure Reform Plan IV

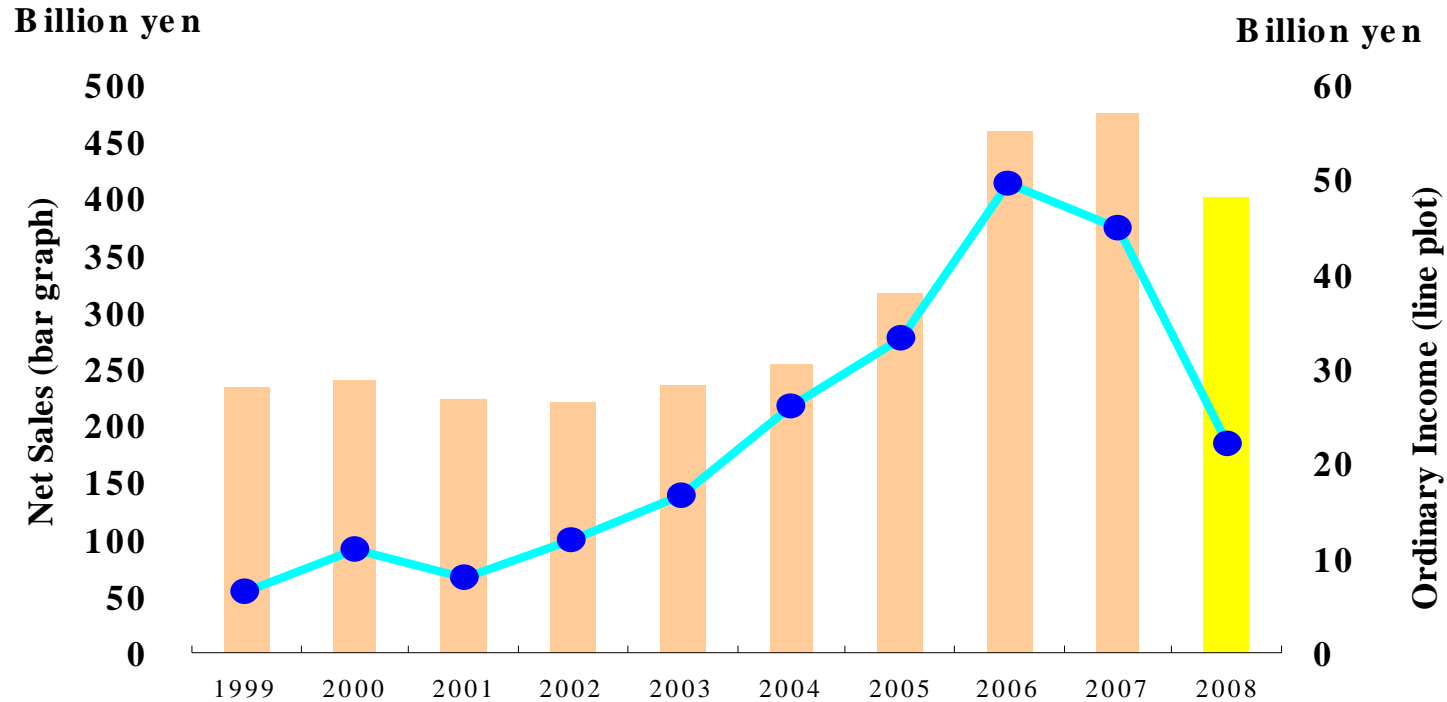
“Challenge the Uncharted Territory”

*~Challenge to realize the underlying strength of manufacturing sites,
the accomplishment of initiatives, and high-quality management~*

November 12, 2008

Dowa Holdings Co., Ltd.

Progress of Business Structure Reform(1)



Progress of Business Structure Reform(2)

<Comparison of FY2008 (plan of Business Structure Reform Plan III) and FY2008 (estimate) >

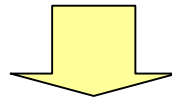
Billion yen

	FY 2008 (plan) of Business Structure Reform Plan	FY2008 (estimate)	Difference between plan and estimate
Ordinary Income	40.0	22.0	-18.0
ROA	13%	6%	-7%
Cash Flows from Operating Activities (three years)	100.0	85.0	-15.0
Investment (three years)	80.0	84.0	+4.0
R&D (three years)	15.0	18.0	+3.0
(Reference) Net Sales	260.0	400.0	+140.0
(Reference) Total assets	300.0	360.0	+60.0

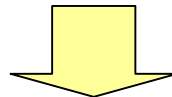
Progress of Business Structure Reform(3)

○Although net sales and ordinary income both grew steadily in Business Structure Reform I through III, they were at standstill in fiscal 2007

○In fiscal 2008, net sales and incomes are expected to substantially decline from the previous year because of worsening business conditions



The further deterioration of the business environment is expected going forward



In Business Structure Reform IV,

▪Recover income by realizing the effect of large investments implemented recently and reducing costs

▪Also, steadily implement initiatives necessary for the growth of focused businesses

Business Structure Reform IV (FY2009 through FY2011)

Management Policies

“Selection and Concentration”

“Technology-oriented Company”

Basic Policies

① Continue to implement the strategy of growing focused core businesses and **steady investments** for promoting recycling in the Nonferrous Metals business.

② Provide **high value-added** products and services **that contribute the global environment on a global scale** based on the recognition that the rising environmental orientation is a business opportunity.

③ Try the limit of productivity, efficiency and costs through renovation. Become an overwhelming company **with the power of manufacturing premises backed with technologies**

Slogan ***“Challenge the Uncharted Territory”***

~Challenge to realize the underlying strength of manufacturing sites, the accomplishment of initiatives, and high-quality management ~

Overview of Business Structure Reform IV

Management Targets (FY2011)

- Ordinary income: ¥50 billion
(EBITDA: ¥72 billion)
- ROA: 13%
- D/E ratio: 0.5

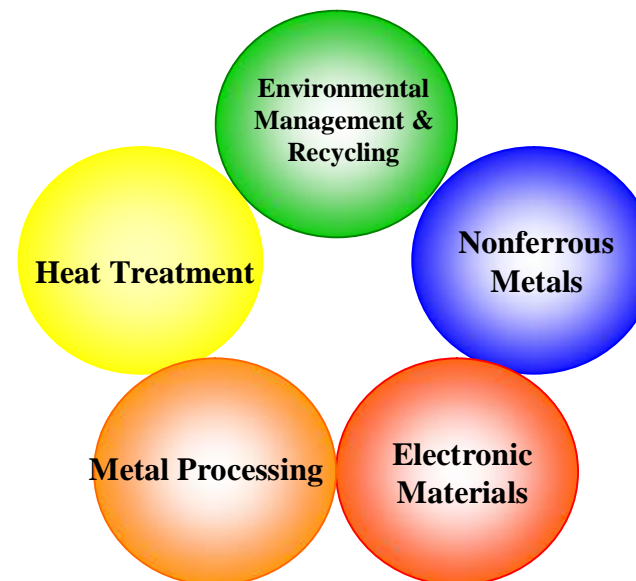
Investment (three years): ¥75 billion

R&D (three years): ¥20 billion

Main quantitative plans

	Billion yen	
	FY 2008 estimate	FY 2011 plan
Net Sales	400	470
Ordinary Income	22	50
ROA	6%	13%
Total Assets	360	384

Core Businesses

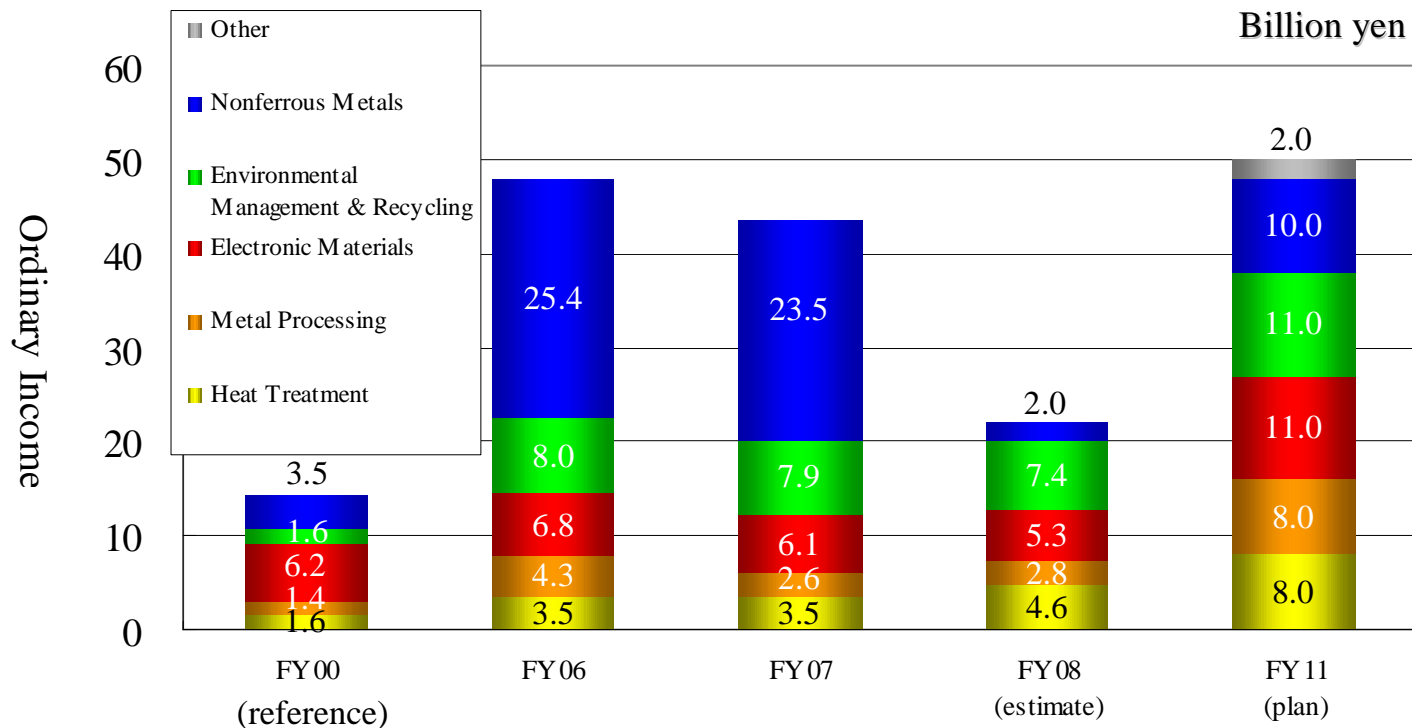


Main assumptions

	Average in the first half of FY2008	FY 2011 plan
Exchange rate (¥/\$)	106	100
Copper (cent/lb)	366	272
Zinc (\$/t)	1,942	1,500
Indium (\$/kg)	581	400

Ordinary Income in Each Business

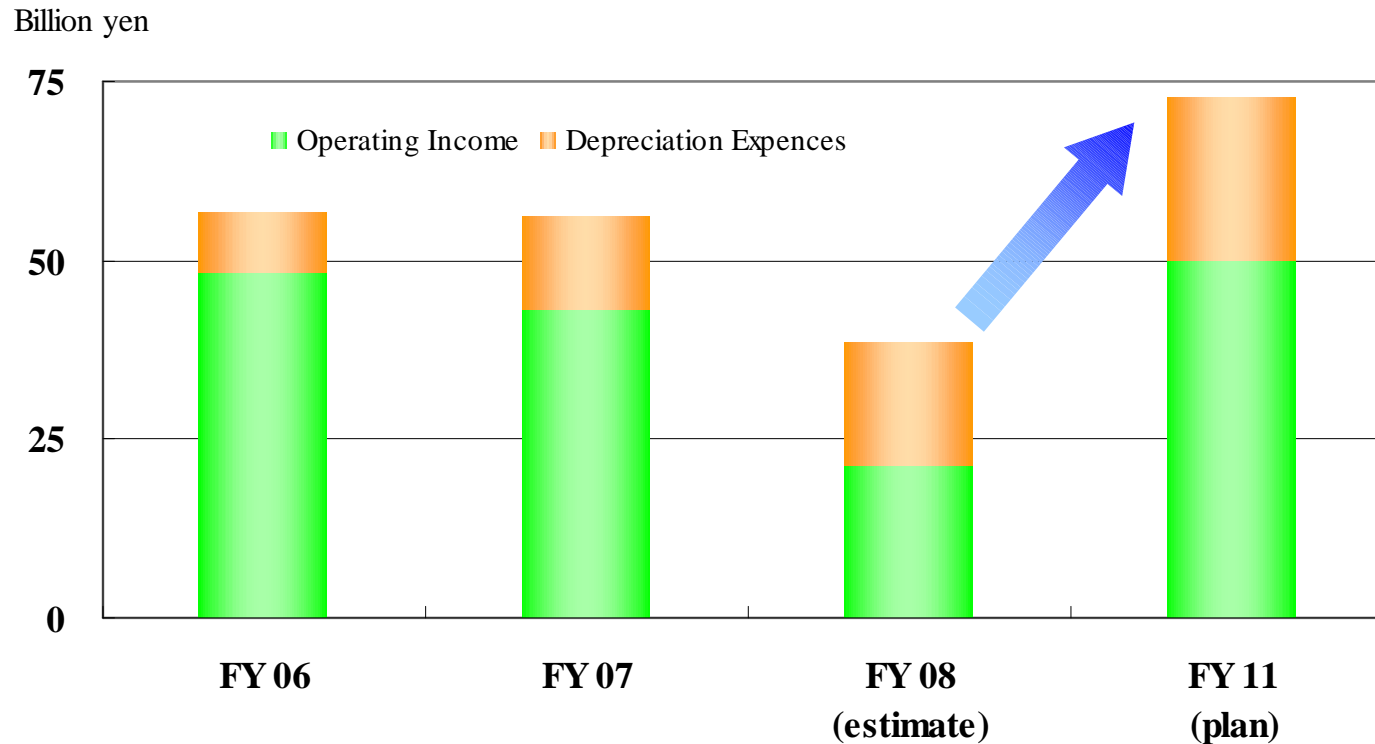
- Income in the Nonferrous Metals business substantially declined, reflecting falling metal prices among other factors
- Total income in other four businesses including the Environmental Management & Recycling remained flat
- Aim to achieve a record high income once again in the final fiscal year (2011) of the next medium-term business plan.



EBITDA

- Depreciation expenses are increasing significantly as a result of active investments in each business segment and expected to exceed ¥20 billion a year after fiscal 2009 due to the effect of the tax system reform
- EBITDA in the final year is expected to rise to an unprecedented level of ¥72 billion a year

Total EBITDA (Operating Income + Depreciation Expenses) of 5 segments



Efforts to Strengthen Business (1)

Realization of investment effects

Large investment project	Amount of investment	Status in the past	Efforts to realize investment effects	Income improvement from 2008⇒2011
Kosaka Smelting & Refining New smelting facility	¥14 billion	The completion of construction delayed about six months Construction costs exceeded the budget Low utilization due to trouble in the initial stage (2008) Higher costs (coal ↑), larger inventories	Collection of variety metals, measures to reduce energy costs Re-use of old facilities (converter ~ electrolysis) Completion of improvement works of facilities (end of December) →Improved and stable capacity utilization, inventory reduction	¥3.5 billion
Eco-System Chiba Co.,Ltd New incinerator	¥8 billion	Acquisition of approvals and licenses delayed about 18 months Construction costs exceeded the budget	Construction is to be completed by the end of the year Strengthen the system to collect recyclable materials	¥700 million
Nitride semiconductors	¥2 billion	Delay in the development of the market	Improvement in property, development of users	¥1.4 billion
DOWA Metal Larger coil size	¥5 billion	Low utilization due to trouble in the initial stage (2007)	Steadily operate in FY2008, increase capacity for brass from FY2009 (casting, annealing)	¥300 million
Acquisition Roller copper product subsidiary of Yamaha Corporation	¥** billion	Sluggish sales of alloy for semiconductors Valuation loss of Ni inventories (approx. ¥300 million)	Increase sales of high-performance new alloy Increase the global market share in strengthened alliance with OLIN	¥1 billion
Electroplating New building, new lines	¥2 billion	Changes in the market	Promote the integration with old lines	¥500 million
Ota plant	¥3.5 billion	Delay in construction: Commencement delayed about six months due to the amendment of the Building Standards Law	Consolidation of production, development of new orders	¥600 million

Efforts to Strengthen Business (2)

Bolstering the power of manufacturing premises

① Accumulate
technology assets
Promote technology
development

Develop core human resources
Incubation center

② Renovate
management at each
manufacturing site

Renovate productivity and production
methods
Significantly shorten the manufacturing
lead time

③ Reinforce the
engineering system

Open the Akita Engineering
Center
Reorganize engineering companies

Bolster the response capability to changes in the environment such as volatile market conditions by steadily implementing initiatives such as cost and inventory reductions

In addition “Steadily execute initiatives to increase income backed with technologies”
(continuous cost reduction, reform of businesses with challenges)

“Thorough management based on indicators”

Aim to maximize the Group’s corporate value by challenging to realize “the underlying strength of manufacturing premises,” “the accomplishment of initiatives” and “high-quality management” with the concerted efforts of the DOWA Group

Cost reduction
effect of 3 to 5% a
year

(Approx. ¥5 billion a year)

Business Operations for Growth (1)

Implement focused investments

Billion yen

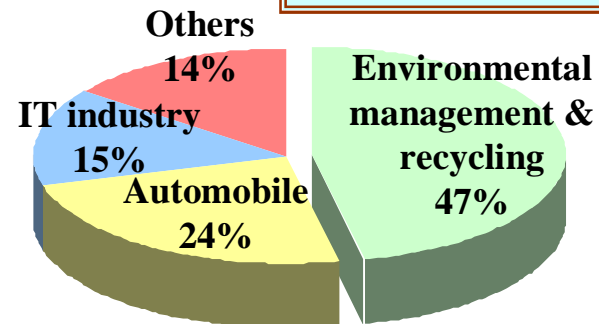
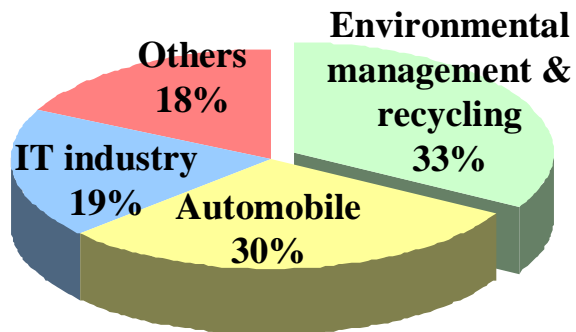
Investment area	Cumulative amount of investments for three years from 2006 to 2008	Planned amount of investments for three years from 2009 to 2011
Environmental management & recycling	28.0	35.0
Automobile	25.0	18.0
IT industry	16.0	11.0
Others	15.0	11.0
Total amount of	84.0	75.0
Depreciation Expenses	41.0	68.0
Difference	43.0	7.0

▪ Reduce the total amount of investments by 10% from the amount in previous three years, which is the level exceeding depreciation expenses by ¥7 billion

▪ Further increase investments in environment and recycling-related areas

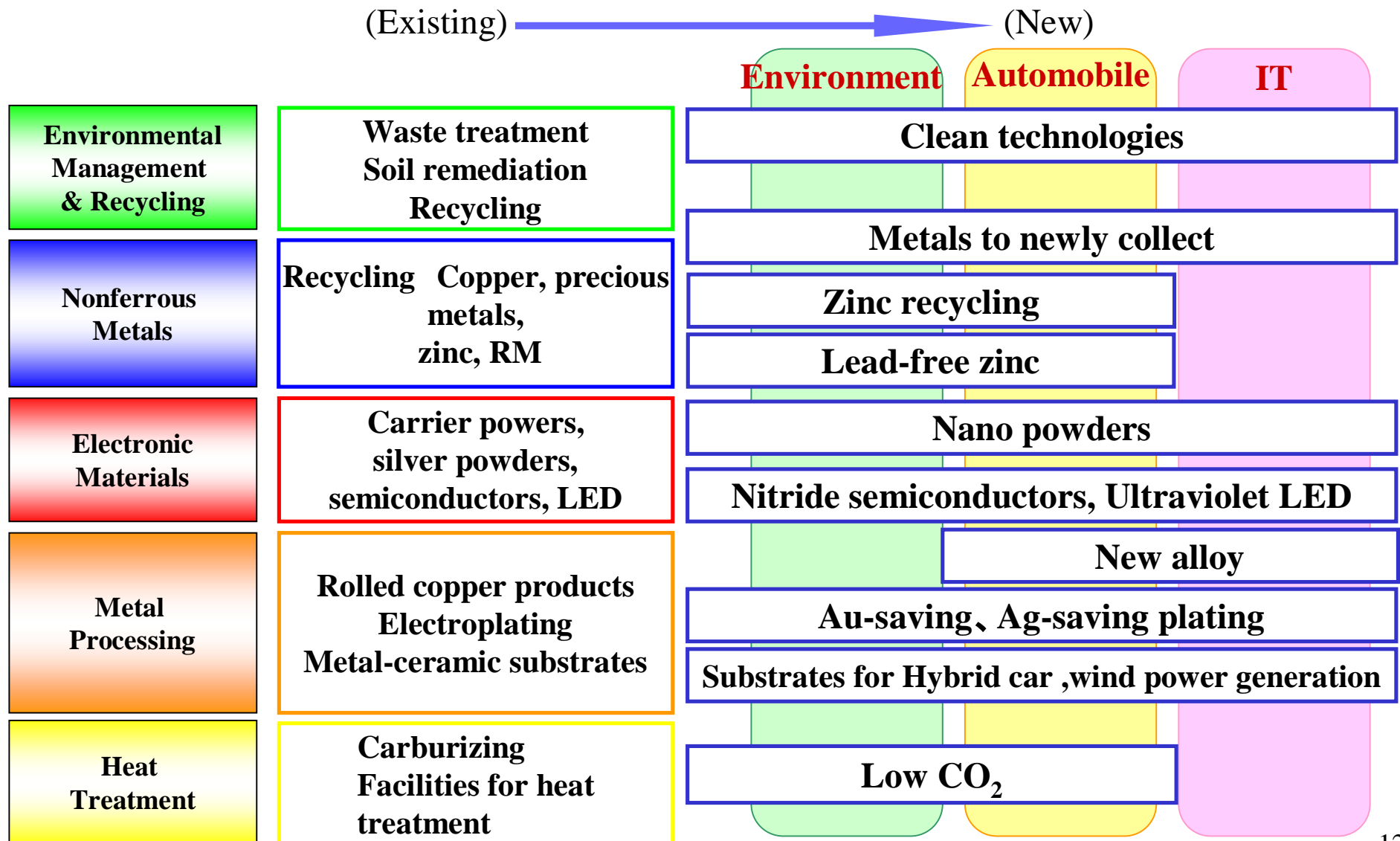


Flexibly readjust the size and time of investments when actually implementing them in response to market conditions



Business Operations for Growth (2)

Operate new business and provide new products



Strategies in Each Business

Policies in Environmental Management & Recycling

<Business Vision>

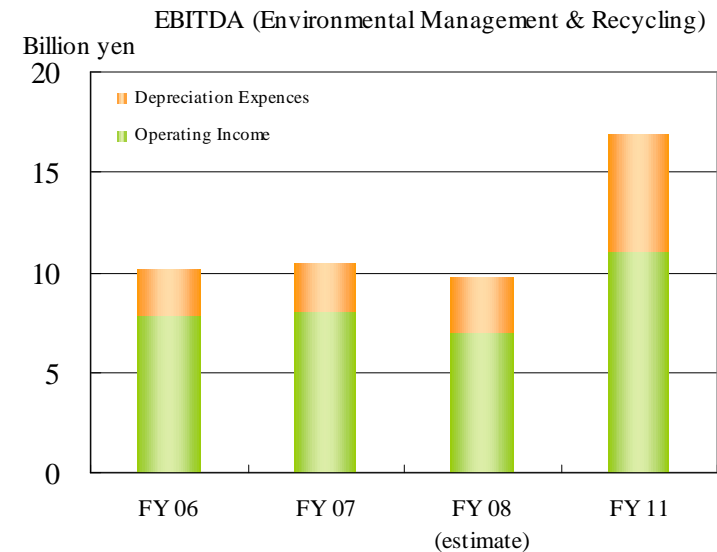
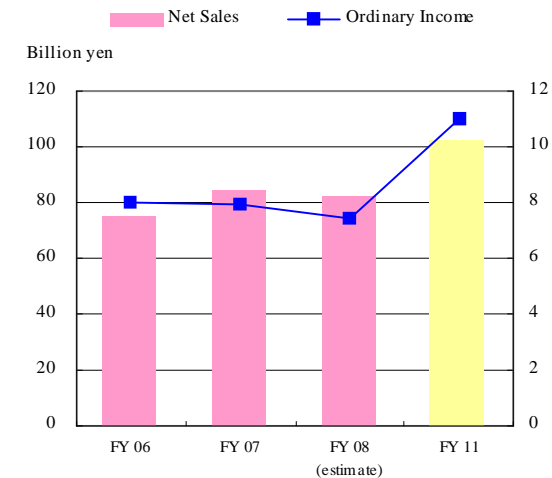
**Become No.1 company in the Environmental Management & Recycling business.
[Targets for FY2011: Ordinary Income of ¥11 billion]**

1. Overview of the business strategy

- ① Expand bases and service line-up in Japan and overseas through active investment
- ② Develop clean technologies tailored to the era of low carbon
- ③ Advance into the Southeast Asia

2. Major initiatives

- ① Waste treatment
 - Increase processing bases through M&A and alliance
 - Improve technical capabilities and reduce costs
 - Establish a low concentration PCB treatment business
- ② Soil remediation
 - Enhance the business of Eco-System Hanaoka
 - Establish logistics bases in the Kanto and Kansai regions
 - Expand the scope of coverage to include agrichemicals and POPs, etc.
- ③ Recycling
 - Diversify metals to collect, bolster the cleaning and segregation business, and expand overseas bases
 - Heighten the added value of useful materials by improving the selection technology
 - Increase the recycling bases of home appliances (Suzhou, etc.)



Policies in Nonferrous Metals

<Business Vision>

Construct the world's best flexible recycling smelting complex
[Targets for FY2011: Ordinary Income of ¥10 billion]

1. Overview of the business strategy

- ① Convert to recycling smelting
- ② Bolster and expand the rare metals business

2. Major initiatives

① Precious metals and copper

- Stable operation and higher efficiency of a new incineration at Kosaka
- Diversify metals to collect
- Enhance the alliance with Mitsubishi Materials
- Expand the smelting impure residues treatment business

② Zinc

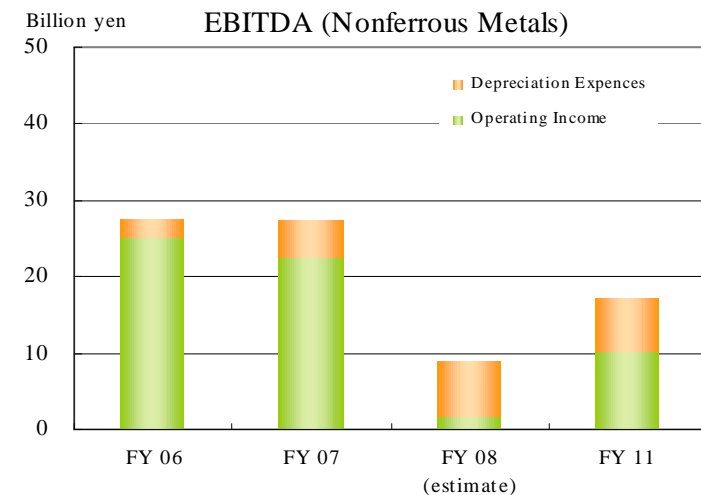
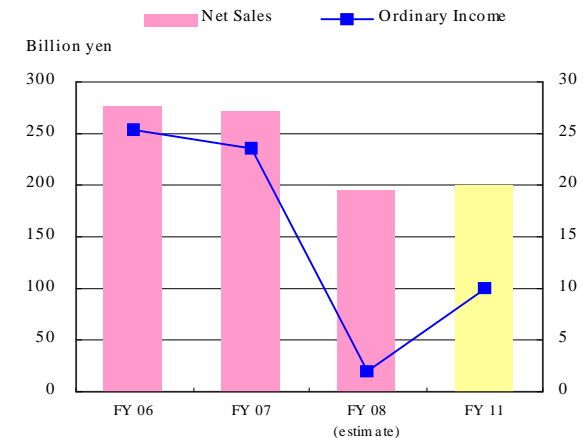
- Full-blown entry into the zinc recycling business
- Bolster the business foundation: Reform the environment preservation system, renew the sulfuric acid plant, process total stagnant residues, improve productivity, implement measures to reduce costs such as energy
- Develop the manufacturing technology of lead-free zinc and launch it in the market

③ Rare metals

- Enhance the overseas material collection of PGM: Establish a new sampling plant
- Expand the processing capacity of PGM, and reinforce response capabilities to raw materials
- Enhance the recycling capability of Indium by improving productivity

④ Resource strategy

- Stable acquisition of suitable raw materials for in-house smelting with favorable terms



Policies in Electronic Materials

<Business Vision>

Early start-up new businesses and promote the selection and concentration of existing businesses [Targets for FY2011: Ordinary Income of ¥11 billion]

1. Overview of the business strategy

- Early commercialization and income contribution of development projects (nitride semiconductors, nano powders)
- Expand strategic products (carrier powders, silver powders, etc.)

2. Major initiatives

① Semiconductors

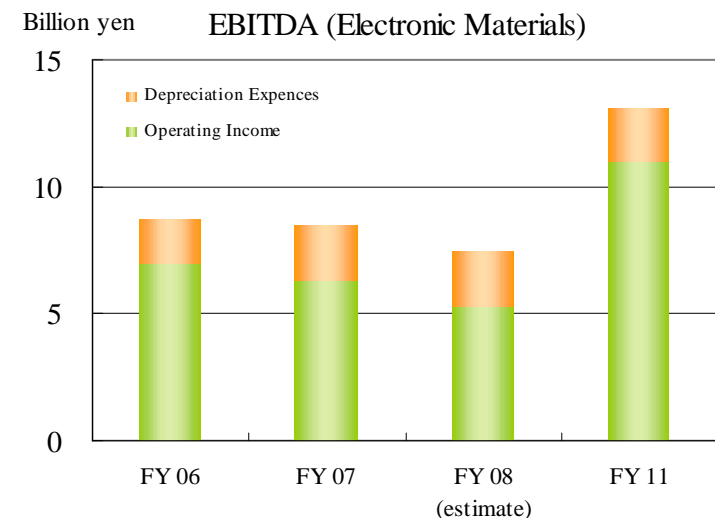
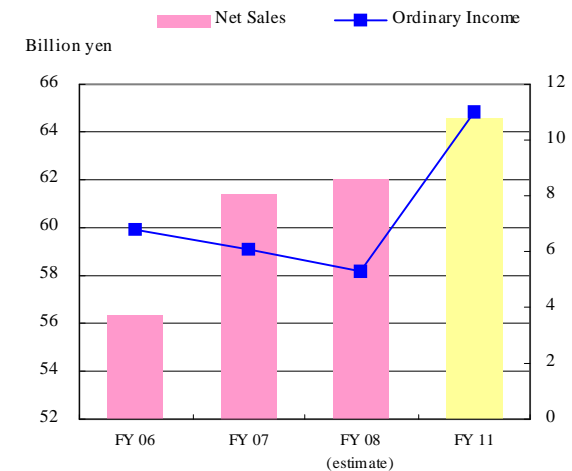
- Nitride semiconductors: Establish the business foundation aiming primarily at the high-end market
- UV LED: Develop the market for UV LED by leveraging features such as higher power, higher efficiency and lower cost
- Opto: Make the censor application an income pillar by introducing new products

② Functional materials

- Carrier powders: Increase the market share in leading copy-machine producers with a new core development
- Metal powders: Maintain the monopoly in the next-generation powder for data (LTO5) and develop new materials for magnetic tapes
- Silver powders: Increase sales of silver powders for solar battery

③ Development projects

- Nano powers: Build up the track record of powder sales and promote the development of ink and paste
- Catalysts: Improve property, raise the evaluation of customers, enhance the product line-up



Policies in Metal Processing

<Business Vision>

Achieve the largest share in the featured markets of automobile, power devices and IT [Targets for FY2011: Ordinary Income of ¥8billion]

1. Overview of the business strategy

- ① Focus on the featured markets of automobile, etc. and increase the share
- ② Maximize the speed of investment recovery through higher productivity and cost reduction

2. Major initiatives

① Metal processing

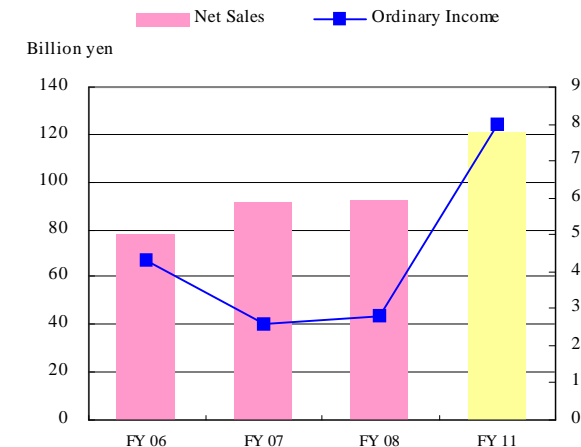
- Improve the property and productivity of next-generation in-car materials and expand sales
- Integrate and consolidate the sales divisions of DOWA OLIN METAL and DOWA METANIX
- Integrate the engineering and technology divisions of DOWA METAL and DOWA METANIX and improve and optimize product efficiency
- Bolster the global supply system, etc.

② Plating

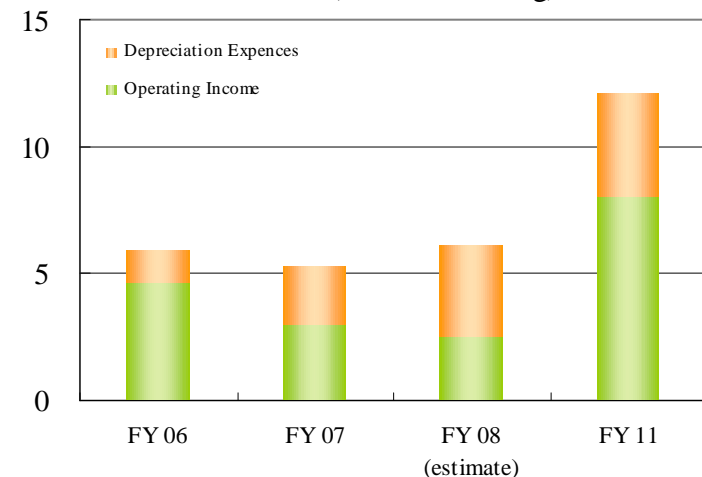
- Start-up and income contribution of new lines
- Increase the share in the existing market and take in new demand through the Au-saving and Ag-saving technologies and improved property

③ Thermal

- Make a new plant an operational force early
- Improve QCD



Billion yen EBITDA (Metal Processing)



Policies in Heat Treatment

<Business Vision>

Solidify the domestic business foundation and actively operate overseas

[Targets for FY2011: Ordinary Income of ¥8billion]

1. Overview of the business strategy

- Increase the market share through active investment
- Position the environmental preservation and overseas operations as leverage for growth

2. Major initiatives

① Heat treatment

- Increase the carburizing capacity by 50% through the construction of new plants and productivity improvement ,aim to achieve the domestic market share of 30%
- Expand the surface treatment of dies through the development and higher sales of membrane for TD and PVD
- Eliminate and consolidate domestic bases

② Industrial furnace operations

- Secure the overwhelming market share by expanding sales of furnaces with low CO₂ emission
- Increase sales in response to demand from emerging countries
- Increase the overseas bases for after-sales services

