

DOWA

Fiscal 2008
First-Half Business Results

November 12, 2008

Dowa Holdings Co., Ltd.

Operating Results

Fiscal 2008 Interim Settlement

Overview of Operating Results

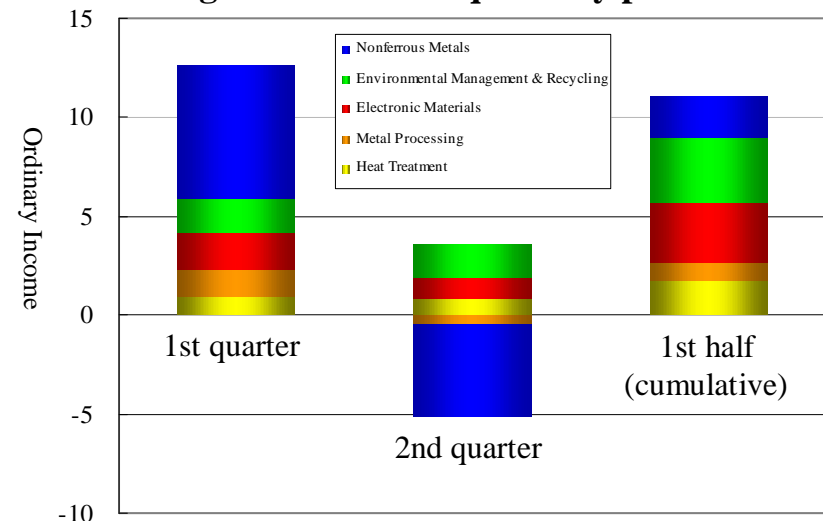
(Fiscal 2008 First Half, Consolidated)

Billion yen

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
	1st Half	1st Half	1st Half	1st Half	1st Half	1st Half
Net Sales	110.4	115.0	139.8	217.6	237.2	215.1
Operating Income	7.1	11.9	17.8	23.2	27.3	11.5
Ordinary Income	6.7	11.1	14.5	23.9	27.4	11.2
Net Income	3.2	6.2	4.8	13.8	12.1	5.2

- ▼ The IT-related business was sluggish in the first quarter, but other segments posted relatively steady results. In the second quarter, automobile-related business plummeted.
- ▼ Because of an appraisal loss of 6.1 billion yen induced by falling metal prices, income fell dramatically from the year-ago level during the first half of fiscal 2008.

Change in fiscal 2008 quarterly performance



Income Statements

Million yen

	Consolidated results		
	FY07 1st Half	FY08 1st Half	Change
Net Sales	237,212	215,193	- 22,018
Cost of Sales	195,213	189,949	- 5,264
Gross Profit	41,998	25,244	- 16,753
Selling, General and Administrative Expenses	14,637	13,678	- 959
Operating Income	27,360	11,566	- 15,794
Other Income	3,158	2,351	- 807
Interest and dividend income	785	791	5
Equity in earnings of affiliates	1,470	80	- 1,389
Other income	902	1,478	575
Other Expenses	3,073	2,620	- 452
Interest expenses paid	988	1,188	200
Other expenses	2,084	1,431	- 653
Ordinary Income	27,446	11,297	- 16,149
Extraordinary Profits	82	131	48
Gain on sale of property, plant and equipment	4	14	9
Gain on sale of investment securities	4	15	10
Extraordinary Losses	2,637	837	- 1,800
Loss on disposal of property, plant and equipment	144	350	206
Loss due to impairment	1,676	0	- 1,676
Loss on impairment of property, plant and equipment	266	157	- 109
Income Before Income Taxes and Minority Interests	24,891	10,591	- 14,299
Income tax, etc.	12,002	4,688	- 7,314
Minority Interests in Income	770	614	- 155
Net Income	12,118	5,287	- 6,830.0

Growth and Decline of Operating Results (by segment)

Billion yen

	Net Sales	Operating Income	Ordinary Income
Nonferrous Metals	-37.1	-14.7	-15.2
Environmental Management & Recycling	2.6	-0.1	0.1
Electronic Materials	3.7	-0.3	-0.2
Metal Processing	8.7	-1.1	-0.6
Heat Treatment	0.6	0.4	0.4
Other/Elimination	-0.6	0.1	-0.4
Total	-22.0	-15.7	-16.1

Analysis of Factors in Growth and Decline in Ordinary Income

Billion yen

Total effects from fluctuations in exchange rate and metal market prices	-15.3
Total operating rate difference and factors for higher costs	-4.1
Future effects of investments, total	-2.6
Other(Equity method income or loss, Resale of unfinished products, etc.)	1.8
Subtotal	-20.2
Productivity increases, cost reductions, etc.	4.2
Total	-16.1

Analysis of Factors in Growth and Decline in Ordinary Income (Year-on-year Comparison by Segment)

Billion yen

FY08 1H—FY07 1H	Nonferrous Metals	Environmental Management & Recycling	Electronic Materials	Metal Processing	Heat Treatment	Other	Total
Effects of changes in exchange rate, metal prices, and concentrate purchase agreement	-4.8						-4.8
Differences in market and book prices for raw material payments due to metal price fluctuations	-2.9						-2.9
Actual sales difference (price difference)	-1.5						-1.5
Inventory appraisal loss due to lowest cost method	-5.4			-0.7			-6.1
Total effects from fluctuations in exchange rate and metal market prices	-14.6			-0.7			-15.3
Actual sales difference (volume difference)	-1.3						-1.3
Decrease in orders with worsening business environment, etc.		-0.5	-0.8	-0.2	-0.1		-1.6
Factors for higher costs, such as electricity and materials	-0.6	-0.1	-0.3	-0.2			-1.2
Total operating rate difference and factors for higher costs	-1.8	-0.6	-1.1	-0.4	-0.1		-4.1
Increase in depreciation due to capital investment	-2.1	-0.3		-0.8	-0.1	0.3	-3.1
(of which effects of revision to tax system)	-0.6	-0.1	-0.1	-0.4			-1.1
Research & development expenses (Excluding depreciation)	0.4	0.0			0.1		0.5
Future effects of investments, total	-1.7	-0.3		-0.8	-0.1	0.3	-2.6
Equity method income or loss	-1.1	0.2				-0.5	-1.4
Resale of unfinished products, etc.	3.4					-0.2	3.2
Subtotal	-15.9	-0.7	-1.1	-1.8	-0.2	-0.4	-20.2
Productivity increases, cost reductions, etc.	0.7	0.8	0.9	1.2	0.6		4.2
Total	-15.2	0.1	-0.2	-0.6	0.4	-0.4	-16.1

Consolidated Results

Year-on-year Comparison (by Segment)

Billion yen

	FY07 1H			FY08 1H			Change			Breakdown of Sales, Operating Income and Ordinary Income
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	
Nonferrous Metals	146.0	17.2	17.4	108.8	2.5	2.1	-37.1	-14.7	-15.2	The volume of gold and silver sales fell with Kosaka Plant's transition to new processes. In addition, income declined on worsening terms for copper/zinc and falling metal prices. The margin of income decline expanded due to the incurring of 5.4 billion yen inventory appraisal loss as copper and silver prices suddenly plunged toward the end of the first half period.
Environmental Management & Recycling	38.8	3.4	3.3	41.4	3.2	3.4	2.6	-0.1	0.1	Although waste processing was steady and the processing volume of precious metals recycling increased, in addition to the improvement in the ratio of valuable material collection in the consumer electronics recycling, the number of large-scale soil treatment projects decreased due to the negative effects of the amendment in the Building Standard Law. As a result, both operating and ordinary income stayed at the same level as a year earlier.
Electronic Materials	29.5	3.3	3.3	33.3	3.0	3.0	3.7	-0.3	-0.2	Although both sales and income increased in the function material business due to a rise in sales of PDP-use silver powder, metal powder, iron powder, among others, sales of gallium, wafers, and LED all declined due to sluggish performance of semiconductors that started in the second half period of fiscal 2007. As a result, income in this segment overall declined.
Metal Processing	40.7	1.7	1.5	49.5	0.6	0.9	8.7	-1.1	-0.6	Although sales volume of copper alloy strips for automobiles and tin plated strips increased, income declined due to sluggish DOWA Metanix performance induced by declining demand for semiconductor use, lower sales in precious metal plating induced by weakening demand, and a temporary increase in cost for strengthening facility for circuit substrates. Moreover, due to falling metal prices, DOWA incurred 700 million yen appraisal loss in inventory assets, leading to a decrease in income.
Heat Treatment	13.2	1.3	1.2	13.8	1.7	1.7	0.6	0.4	0.4	Despite the steady performance of industrial furnaces, sales declined in heat treatment with the fall in demand in the automobile industry. DOWA responded to the lower demand with action to secure profits, such as thorough cost cutting, and success in winning more orders for machine tools and construction equipment. As a result, both operating and ordinary income in this segment increased.
Other/ Elimination	-31.2	0.2	0.4	-31.9	0.3	0.0	-0.6	0.1	-0.4	Sales decreased with DOWA's withdrawal from civil engineering and geothermal businesses in fiscal 2007. Ordinary income in this segment decreased on the sluggish performance of equity method affiliates.
Total	237.2	27.3	27.4	215.1	11.5	11.2	-22.0	-15.7	-16.1	

Fiscal 2008 Consolidated Earnings Forecasts

Billion yen

	FY 2007 Actual (A)	Fiscal 2008 Initial forecast	FY 2008 Estimate (B)	Change (B)-(A)	Ratio of increase or decrease
Net Sales	475.8	460.0	400.0	-75.8	-15.9%
Operating Income	44.3	40.0	22.0	-22.3	-50.4%
Ordinary Income	44.8	40.0	22.0	-22.8	-51.0%
Net Income	24.5	22.0	12.0	-12.5	-51.1%

Exchange rate and metal prices

	FY 2007 average		Initial FY 2008 forecast (May 14)		FY 2008 estimate (Oct. 14)	
	1st half	2nd half	1st half (estimate)	2nd half (estimate)	1st half (actual)	2nd half (estimate)
Exchange rate (\/\$)	119.3	109.2	100	95	106.1	100
Copper (\$/t)	7,675	7,490	7,000	6,500	8,060	6,000
Zinc (\$/t)	3,445	2,527	2,200	2,000	1,942	1,600
Indium (\$/kg)	676	502	430	430	581	520

*Second Half of Fiscal 2008
Assumptions and Sensitivities
(Operating Income/Interim Period)*

Million yen

	Assumptions	Fluctuation	Sensitivity
\/\$	\100.0 /\$	± \1/\$	142
Copper	6,000 \$/t	± 100 \$/t	38
Zinc	1,600 \$/t	± 100 \$/t	300
Indium	520 \$/kg	± 100 \$/kg	380

These sensitivities don't consider the effects caused by changes in market and book prices of raw materials and inventory appraisal loss.

Forecasts of Consolidated Results

Comparison with Previous Fiscal Year (by Segment)

Billion yen

	FY 2007 (actual)			FY 2008 (estimate)			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Nonferrous Metals	272.2	22.4	23.5	195.0	1.8	2.0	-77.2	-20.6	-21.5
Environmental Management & Recycling	84.5	8.0	7.9	82.0	7.0	7.4	-2.5	-1.0	-0.5
Electronic Materials	61.4	6.3	6.1	62.0	5.3	5.3	0.5	-1.0	-0.8
Metal Processing	91.7	3.0	2.6	92.0	2.5	2.8	0.2	-0.5	0.1
Heat Treatment	28.8	3.5	3.5	29.0	4.7	4.6	0.1	1.1	1.0
Other/ Elimination	-83.0	0.8	0.6	-60.0	0.7	-0.1	23.0	-0.1	-0.7
Total	455.6	44.3	44.4	400.0	22.0	22.0	-55.6	-22.3	-22.4

Balance Sheets (Consolidated Results)

Million yen

Accounts	March 31, 2008	September 30, 2008	Change	Accounts	March 31, 2008	September 30, 2008	Change
Assets				Liabilities			
Current Assets	177,422	168,389	-9,032	Current Liabilities	113,695	109,731	-3,964
Cash and time deposits	4,316	4,128	-188	Notes and accounts payable	45,306	31,789	-13,516
Notes and accounts receivable	77,171	68,875	-8,295	Short-term borrowings	38,661	53,198	14,536
Inventories	82,236	80,367	-1,868	Corporate bonds due within one year	7	7	
Deferred tax assets	4,156	5,090	934	Accrued income taxes, etc.	13,189	2,706	-10,483
Other current assets	9,587	9,950	362	Other current liabilities	16,530	22,029	5,498
Allowance for doubtful accounts	-46	-23	23				
				Long-term Liabilities	103,954	105,801	1,846
Fixed Assets	190,508	192,309	1,800	Corporate bonds due within one year	10,014	10,007	-7
Tangible fixed assets	111,340	114,451	3,111	Long-term debt	72,270	74,734	2,463
Intangible fixed assets	2,229	2,129	-99	Reserve for employees' retirement benefits	12,626	12,618	-8
Investments in securities	68,293	66,674	-1,619	Deferred tax liabilities	2,933	3,064	131
Deferred tax assets	6,777	6,899	121	Other long-term liabilities	6,109	5,376	-733
Other investments	2,050	2,337	287				
Allowance for doubtful accounts	-182	-183	-	Total Liabilities	217,649	215,532	-2,117
				Net Assets			
Deferred Assets	-	-	-	Shareholder's Equity	135,649	134,865	-784
				Common stock	36,436	36,436	
				Additional paid-in capital	26,367	26,367	
				Retained earnings	75,469	74,686	-782
				Treasury stock, at cost	-2,624	-2,625	-1
				Adjustments for Valuation Foreign Currency Translation and Others	8,553	3,755	-4,797
				Unrealized gains on available-for-sale securities	7,854	6,730	-1,123
				Net deferred hedge income	1,047	-2,595	-3,642
				Foreign currency translation adjustments	-348	-378	-30
				Minority Interests	6,078	6,545	466
				Total Net Assets	150,281	145,166	-5,114
Total Assets	367,931	360,699	-7,232	Total Liabilities and Net Assets	367,931	360,699	-7,232
				Interest-bearing debt	120,953	137,946	16,993
				Equity ratio	39.2%	38.4%	-0.8%
				ROA	12.5%	6.2%	-6.3%

Consolidated Statements of Cash Flows

Million yen

	FY07 1H	FY08 1H	Change
I. Cash Flows from Operating Activities			
Income before income taxes and minority interest	24,891	10,591	-14,299
Adjustments (non-cash)			
Depreciation	5,975	8,984	3,008
Equity in (earnings) losses of affiliates	-1,470	-80	1,389
Loss due to restructuring	1,676	0	-1,676
(Gain) loss due to sale or disposal of securities, property, plant and equipment	402	495	93
Increase in allowance for doubtful accounts	909	-397	-1,307
Interest income and expenses and dividends	750	63	-686
Income taxes paid	-14,824	-13,195	1,628
Other, net	153	158	5
Total for profit/loss items	18,464	6,619	-11,844
Increase/decrease in assets/liabilities	0	0	0
Increase/decrease in trade receivable/payable	7,499	-1,841	-9,340
Increase/decrease in inventories	-6,266	2,960	9,226
Other, net	-1,410	-5,821	-4,410
Total for balance sheet items	-177	-4,703	-4,525
Net cash provided by operating activities	18,286	1,916	-16,369

Free cash flow	3,478	-10,685	-14,164
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	FY07 1H	FY08 1H	Change
II. Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	-14,807	-12,602	2,205
Sale and acquisition of securities	-6,355	-267	6,088
Change in loans	68	73	4
Proceeds from disposal and sale of property, plant and equipment	9	89	80
Other, net	0	-207	-207
Net cash used in investment activities	-21,086	-12,914	8,172
III. Cash Flows from Financing Activities			
Change in borrowings and corporate bonds	7,053	16,971	9,918
Purchases of treasury stock and issuance of common stock	-7	-2	4
Cash dividends paid	-6,206	-6,220	-14
Other, net	68	-120	-189
Net cash used in financing activities	908	10,627	9,719
Effect of Exchange Rate Changes on Cash and Cash Equivalents	34	-27	-61
Net Decrease in Cash and Cash Equivalents	-1,857	-397	1,460

Cash and Cash Equivalents of Newly Consolidated Subsidiaries	352	100	-252
Cash and Cash Equivalents at Beginning of Year	4,792	4,294	-498
Cash and Cash Equivalents at End of Year	3,288	3,996	708

(For reference)

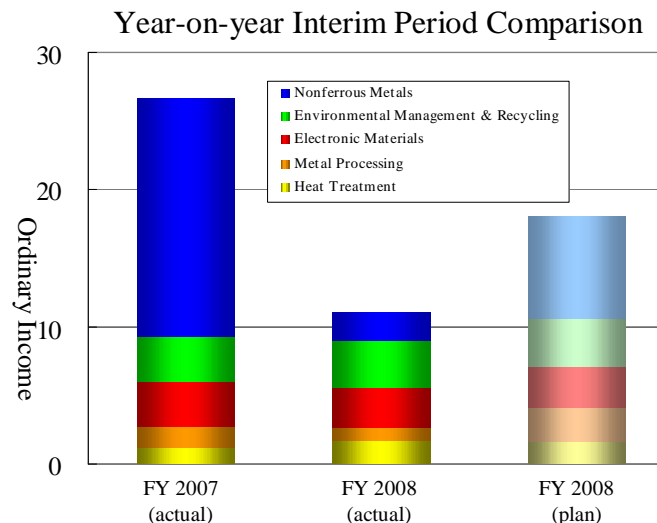
Balance of interest-bearing debt	120,953	137,946	16,993
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Overview of Operating Results
and
Progress of Business Structure
Reform Plan III

Summary of Fiscal 2008 First Half

Billion yen

	FY 2007 1st Half		FY 2008 1st Half		Change	
	Actual	Plan	Actual	Year-on-year comparison	Plan/Actual comparison	
Net Sales	237.2	225.0	215.1	-22.1	-9.9	
(Nonferrous Metals)	146.0	115.0	108.8	-37.2	-6.2	
Ordinary Income	27.4	18.0	11.2	-16.2	-6.8	
(Nonferrous Metals)	17.4	7.4	2.1	-15.3	-5.3	



- Performance in the first quarter was steady, with results better than expected.
- In addition to sluggish IT-related and semiconductor results, demand for automotive products, which had been strong, plunged in the second quarter as the market situation suddenly changed.
- The negative impact of declining sales induced by the weakening market is -1.6 billion yen. (soil, semiconductor, copper/brass, plating, and heat treatment)
- A loss of 6.1 billion yen on appraisal of inventory assets was posted at the end of September due to falling metal prices.

Both sales and income decreased year-on-year in the first half of fiscal 2008.

Outlook for Fiscal 2008 Second Half

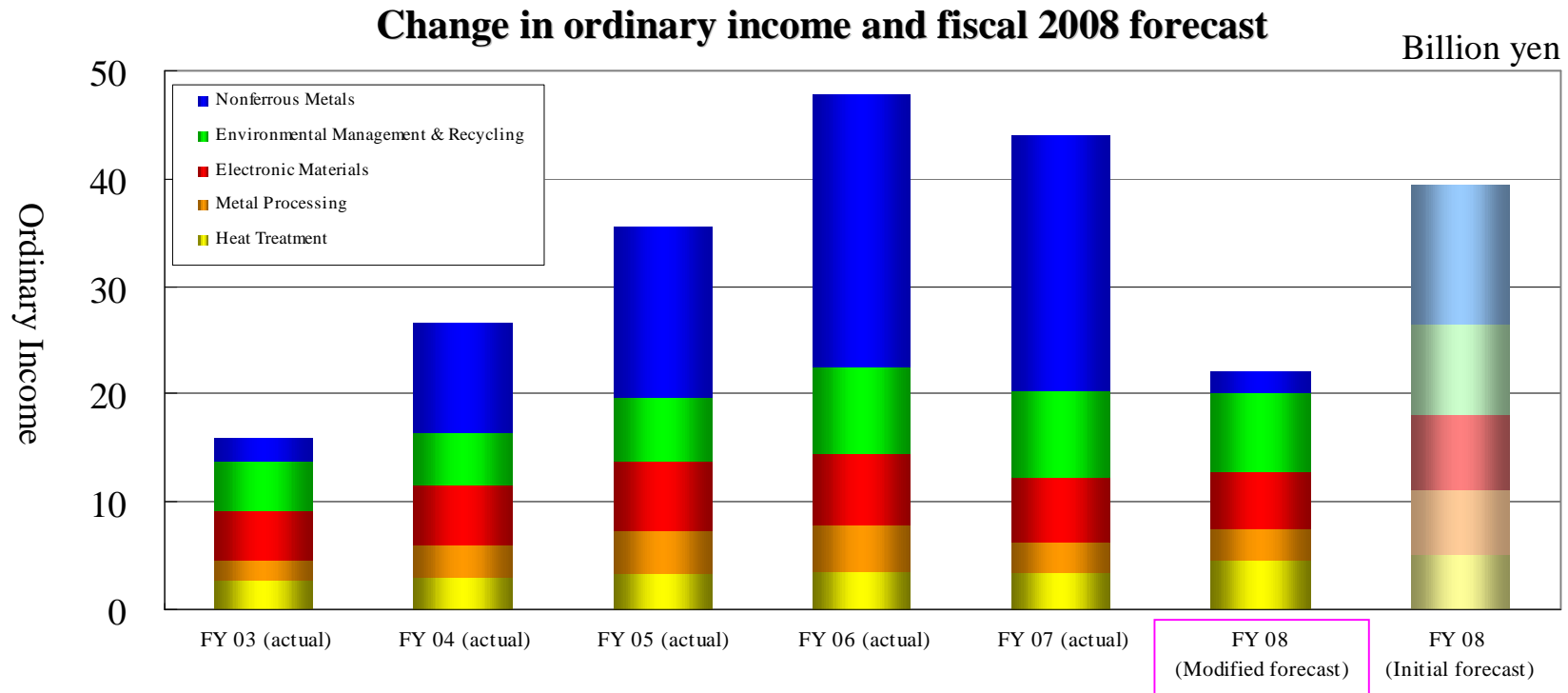
- ◆ With respect to the operating environment in the second half, negative effects are starting to become visible in each segment with changing indicators in client industries and falling metal prices.

Market condition/industry	Situation/affected DOWA segments
◇ Change in metal prices	Prices of major metals declined even further from the end of September. Overall smelting, metal recycling, rolled copper products
◇ IT/semiconductor	Plunging sales of mobile phones, rising inventories at electronic components manufacturers Semiconductor, rolled copper products, plating, functional materials, metal recycling
◇ Automotive	A global decline in sales originating in North America, successive production cuts by Japanese automobile manufacturers Heat treatment, industrial furnace, rolled copper products, platinum group metals, zinc
◇ Construction and real estate	The credit crunch hits a market already suffering from the negative effects of the Building Standard Law, making the situation worse Soil remediation, zinc

DOWA's Actions for the Fiscal 2008 Second Half Period

- ◆ In light of these situations, DOWA lowered on October 14 its forecast fiscal 2008 income. Each segment will set new goals to maintain and recover profits through cost cutting and other measures.

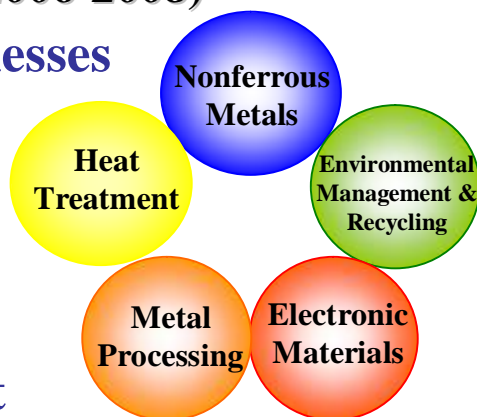
Goal for additional cost reduction 2.0 billion yen/second half. Planning to implement measures that have technical backup.



Business Structure Reform Plan III

(Mid-term Management Plan for Fiscal 2006-2008)

Core businesses



Investment

80 billion yen over 3 years

R&D

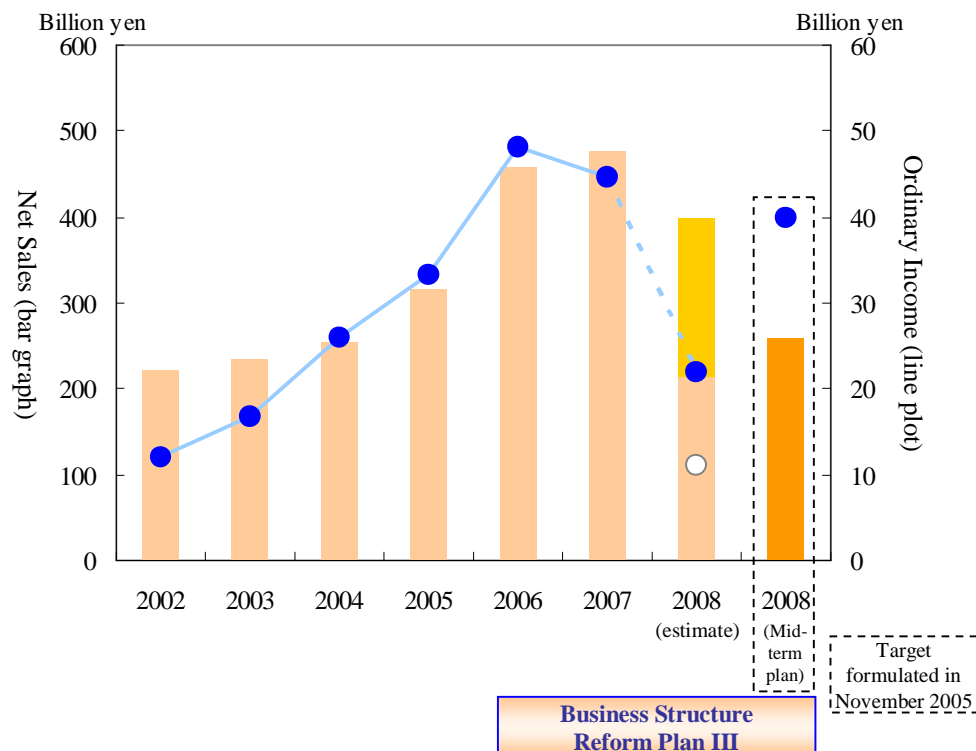
15 billion yen over 3 years

Assumptions (Fiscal 2008)

FY08 Assumptions	Initial forecast	1st half average	Modified 2nd half assumptions	Medium-term plan assumptions
Exchange rate \/\$	97.5	106.1	100	100
Copper cent/lb	380	366	272	120
Zinc \$/t	2,400	1,942	1,600	1,000
Indium \$/kg	410	581	520	700

~Jump up to the New Stage~

Set reform targets at higher levels, and jump up to the new stage

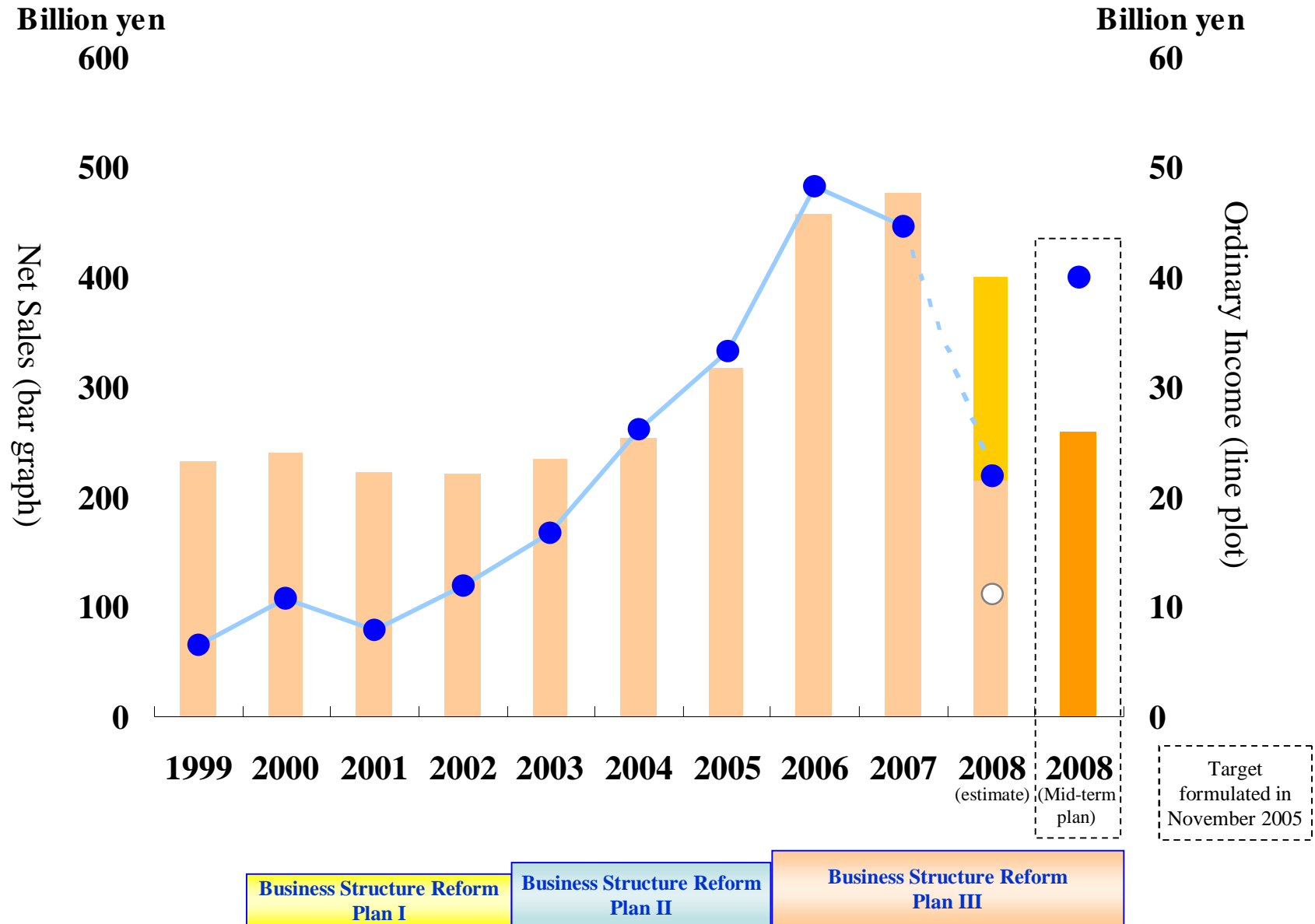


Business Structure Reform Plan III			
	FY 2008 estimate	FY 2008 Mid-term plan targets	Change
Ordinary Income	22.0	40.0	-18.0
Cash Flows from Operating Activities	85.0	100.0	-15.0
ROA %	5.9%	13.0%	-7.1%

* Fiscal 2008 ROA is calculated by dividing total assets at the end of the term by ordinary income.

Jump up to the New Stage

Trends in Net Sales and Ordinary Income



Jump up to the New Stage

1. Zinc

- **Akita Zinc: Improved profits and business foundation due to stable operation**
 - **Renewal of sulfuric plant**→Switching is scheduled to be completed in July 2009
 - **Launched reform of plant maintenance system**
→Further stabilization of operation
- **Recovery of zinc from steel dust: Increased zinc output by 20,000 tons/year: Construction to begin in December 2008 for scheduled start of operation in January 2010 (investment amount: about 4.0 billion yen)**

2. Precious metals and copper

- **Kosaka Smelting & Refining: Launch of new recycling-compatible smelting facility**
 - **Hard-to-process intermediate refining product: Facility completed; full-scale processing to start in the second half of 2008**



Strengthened sampling facility for platinum group metals

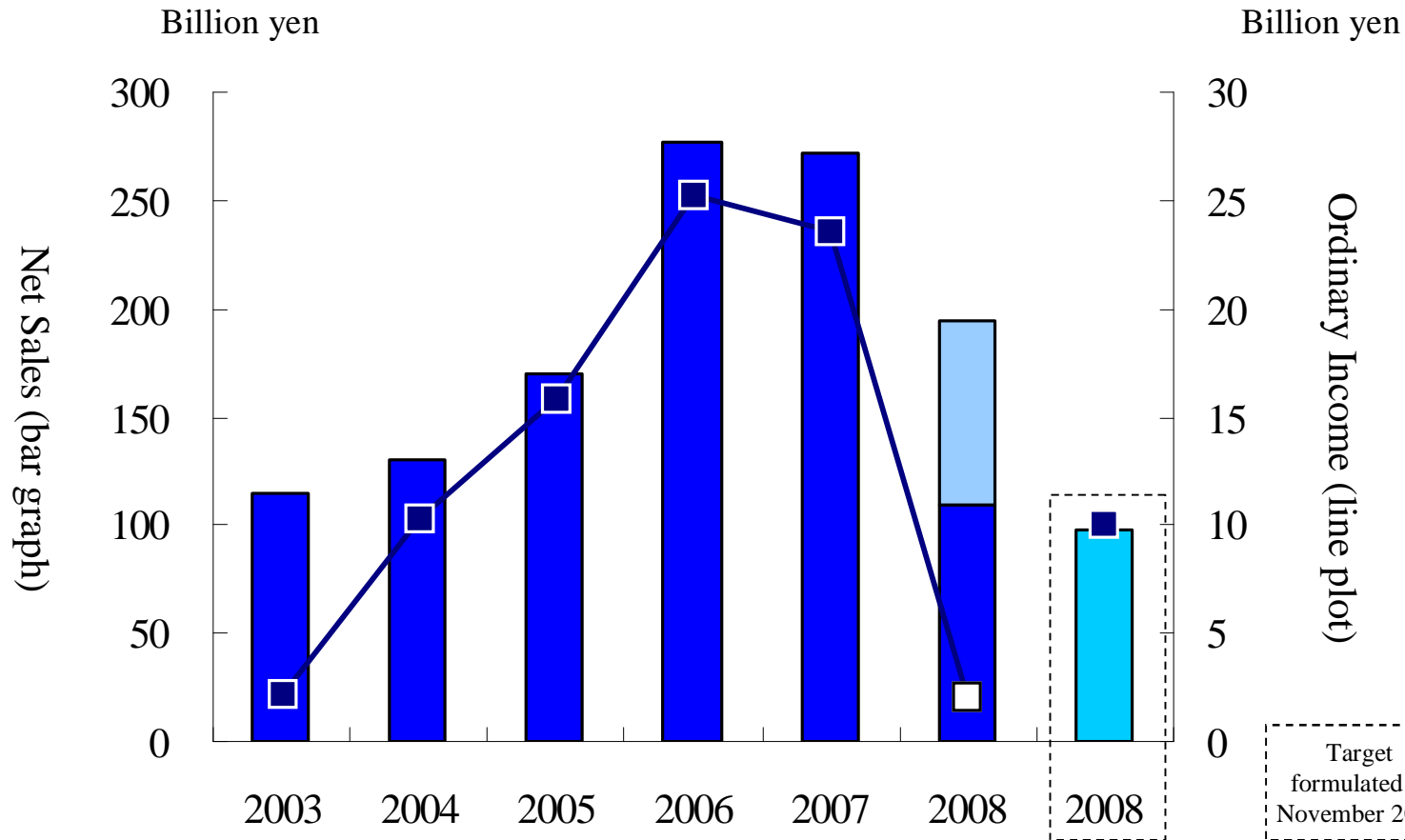
3. Rare metals

- **Platinum group metals:**
Sampling facilities were strengthened in Japan and the United States
→ More frequent shipment collection by smaller lot production (up 10% compared to results in FY2007)
- **Indium: Accommodating recycle process to raw materials containing impure materials or low indium content**
→ Expanded recycling capacity



Plant for impure residues

**Fiscal 2008 first half: Worsening sales and income in the precious metal copper and zinc operations
Plunging income because of an appraisal loss induced by falling metal prices**



In the second half period of fiscal 2008:

- **Zinc:** Strengthening of the manufacturing site through stable operation, cost cutting, and thorough inventory reduction
- **Precious metals and copper:** Improved operation rate at the new Kosaka smelting facility, stable operation and inventory reduction
- **Rare metals:** Expanded the business by increasing shipment collection frequency and the capacity to handle lower-grade raw materials

1. Waste treatment

- Construction of new incinerator at Eco-System Chiba:
Completion within 2008. After test runs, the incinerator is scheduled to start full operation in the spring of 2009.
- Strengthening operations at existing bases:
increased capacity to process hard-to-process materials and increased operating rate



New incinerator at Eco-System Chiba

2. Soil remediation

- More efficient logistics, strengthening of pre-processing function:
Opening of Kansai Soil Logistics Center (October); another one to open in the Kanto region in the spring of 2009
- Strengthening of on-site treatment:
Differentiation through technical edges, such as on-site treatment, bio- and iron powder methods
- Strengthened overseas operations:
Mainly research in Southeast Asia, Taiwan, South Korea, and China



Kansai Soil Logistics Center

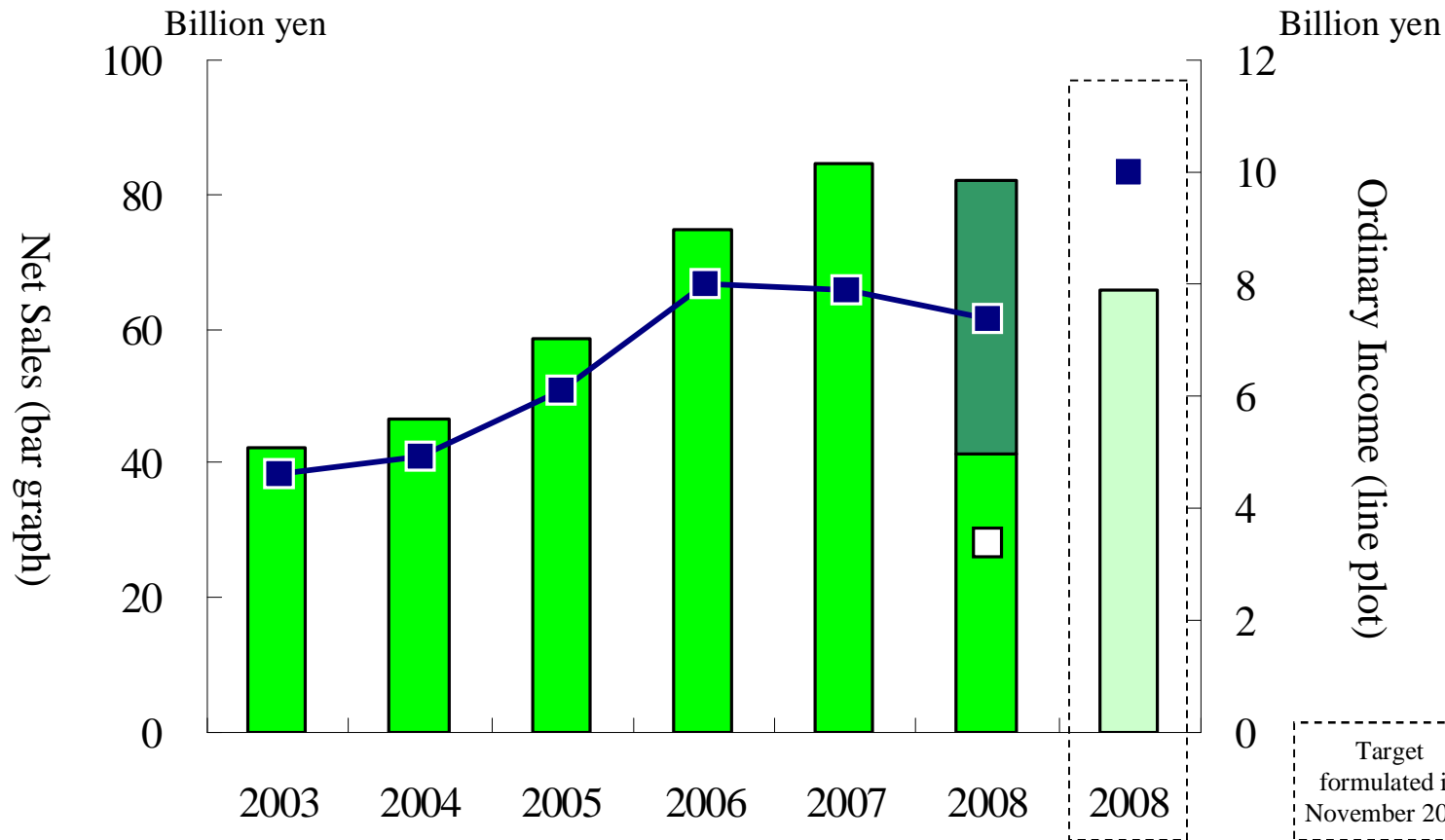
3. Recycling

- Strengthening of disassembly and selection functions at Act-B Recycling and Eco-Recycle:
By introducing selection equipment, separators, etc., add further value to collected materials
- Started expanding the business lineup (for instance, recycling of home appliances) at Suzhou Dowa

4. New businesses

- Manufacturing of bio-diesel fuel (BDF) (Okayama, company established in July 2008 → preparation for construction launched)
- CDM operation launched in the Philippines: Earning emission credits through collection and burning of methane gas at hog farms

Fiscal 2008 first half: Increase in sales and decrease in income--Despite the expansion of the recycling operation, growth of waste processing and soil remediation was sluggish

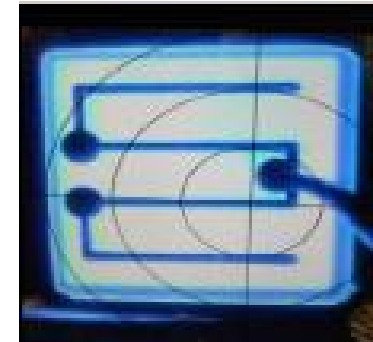


In the second half period of fiscal 2008:

- **Waste treatment:** Aiming for a prompt launch of the new incinerator while continuing to build capacity and the operating ratio at existing facilities
- **Soil remediation:** Compensate for the sluggish domestic market with the using of existing bases, expanding the scope of sales, and strengthened on-site treatment and overseas business development
- **Recycling:** Flexible raw material collection responding to operating ratio at the new Kosaka facility and market trends
Minimizing the negative effects of falling metal prices by strengthening of the manufacturing site, for example through cost cutting at existing facilities

1. Semiconductors

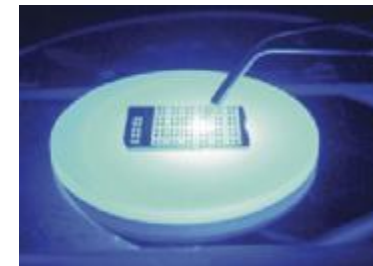
- Nitride semiconductors:
Research in several-unit production → in transition to mass trial production
- LED:
Communication-use is sluggish because of falling demand for cell phones.
DOWA sought to offset this with sensor-use, such as medical and flashing LED, but was unsuccessful because of the worsening market situation



Blue LED (now in development)

2. Functional materials (electronic materials, magnetic materials)

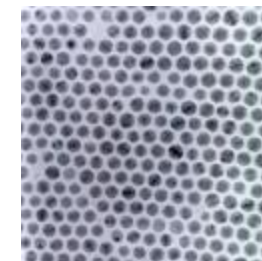
- Metal powder:
Steady sales by acceleration of switch of magnetic tapes from the third generation to the fourth generation (LTO4)
(LTO4 market: up 60% year-on-year)
- Silver powder:
Sales increased mainly for solar battery use, demand for which is rapidly increasing



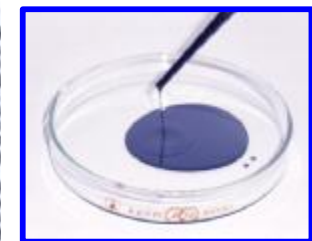
Deep-UV LED (now in development)

3. New development

- Metallic nanopowder now marketed. It is promising for use in printing circuits on paper and PET.
- Acquisition of exclusive sales rights of U.S. PChem products. Fusing the products with technologies of DOWA to develop conductive ink
- Development of deep ultraviolet LED:
Developing the world's leading deep ultraviolet LED by introducing the technology of PARC of the United States, to cultivate the market
- Development of catalysts for diesel automobiles
→Development with a 2011 launch date

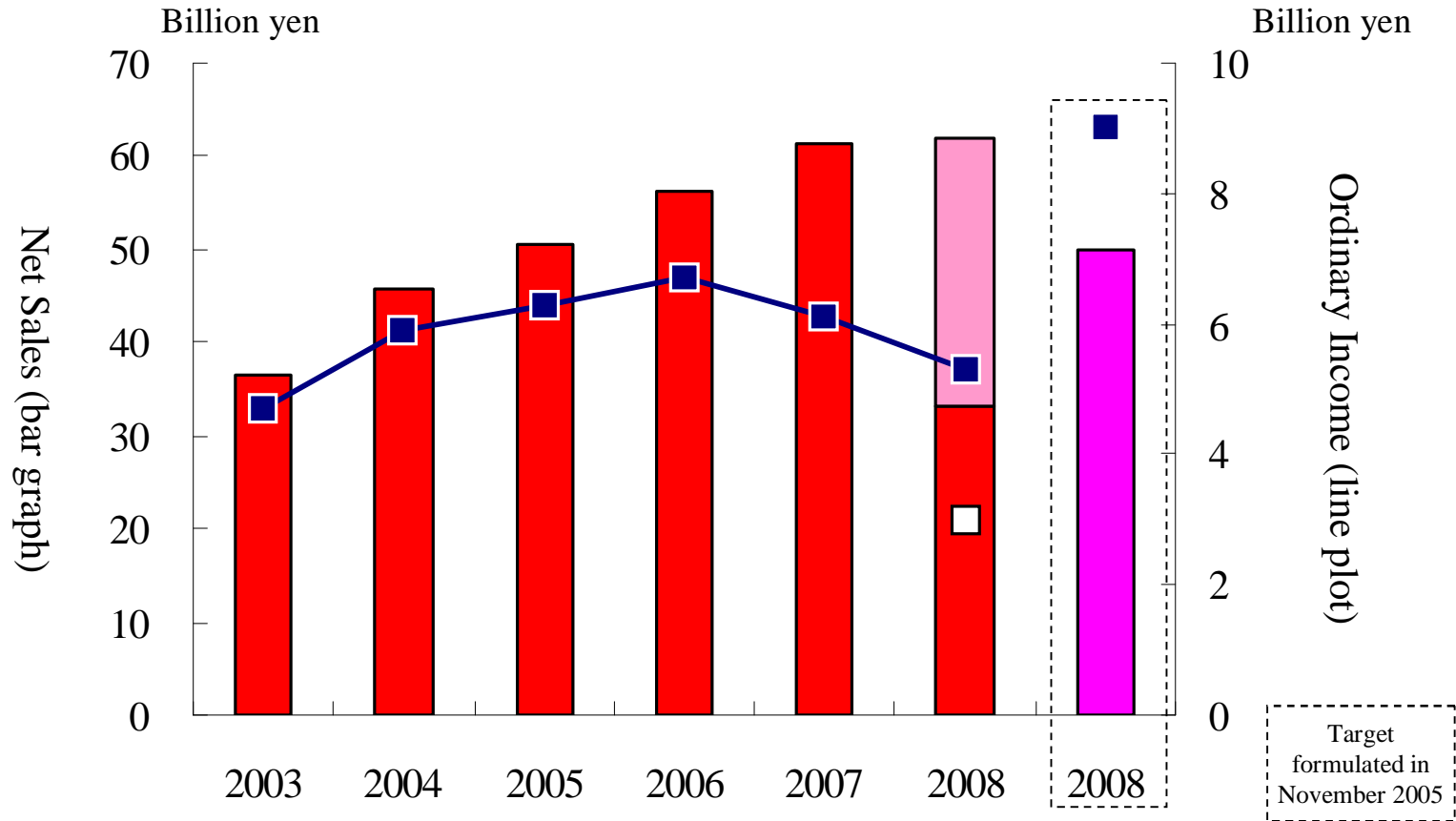


Metal nano particles



Silver nanopowder
conductive inks

Fiscal 2008 first half: Both sales and income fell on the negative effects of declining demand for semiconductor products



In the second half period of fiscal 2008:

- **Compounds:** LED→ shift to high value-added LD; sample work in progress to attract new customers
- **Opto devices:** Declining demand for cell phones expected to continue in the second half; aiming to expand sensors for medical use, such as body detection
- **Carrier powder:** Pursuing development including alliances; aiming for purchases by photocopier manufacturers
- **Silver powder:** Expansion of silver powder sales for solar batteries, whose sales soared by 50% annually

1. Metal processing

- Toward stable production at DOWA Metal through onsite reforms

	FY2007 1H	→	FY2008 1H
Total output:	24,000t	→	25,500t
Copper alloy ratio:	38%	→	45%
Tin plating ratio:	42%	→	48%

- Integration of rolled copper products sales bases (Tokyo and Nagoya) to Hamamatsu
- DOWA Metanix alloy (C7035, Y-Cut) improvement
Improvement in performance and processability through DOWA process → In evaluation for connector use

2. Electroplating

- DOWA High Tech launches collection of nickel and tin
→ Cost cutting by collection from plating effluent
- Zero use of lead → Substitution of all solder plating completed (since April)
- Silver plating line is started operating in Thailand

3. Metal-Ceramic Substrates

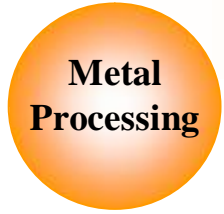
- Completion of DOWA Power Device reinforcement → acquisition of certification
- Full launch of TD Power Materials achievement of 300,000 units/month of ceramic board
- Sample shipment to Europe
→ Acquisition of initial certification; mass production certification to follow



BA line (bright annealing furnace)
DOWA Metanix

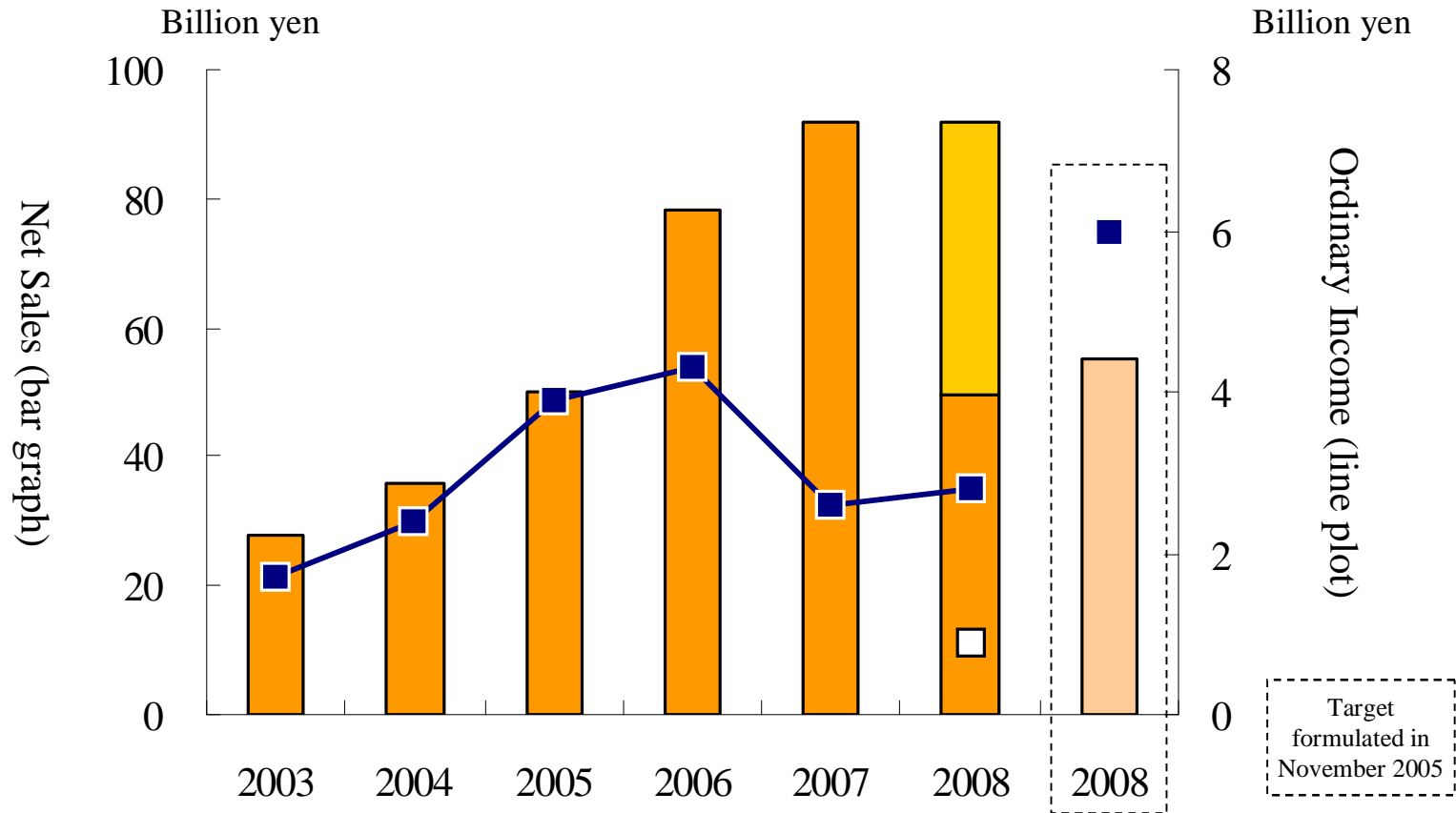


New annex, DOWA Power Device



DOWA Metaltech Co., Ltd.

Fiscal 2008 first half: Although production was stable, income declined significantly compared to forecast because of sluggish demand for cell phone and semiconductor applications, along with a fall in automotive uses in the last half of the period, as well as losses stemming from raw material prices induced by weaker copper, metal, and other metal prices.



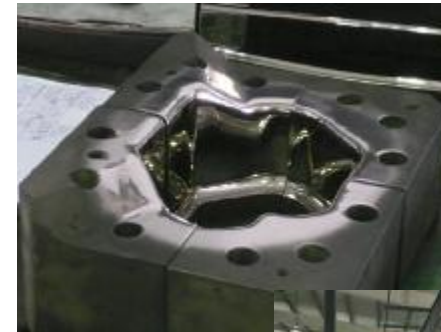
In the second half period of fiscal 2008:

- **Metal processing:** Adoption of cost-cutting and risk reduction by optimizing production between DOWA Metal and DOWA Metanix; inventory reduction, and other measures
- **Precious metal plating:** Integration of old and new lines; differentiation through metal-saving technology such as improvements in the precision of spot area-plating
- **Circuit board substrates:** A 600,000-unit production capacity has been set up at TD Power Materials; launch of nitride aluminum metal-ceramic substrate (nitride aluminum) sales in Europe following certification

Jump up to the New Stage

1. Expansion of domestic operation

- **Operation at New Ota Plant launched (May 2008)**
Started outsourced carburizing, nitriding, and TD-processing
TD-processing delivery time cut by 20% compared to conventional method
→TD processing will be integrated into the Ota Plant, which has high productivity
- **Construction of New Seki Plant**
Review of operation launch date to respond to changes of demand
→Planning to launch operation in fiscal 2009
- **New plant building plan**
Comprehensive consideration of plant construction in Kyushu



TD-processed die cast



TD-processing line

2. Overseas business

- **Outsourced carburizing processing launched in Thailand**
- **Responding to slowdown in vehicle production in North America**
→Cost cutting , workforce downsizing, and other measures

3. Strengthening of industrial furnace business

- **Streamlining and increased capacity by manufacturing base integration**
→Setting up the Second Toyohashi Plant and transfer the Moka manufacturing base

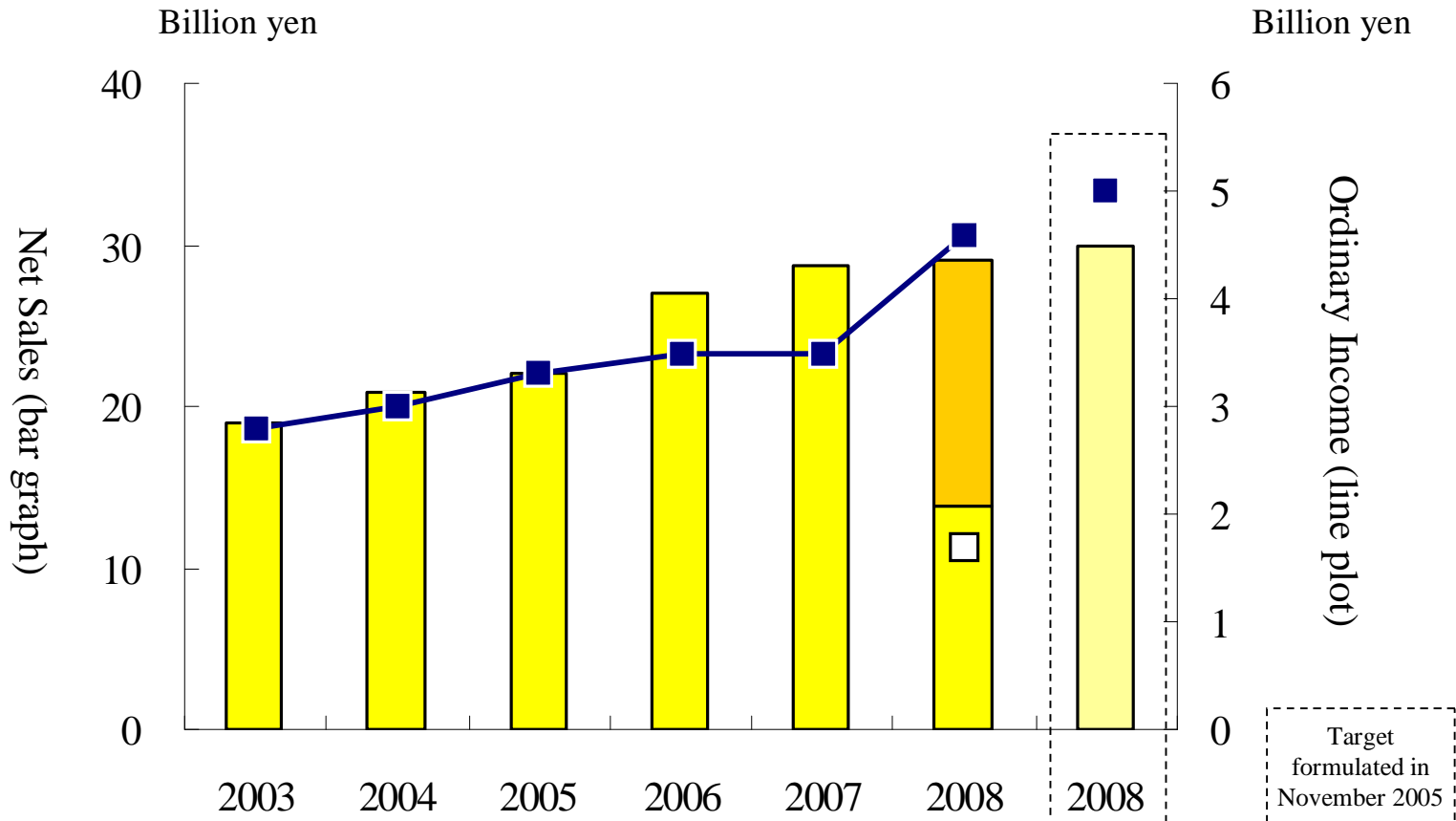


Carburizing furnace in Thailand

Heat Treatment

DOWA Thermotech Co., Ltd.

First half of fiscal 2008: Although heat treatment was influenced by the slowdown in vehicle production, the goal was achieved with higher sales of industrial furnaces.



In the second half period of fiscal 2008:

- **Heat treatment:** Securing profits through comprehensive cost-cutting in response to changes in the external environment
Stable operation of Ota Plant, orders for hybrid and other eco-friendly products, and steady execution of overseas business development
- **Industrial furnaces:** Development of furnace with low CO₂ emissions that meet environmental demand, and bolstering of maintenance business

Jump up to the New Stage

Topic: Operation at New Smelting Facilities

1. Change in operating rate (TSL furnace)

- Fiscal 2008 first-half period: met 60% of the estimate
- Fiscal 2008 second-half (October): met 80% of the estimate

2. Details of initiatives to raise operating rate

- Responding to initial troubles:
Review of process and operating conditions
→practiced from April to June
- Facility improvement:
Anti-accretion (removal of refining furnace) etc.
→practiced during the regular repair in August and September

3. Improvements for the near future

- Heat source :
Reduction in energy costs, for instance by stepping up processing of waste substrates
- Increased processing capacity by re-utilization of old facilities (converter to electrolysis)
- Completion of facility improvement construction (introduction of holding furnace): end of December



**Improvement in
operating rate**

Stable operation

**Will aim for new metal
collection from fiscal
2009**

Conclusion

◆ Progress with Business Structural Reform Plan III

- ◆ Transition to the HD system and cutbacks on non-core businesses proceeded as planned
- ◆ Proactive execution of capital investment and M&A designed for future growth
- ◆ In many projects, the planned investment effects could not be achieved – with sales and income, plans are not fully achieved
- ◆ The operating environment rapidly worsened in the final fiscal year of the plan; difficulties in achieving immediate goals

Toward new challenge by considering reflections on Business Structure Reform III



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~