



# Consolidated Financial Summary for the First Quarter of the Fiscal Year Ending March 2010

July 30, 2009

## Company name: Dowa Holdings Co., Ltd.

Exchange: First Section of Tokyo Stock Exchange, First Section of Osaka Securities Exchange, First Section of Nagoya Stock Exchange, Fukuoka Stock Exchange, and Sapporo Securities Exchange  
 Stock code: 5714 URL: <http://www.dowa.co.jp/>  
 Representative: Masao Yamada, President and Representative Director  
 Contact: Takehiro Narita, Director of Accounting Section, Accounting and Finance Department  
 Tel: +81-3-6847-1150

Scheduled date of submission: August 14, 2009

Scheduled date of commencement of dividend payments: —

(Rounded down to nearest million yen)

## 1. Consolidated business results for the first quarter of the fiscal year ending March 2010

(April 1, 2009 – June 30, 2009)

### (1) Consolidated business results

(%: Change from previous year)

	Net Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter to June 2009	63,139	-44.7	4,290	-63.9	3,530	-71.9	1,633	-78.3
First quarter to June 2008	114,106	—	11,901	—	12,551	—	7,521	—

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
First quarter to June 2009	5.63	5.35
First quarter to June 2008	25.13	23.92

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 2009	338,196	108,454	30.6	357.37
As of March 2009	343,208	103,830	28.7	339.93

(Reference) Shareholders' equity: As of June 30, 2009: 103,624 million yen  
 As of March 31, 2009: 98,566 million yen

## 2. Dividends

(Record date)	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2009	—	—	—	10.00	10.00
Fiscal year ending March 2010	—	—	—	—	—
Fiscal year ending March 2010 (forecast)	—	—	—	—	—

(Note) Revisions of expected dividends in the first quarter under review: None  
 A dividend forecast is to be determined.

## 3. Forecast consolidated results for the fiscal year ending March 2010 (April 1, 2009 – March 31, 2010)

(%: Change from the same period of the previous year)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	105,000	-51.2	-1,000	—	-2,000	—	-2,000	—	-6.90
Full year	240,000	-30.8	5,000	—	3,000	—	1,000	—	3.45

(Note) Revisions of estimated consolidated results in the first quarter under review: None

4. Other information

(1) Significant changes in subsidiaries during the term (change in scope of consolidation): None

(2) Application of simplified accounting and accounting specific to the preparation of quarterly consolidated financial statements:

Yes

(Note) For details, refer to 4. Other information (2) in [Qualitative Information, Financial Statements, etc.] on page 7.

(3) Changes in the accounting principles, procedures and presentation related to the preparation of the quarterly consolidated financial statements (those that are described in changes in the basis of the quarterly consolidated financial statements)

(i) Changes due to amendments to accounting standards: Yes

(ii) Changes due to other reasons than item (i): None

(Note) For details, refer to 4. Other information (3) in [Qualitative Information, Financial Statements, etc.] on page 7.

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares (including treasury stock) at the end of the period

As of June 2009: 303,790,809 shares

As of March 2009: 303,790,809 shares

(ii) Number of shares of treasury stock at the end of the period

As of June 2009: 13,828,600 shares

As of March 2009: 13,828,559 shares

(iii) Average number of shares during the period (first quarter)

As of June 2009: 289,962,240 shares

As of June 2009: 299,268,594 shares

\* Cautionary statement concerning forward-looking statements

The results forecasts and other forward-looking statements included in this document are based on information available to the Company as of the date of the announcement and certain assumptions that the Company has judged to be reasonable. Actual results may differ materially from the statements in the document, due to various factors. For assumptions regarding forecast performances and precautions for using such forecasts, refer to 3. Qualitative information on consolidated results forecasts, in [Qualitative Information, Financial Statements, etc.] on page 6.

## Qualitative Information, Financial Statements, etc.

### 1. Qualitative information on consolidated operating results

The Japanese economy continued to struggle in the first quarter under review due to the global recession triggered by the extreme credit contractions in the United States that began in the middle of the previous fiscal year. Although some signs indicated a slowdown in production falls due to the economic measures taken by the Japanese government as well as the bottoming-out of the Chinese economy, the employment and income environments continued to worsen, indicating a far from firm economic recovery.

The Dowa Group was faced with continuous declines in demand for automobiles and IT, resulting in extensive impacts on our business segments. In the Environmental Management & Recycling segment, sales in the soil remediation business, which had faced continuously falling demand, remained weak. In addition, sales in the waste treatment and recycling business decreased due to a decline in discharge volumes. In the Nonferrous Metals segment, the sales volumes of copper, zinc, platinum group, and indium decreased on the back of sluggish demand, although metal prices, which had been falling since the second half of the previous year, ceased to fall. In the Electronic Materials, Metal Processing and Heat Treatment segment, sales declined due to falling demand in the automobile, electronic component and semiconductor industries.

In these economic circumstances, the Dowa Group has carried out structural reforms in all its business segments to improve productivity, comprehensively reduce costs and inventory, and cut back personnel, repair, and other fixed costs.

As a result, net sales for the first quarter under review decreased by 45% year on year, to ¥63,139 million. Operating income decreased by 64%, to ¥4,290 million, while ordinary income decreased by 72%, to ¥3,530 million. Quarterly net income also decreased by 78%, to ¥1,633 million.

The results in each major segment are as follows:

#### Environmental Management & Recycling

Sales of waste treatment declined due to a decline in discharge volumes from customers owing to the effects of the weakened economy. Sales from the soil remediation business also declined due to a decrease in construction starts. The collection and treatment of shredder residues in the recycling business decreased. In addition, sales of home appliance recycling decreased due to a reduction in collection volumes.

As a result, net sales in this segment declined by 37% year on year, to ¥13,315 million, while operating income declined by 71% year on year, to ¥472 million.

During the first quarter under review, the Company acquired 20% of the shares of Akagi Kouyu Co., Ltd., which is located in Midori City, Gunma Prefecture and engages chiefly in industrial waste incineration treatment, and added Akagi Kouyu to an equity method affiliate.

### Nonferrous Metals

Conditions for sourcing ores for major metals worsened year on year, on top of that the prices of copper, zinc, and platinum group metals fell significantly. Sales of copper, zinc and platinum group metals and indium declined due to reduced demand.

Profit declined, primarily due to the lack of temporary increase, unlike the corresponding quarter of the previous year when a temporary increase from the resale of semi-finished products was posted, in addition to the tougher sourcing conditions and decline in sales volumes.

As a result, sales in this segment declined by 43% year on year, to ¥34,936 million, while operating income declined by 55%, to ¥2,930 million.

### Electronic Materials

Sales of high-purity gallium, gallium arsenide wafers and LED chips for infrared data communications of mobile phones decreased due to a decline in demand stemming from the sluggish semiconductor industry. In the functional materials business, sales of iron powders and ferrite powders decreased, although sales of silver powder for solar batteries and carrier powders for copiers increased.

As a result, sales in this segment decreased by 44% year on year, to ¥9,938 million, while operating income decreased by 53% year on year, to ¥883 million.

The Company added Kyoto Elex Co., Ltd., which is located in Kyoto City, Kyoto Prefecture and engages in the production and sale of paste materials in the electronics industry, to one of our equity method affiliates from the first quarter under review, because the affiliate enhanced its significance for the Company.

### Metal Processing

Sales of tin-plating products and copper alloy strips for terminals and connectors decreased due to continued falls in demand for automobiles from the latter half of the previous fiscal year. Sales of electronics components and semiconductors decreased year on year, although demand for these products began to recover. Sales of precious metal plating for automobiles and mobile phones declined, while sales of ceramic substrates for industrial machines also decreased.

As a result, sales in this segment decreased by 62%, to ¥9,494 million. Operating income decreased by 76%, to ¥256 million.

### Heat Treatment

Sales of both heat treatment and industrial furnaces decreased due to a decline in demand in the automobile industry. In response, the Company carried out cost reductions, including downsizing personnel and improving productivity. We were unable to post a profit, however.

As a result, sales in this segment decreased by 57% year on year, to ¥2,961 million, while a ¥247 million year on year operating loss was posted, against a net profit of ¥905 million for the corresponding quarter of the preceding fiscal year.

## 2. Qualitative information on consolidated financial position

### (1) Assets, liabilities, and net assets

Total assets at the end of the first quarter under review fell ¥5,012 million from the end of the previous fiscal year, to ¥338,196 million. Current assets declined ¥7,546 million, and fixed assets rose ¥2,534 million.

The decrease in current assets is attributed mainly to a decline of ¥2,103 million in inventory assets as a result of comprehensive inventory reductions, and to a decline of ¥2,205 million in cash and time deposits. An increase in fixed assets is attributed primarily to an increase of ¥6,001 million in the market value of investment securities stemming from an increase in the market value of listed stocks held by the Company.

Liabilities declined by ¥9,636 million from the end of the preceding consolidated fiscal year. The decrease is largely ascribed to a ¥7,638 million repayment of interest-bearing debt and a decline of ¥1,260 million in accrued bonuses.

The balance of the interest-bearing debt for the first quarter under review was ¥172,858 million.

For net assets, although net income for the first quarter under review was ¥1,633 million, shareholders' equity declined by ¥1,436 million due to the payment of dividends. Meanwhile, adjustments for valuation, foreign currency conversion and other items increased by ¥6,494 million, due primarily to the market values of stocks and derivative transactions. As a result, the equity ratio increased by 1.9% to 30.6% from the end of the preceding consolidated fiscal year.

### (2) Consolidated cash flows

Consolidated cash and cash equivalents (“cash”) fell ¥2,215 million from the end of the previous fiscal year to ¥48,466 million at the end of the first quarter under review.

#### Cash flows from operating activities

Net cash provided from operating activities for the first quarter under review amounted to ¥10,905 million (an increase of ¥19,758 million year on year). The increase stemmed chiefly from an adjustment of non-financial expenses, including depreciation and amortization of ¥4,053 million, and a decline in inventory assets of ¥2,536 million stemming from inventory reduction, in addition to income before income taxes and minority interests of ¥3,145 million.

#### Cash flows from investing activities

Net cash used in investing activities for the first quarter under review stood at ¥2,918 million (a decline of ¥3,831 million in expenditure year on year). The expenditure was primarily for the acquisition of property, plant and equipment of ¥2,091 million, including maintenance and renewals in the Nonferrous Metals facilities as well as capital investment in the Environmental Management & Recycling segment to boost business.

#### Cash flows from financing activities

Net cash used in financing activities for the first quarter under review amounted to ¥10,263 million (a year-on-year increase of ¥25,210 million in expenditure). The expenditure was primarily for dividend payments of ¥3,210 million and repaying interest-bearing debt of ¥7,619 million.

In terms of increases and decreases in interest-bearing debt, the difference between the quarterly consolidated balance sheet and the quarterly cash flow statement is attributed to the impact of foreign currency conversion differences.

### 3. Qualitative information on consolidated results forecast

The business environment remained extremely challenging, owing to continuous uncertainty in demand deriving from the global recession. The exchange market and metal prices exceeded the Company's assumptions. Although some of the businesses indicated signs of recovery, the situation was far from a firm recovery, so no predictions were possible.

Net sales of ¥63,139 million and ordinary income of ¥3,530 million for the first quarter are exceeding our initial assumptions, but in the second quarter the Nonferrous Metals segment is scheduled to suspend operations for periodical repairs in the second quarter. In addition, since currency exchange rates, metal prices, and demand trends are uncertain, the Company has no intention of amending its performance forecasts for the first half, full-year performance forecasts, and dividend forecasts at present, because these forecasts will be disclosed properly after the changes in the business environments are taken into account.

#### 4. Other information

##### (1) Significant changes in subsidiaries during the term (change in scope of consolidation)

None.

##### (2) Application of simplified accounting and accounting specific to the preparation of quarterly consolidated financial statements

###### (Simplified accounting)

###### 1) Method of assessing inventory assets

The Company has adopted the practice of estimating the net sale values of inventory assets and writing off their book values, apart from major inventory assets, only when their profitability indicates a marked decline.

###### 2) Methods of calculating income taxes, deferred tax assets, and deferred tax liabilities

The Company has adopted the practice of confining addition and deduction items and tax-deductible items to important items in calculating the amount of income taxes, etc.

As it is considered that no marked change has been observed in the business environment and the occurrence of temporary differences after the end of the previous consolidated fiscal year, the collectability of deferred tax assets is determined by the method of using performance forecasts and tax planning used for the previous consolidated fiscal year.

###### (Accounting specific to the preparation of quarterly consolidated financial statements)

None.

##### (3) Changes in the accounting principles, procedures and presentation related to the preparation of the quarterly consolidated financial statements

###### (Changes in accounting principles and procedures)

Changes in recognizing revenue from completed construction works and accounting standards for completed construction costs

In the past, the Company mainly applied the completed contract method for recognizing revenue from construction contracts. However, it has begun to apply the Accounting Standards for Construction Contracts (ASBJ No. 15, December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, December 27, 2007) from the consolidated first quarter under review. Accordingly, the percentage of completion method (estimating the progress rate of construction is chiefly based on the cost proportion method) has been applied to those of the construction contracts that indicate specific progress in terms of results, while the completed contract method has been applied to other construction work for the construction contracts that commenced in the consolidated first quarter under review

The effects on profit and loss and segment information from the abovementioned changes are minor and negligible.

## 5. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of first quarter under review (June 30, 2009)	Condensed consolidated balance sheets for previous fiscal year (March 31, 2009)
<b>(Assets)</b>		
Current assets		
Cash and time deposits	48,618	50,824
Notes and accounts receivable	32,421	34,584
Merchandise and finished goods	16,278	16,715
Work in progress	3,971	3,938
Raw materials and stores	30,809	32,508
Deferred tax assets	2,051	2,678
Other current assets	10,617	10,998
Allowance for doubtful accounts	(204)	(138)
<b>Total current assets</b>	<b>144,563</b>	<b>152,110</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures	83,102	82,635
Accumulated depreciation	(43,711)	(42,802)
Buildings and structures (net)	39,390	39,832
Machinery and equipment	171,632	171,185
Accumulated depreciation	(136,899)	(134,565)
Machinery and equipment (net)	34,732	36,619
Land	22,689	22,760
Construction in progress	16,468	14,573
Other fixed assets	11,712	11,518
Accumulated depreciation	(9,526)	(9,273)
Other fixed assets (net)	2,186	2,245
<b>Total property, plant and equipment</b>	<b>115,467</b>	<b>116,031</b>
Intangible fixed assets		
Goodwill	7,338	7,174
Other intangible fixed assets	1,523	1,404
<b>Total intangible fixed assets</b>	<b>8,861</b>	<b>8,578</b>
Investments and other assets		
Investments in securities	54,967	48,966
Long-term loans	279	23
Deferred tax assets	11,862	15,325
Other investments and assets	2,445	2,378
Allowance for doubtful accounts	(251)	(204)
<b>Total investments and other assets</b>	<b>69,303</b>	<b>66,488</b>
<b>Total fixed assets</b>	<b>193,633</b>	<b>191,098</b>
<b>Total assets</b>	<b>338,196</b>	<b>343,208</b>

(Million yen)

	End of first quarter under review (June 30, 2009)	Condensed consolidated balance sheets for previous fiscal year (March 31, 2009)
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable	18,541	18,509
Short-term borrowings	68,622	72,192
Corporate bonds due within one year	10,007	10,007
Accrued income taxes	614	588
Accrued consumption taxes	968	559
Deferred tax liabilities	8	2
Reserves		
Reserve for bonus	1,318	2,579
Reserve for directors' bonus	5	162
Total reserves	1,323	2,742
Other current liabilities	16,348	17,354
Total current liabilities	116,435	121,956
Long-term liabilities		
Corporate bonds	—	7
Long-term debt	94,228	98,289
Deferred tax liabilities	1,222	1,243
Reserves		
Reserve for employees' retirement benefits	12,253	12,588
Reserve for directors' and corporate auditors' retirement benefits	652	651
Other reserves	1,540	1,598
Total reserves	14,447	14,839
Other long-term liabilities	3,408	3,042
Total long-term liabilities	113,306	117,422
Total liabilities	229,742	239,378
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	36,436	36,436
Additional paid-in capital	26,361	26,361
Retained earnings	39,826	41,262
Treasury stock, at cost	(5,618)	(5,618)
Total shareholders' equity	97,005	98,442
Adjustment for valuation, foreign currency translation and others		
Unrealized gain on securities available for sale	8,273	4,238
Deferred gain (loss) on derivatives under hedge accounting	(490)	(2,542)
Foreign currency translation adjustments	(1,164)	(1,571)
Total adjustment for valuation, foreign currency translation and others	6,618	124
Minority interests	4,830	5,263
Total net assets	108,454	103,830
Total liabilities and net assets	338,196	343,208

## (2) Quarterly Consolidated Statements of Income

First Quarter

(Million yen)

	First quarter of the previous fiscal year (From April 1, 2008 to June 30, 2008)	First quarter of the fiscal year under review (From April 1, 2009 to June 30, 2009)
Net sales	114,106	63,139
Cost of sales	95,359	52,634
Gross profit	18,747	10,505
Selling, general and administrative expenses		
Transport charges	701	640
Sales charges	166	134
Directors' compensation	214	299
Salary and benefits	1,206	1,141
Welfare expense	354	344
Provision for bonuses	461	312
Retirement benefit expense	86	65
Provision for directors' retirement allowances	43	50
Rent expense	165	181
Taxes and public charges	245	216
Travel expense	328	271
Depreciation and amortization	167	194
Research and development expenditure	1,220	1,053
Amortization of goodwill	125	147
Other selling, general and administrative expenses	1,356	1,160
Total selling, general and administrative expenses	6,845	6,214
Operating income	11,901	4,290
Non-operating income		
Interest income	125	66
Dividend income	533	372
Exchange gain	249	—
Equity in earnings of affiliates	376	—
Other non-operating income	669	656
Total non-operating income	1,953	1,095
Non-operating expenses		
Interest expense	572	767
Exchange loss	—	146
Equity in losses of affiliates	—	219
Other non-operating expenses	730	721
Total non-operating expenses	1,303	1,854
Ordinary income	12,551	3,530

(Million yen)

	First quarter of the previous fiscal year (From April 1, 2008 to June 30, 2008)	First quarter of the fiscal year under review (From April 1, 2009 to June 30, 2009)
Extraordinary income		
Gain on sale of property, plant and equipment	5	42
Gain on sale of investment in securities	6	—
Other extraordinary income	22	32
Total extraordinary income	34	75
Extraordinary expenses		
Business structural reform expenses	—	184
Loss on disposal of marketable and fixed assets	54	129
Transfer to allowance for doubtful accounts	—	113
Loss on devaluation of investment securities	—	17
Environmental expenditures	—	5
Other extraordinary expenses	85	10
Total extraordinary expenses	139	461
Income before income taxes and minority interests	12,446	3,145
Income, inhabitants' and enterprise taxes	1,758	480
Deferred income taxes	2,650	852
Total income taxes	4,408	1,332
Minority interests	515	178
Net income	7,521	1,633

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	First quarter of the previous fiscal year (From April 1, 2008 to June 30, 2008)	First quarter of the fiscal year under review (From April 1, 2009 to June 30, 2009)
Cash flows from operating activities:		
Income before income taxes and minority interests	12,446	3,145
Depreciation and amortization	4,173	4,053
Amortization of goodwill	125	147
Increase (decrease) in allowance for doubtful accounts	(0)	109
Increase (decrease) in other allowances	(2,236)	(1,854)
Interest and dividend income	(659)	(439)
Interest expense	572	767
Foreign exchange (gain) loss	0	(4)
Equity in (earnings) losses of affiliates	(376)	219
Loss (gain) on sale of fixed assets	(5)	(38)
Loss on disposal of marketable and fixed assets	54	129
Loss (gain) on sale of investment in securities, net	(6)	—
Loss (gain) on evaluation of investment securities	—	17
Business structural reform expenses	—	184
Decrease (increase) in trade receivables	3,835	2,302
Decrease (increase) in inventories	(2,752)	2,536
Increase (decrease) in trade payables	(9,373)	(6)
Increase (decrease) in accrued consumption taxes	572	406
Other	(194)	475
Subtotal	6,177	12,150
Interest and dividend income received	686	564
Interest expenses paid	(522)	(718)
Repayment (payment) of corporate taxes	(15,194)	(1,091)
Net cash used in/provided by operating activities	(8,853)	10,905

(Million yen)

	First quarter of the previous fiscal year (From April 1, 2008 to June 30, 2008)	First quarter of the fiscal year under review (From April 1, 2009 to June 30, 2009)
Cash flows from investing activities:		
Decrease (increase) in fixed deposits	(51)	—
Acquisition of property, plant and equipment	(6,611)	(2,091)
Proceeds from sale of property, plant and equipment	22	45
Acquisition of investments in securities	(1)	(30)
Proceeds from sale of investment in securities	8	—
Acquisition of investments in subsidiaries and affiliates	(99)	(458)
Payment for loans	(5)	(1,545)
Proceeds from collection of loans	54	1,200
Other	(65)	(39)
Net cash used in investing activities	(6,749)	(2,918)
Cash flows from financing activities:		
Increase (decrease) in short-term bank loans, net	18,962	(4,095)
Proceeds from long-term debt	5,000	122
Repayment of long-term debt	(2,727)	(3,639)
Expenditure for redemption of corporate bonds	(7)	(7)
Purchase of treasury stock	(0)	(0)
Proceeds from sale of treasury stock	0	—
Cash dividends paid	(6,075)	(2,588)
Cash dividends paid to minority shareholders	(145)	(621)
Increase in finance lease obligations	—	649
Repayment of finance lease obligations	(59)	(82)
Net cash provided by/used in financing activities	14,947	(10,263)
Foreign currency translation adjustment on cash and cash equivalents	(16)	60
Net increase (decrease) in cash and cash equivalents	(671)	(2,215)
Cash and cash equivalents at beginning of term	4,294	50,681
Cash and cash equivalents of newly consolidated subsidiaries	100	—
Cash and cash equivalents at end of term	3,722	48,466

(4) Notes to assumptions for going concerns

None.

(5) Segment information

Segment information by business type

First quarter of the previous fiscal year (April 1, 2008 to June 30, 2008)

(Million yen)

	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Other	Total	Eliminations or Company-wide	Consolidated
Sales									
(1) External customers	12,068	52,480	17,120	25,177	6,897	362	114,106	—	114,106
(2) Inter-segment	8,952	8,337	579	3	—	2,562	20,435	(20,435)	—
Total	21,020	60,818	17,700	25,180	6,897	2,924	134,542	(20,435)	114,106
Operating income (loss)	1,634	6,446	1,863	1,077	905	103	12,032	(130)	11,901

First quarter of the fiscal year under review (April 1, 2009 to June 30, 2009)

(Million yen)

	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Other	Total	Eliminations or Company-wide	Consolidated
Sales									
(1) External customers	9,264	31,420	9,694	9,490	2,961	306	63,139	—	63,139
(2) Inter-segment	4,050	3,515	243	3	—	1,860	9,674	(9,674)	—
Total	13,315	34,936	9,938	9,494	2,961	2,167	72,814	(9,674)	63,139
Operating income (loss)	472	2,930	883	256	(247)	(99)	4,196	93	4,290

(6) Notes if any significant change occurs in the amount of shareholders' equity

None.