

# DOWA

## *Fiscal 2009*

# *First-Half Business Results*

*November 11, 2009*

**Dowa Holdings Co., Ltd.**

\* Forward-looking statements made in this document, such as business forecasts, are based on the information available at this time and on certain premises that the Company assumes to be reasonable. Actual performance may differ materially from such forecasts due to a variety of factors.

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# *Operating Results*

*Fiscal 2009 Interim Settlement*

# Overview of Operating Results

Billion yen

	FY2008 Results		FY2009 Initial forecasts		Nearest forecasts	
	1st Half	Full Year	1st Half	Full Year	1st Half	Full Year
Net Sales	215.1	346.8	105.0	240.0	129.6	278.0
Operating Income	11.5	(8.4)	(1.0)	5.0	5.2	11.0
Ordinary Income	11.2	(13.3)	(2.0)	3.0	4.7	10.0
Net Income	5.2	(28.1)	(2.0)	1.0	1.8	5.0

- Ø At the beginning of the fiscal year, the Company planned to reduce costs 10 billion yen per year through reductions in personnel expenses, other cost-cutting measures, and operational improvements. Cost savings of 6 billion yen were achieved in the first half.
- Ø The integrated operation and consolidation of plants in metal processing and heat treatment have almost been completed, steadily lowering the breakeven point.
- Ø Initiatives to improve earnings at large-scale investment projects, one of the key challenges facing the Company, are producing results, including an improvement in the operation rate at new smelting facilities of Kosaka Smelting & Refining and an increase in the productivity of DOWA Metanix.
- Ø The Company returned to profitability early in the first half, reflecting rising metal prices and a stronger recovery in demand than that expected by the Company, in addition to the items above. Ordinary income of 10 billion is expected for the full year.

# *Major Products: Production Volume/ Treatment Volume Results and Forecasts*

FY2009 1st half results / 2nd half forecasts		1st half results Ratio to first half of FY 2008			2nd half forecasts Ratio to first half of FY 2008		
		Q1	Q2	H1	Q3	Q4	H1
Environmental Management & Recycling	Waste processing volume	91	105	98	124	129	126
	Soil remediation volume at Hanaoka	89	61	75	101	90	95
Nonferrous Metals	Gold	201	134	167	136	179	157
	Silver	152	119	136	164	145	155
	Copper	66	102	84	93	107	100
	Zinc	119	33	76	116	104	110
Electronic Materials	Compound semiconductor	51	69	60	60	56	58
	LED	73	77	75	67	65	66
	Silver powder	105	155	130	148	178	163
Metal Processing	Copper strip products	52	75	64	82	88	85
Heat Treatment	Heat treatment	48	57	53	72	76	74

Indexes (100 for 1st half of FY 2008)

# Income Statements

Million yen

	FY2008 1st half			FY2009 1st half			Change		
	Q1	Q2	H1	Q1	Q2	H1	Q1	Q2	H1
<b>Net Sales</b>	<b>114,106</b>	<b>101,087</b>	<b>215,193</b>	<b>63,139</b>	<b>66,463</b>	<b>129,602</b>	<b>(50,967)</b>	<b>(34,623)</b>	<b>(85,591)</b>
Cost of Sales	95,359	94,589	189,949	52,634	59,404	112,039	(42,725)	(35,184)	(77,909)
Of these, differences in market and book prices and loss on a lower cost basis	1,529	6,801	8,330	(1,901)	578	(1,323)	(3,430)	(6,223)	(9,653)
<b>Gross Profit</b>	<b>18,747</b>	<b>6,497</b>	<b>25,244</b>	<b>10,505</b>	<b>7,058</b>	<b>17,563</b>	<b>(8,242)</b>	<b>560</b>	<b>(7,681)</b>
Selling, General, and Administrative Expenses	6,845	6,832	13,678	6,214	6,069	12,284	(631)	(762)	(1,393)
<b>Operating Income</b>	<b>11,901</b>	<b>(335)</b>	<b>11,566</b>	<b>4,290</b>	<b>988</b>	<b>5,279</b>	<b>(7,610)</b>	<b>1,323</b>	<b>(6,287)</b>
Other Income	1,953	397	2,351	875	1,366	2,242	(1,077)	969	(108)
Interest and dividend income	658	132	791	439	76	515	(219)	(55)	(275)
Equity in earnings of affiliates	376	(295)	80	(219)	575	355	(595)	870	275
Other income	918	560	1,478	656	714	1,370	(262)	154	(108)
Other Expenses	1,303	1,316	2,620	1,635	1,108	2,744	332	(208)	123
Interest expenses paid	572	616	1,188	767	709	1,477	194	93	288
Other expenses	730	700	1,431	868	399	1,267	137	(301)	(164)
<b>Ordinary Income</b>	<b>12,551</b>	<b>(1,254)</b>	<b>11,297</b>	<b>3,530</b>	<b>1,246</b>	<b>4,777</b>	<b>(9,020)</b>	<b>2,500</b>	<b>(6,520)</b>
Extraordinary Profits	34	96	131	75	91	167	40	(5)	35
Gain on sale of property, plant and equipment	5	8	14	42	14	57	36	6	43
Gain on sale of investment securities	6	8	15	0	0	0	(6)	(8)	(15)
Other profits	22	80	102	32	76	109	10	(3)	7
Extraordinary Losses	139	697	837	461	1,007	1,468	321	309	630
Loss on disposal of property, plant and equipment	54	295	350	129	152	282	74	(143)	(68)
Loss on valuation of investment securities	0	0	0	17	9	26	17	9	26
Impairment loss	0	157	157	0	183	183	0	26	26
Loss on liquidation of business, cost of structural reforms	0	0	0	184	470	655	184	470	655
Other	85	244	329	129	190	320	44	(53)	(8)
<b>Income Before Income Taxes and Minority Interests</b>	<b>12,446</b>	<b>(1,854)</b>	<b>10,591</b>	<b>3,145</b>	<b>330</b>	<b>3,475</b>	<b>(9,301)</b>	<b>2,185</b>	<b>(7,115)</b>
Income Taxes	4,408	279	4,688	1,332	42	1,375	(3,076)	(237)	(3,313)
Minority Interests in Income	515	98	614	178	41	220	(337)	(56)	(394)
<b>Net Income</b>	<b>7,521</b>	<b>(2,233)</b>	<b>5,287</b>	<b>1,633</b>	<b>246</b>	<b>1,879</b>	<b>(5,887)</b>	<b>2,479</b>	<b>(3,408)</b>

# Increase/Decrease by Segment (vs. Plan)

Billion yen

FY2009 1st half Results - Initial forecasts	Q1			Q2			H1		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	0.0	(0.1)	(0.1)	(0.3)	(0.2)	(0.1)	(0.4)	(0.3)	(0.3)
Nonferrous Metals	7.4	1.2	1.5	6.7	1.4	2.1	14.1	2.7	3.6
Electronic Materials	3.0	0.7	0.7	4.6	0.5	0.4	7.7	1.2	1.2
Metal Processing	2.5	1.4	1.4	5.0	1.3	1.4	7.5	2.7	2.8
Heat Treatment	0.2	0.1	0.1	0.1	(0.1)	(0.1)	0.4	0.0	0.0
Other/Elimination	(3.1)	0.0	(0.4)	(1.6)	(0.1)	(0.2)	(4.8)	0.0	(0.6)
<b>Total</b>	<b>10.0</b>	<b>3.5</b>	<b>3.2</b>	<b>14.5</b>	<b>2.7</b>	<b>3.5</b>	<b>24.6</b>	<b>6.2</b>	<b>6.7</b>

## Factors in Growth and Decline in Ordinary Income

Billion yen

FY2009 1st half Results - Initial forecasts	Q1	Q2	H1
Effects of changes in exchange rates and metal price fluctuations	1.0	0.6	1.6
Changes in the business environment	1.3	2.7	4.0
Other (profit and gain on equity method, resale of semi-finished products, etc.)	(0.2)	0.8	0.6
<b>Subtotal</b>	<b>2.1</b>	<b>4.1</b>	<b>6.2</b>
Productivity increases, cost reductions, etc.	0.7	(0.2)	0.5
<b>Total</b>	<b>2.8</b>	<b>3.9</b>	<b>6.7</b>

# Consolidated Results

## (vs. Plan, by Segment for 1st Half)

Billion yen

	FY2009 Plan for 1st half			FY2009 Results for 1st half			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																																																																		
Environmental Management & Recycling	28.0	1.3	1.1	27.5	0.9	0.7	(0.4)	(0.3)	(0.3)	Sales declined 0.3 billion yen and income fell 0.4 billion yen in the soil remediation business, reflecting a decline in demand and delays in construction starts. The waste treatment volume was 15% short of plan, and sales of waste treatment fell 1.6 billion yen. Income from waste treatment was about on a par with the plan due to a delay in the posting of depreciation expense for a new Chiba incinerator. Sales rose 1.7 billion yen and income was up 0.1 billion yen in the recycling business, thanks to increases in the volumes of recycled home appliances treated, along with higher sales of precious resources.																																																																	
Nonferrous Metals	52.0	(1.2)	(1.9)	66.1	1.5	1.7	14.1	2.7	3.6	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="7">Ratio of operating income to that of previous term</th> <th colspan="3">Billion yen</th> </tr> <tr> <th></th> <th>Difference in volume</th> <th>Currency exchange and conditions</th> <th>Differences in market and book</th> <th>Increase in cost</th> <th>Other</th> <th>Total</th> <th colspan="4"></th> </tr> </thead> <tbody> <tr> <td>Copper</td> <td>0.5</td> <td>0.1</td> <td>0.3</td> <td>0.2</td> <td>0.3</td> <td>1.4</td> <td colspan="4"></td> </tr> <tr> <td>Rare metals</td> <td>0.6</td> <td></td> <td></td> <td></td> <td>(0.3)</td> <td>0.3</td> <td colspan="4"></td> </tr> <tr> <td>Zinc</td> <td>0.2</td> <td>0.3</td> <td>(0.2)</td> <td>0.2</td> <td>0.5</td> <td>1.0</td> <td colspan="4"></td> </tr> <tr style="background-color: #FFFF00;"> <td>Operating income</td> <td>1.3</td> <td>0.4</td> <td>0.1</td> <td>0.4</td> <td>0.5</td> <td>2.7</td> <td colspan="4"></td> </tr> </tbody> </table>	Ratio of operating income to that of previous term							Billion yen				Difference in volume	Currency exchange and conditions	Differences in market and book	Increase in cost	Other	Total					Copper	0.5	0.1	0.3	0.2	0.3	1.4					Rare metals	0.6				(0.3)	0.3					Zinc	0.2	0.3	(0.2)	0.2	0.5	1.0					Operating income	1.3	0.4	0.1	0.4	0.5	2.7				
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Electronic Materials	14.0	0.5	0.5	21.7	1.7	1.7	7.7	1.2	1.2	Results of semiconductors recovered more sharply than expected at the beginning of the fiscal year. Sales increased 1.1 billion yen, and income rose 0.2 billion yen. Sales of compound semiconductors were 53% more than the plan, and sales of LEDs were 19% higher. Sales of functional materials expanded 6.2 billion yen, and income rose 0.9 billion yen, reflecting a surge (a 92% rise from the plan) in sales volumes of silver powder for solar batteries.																																																																	
Metal Processing	16.0	(1.3)	(1.1)	23.5	1.4	1.7	7.5	2.7	2.8	Sales volumes of copper strip products were recovering from a 48% year-on-year decline in the first quarter, to a 25% year-on-year fall in the second quarter. Sales of copper strip products increased an additional 0.7 billion with rising copper prices. As a result, sales of copper strip products climbed 7.1 billion yen, and income rose 2.5 billion yen. Sales of electroplating rose 1 billion yen, and income increased 0.4 billion yen thanks to a recovery in demand.																																																																	
Heat Treatment	5.8	(0.2)	(0.3)	6.2	(0.2)	(0.2)	0.4	(0.0)	0.0	Although there was a recovery in the auto industry, it did not lead to an increase in orders for the Company. Results in heat treatment and industrial furnaces were almost in line with the plan.																																																																	
Other/ Elimination	(10.8)	(0.1)	(0.3)	(15.6)	(0.1)	(0.9)	(4.8)	(0.0)	(0.6)	Ordinary income was 0.6 billion yen short of the plan, reflecting weaker earnings at equity method affiliates and adjustments of income from construction work within the Group.																																																																	
Total	105.0	(1.0)	(2.0)	129.6	5.2	4.7	24.6	6.2	6.7																																																																		

# *Analysis of Factors in Growth and Decline in Ordinary Income*

## *(by Segment for 1st Half, vs. Plan)*

Billion yen

<b>FY2009 H1 Results - Plan</b>	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Other	Total
Effects of changes in exchange rate, metal prices, and mine purchase agreement		<b>0.3</b>					<b>0.3</b>
A gain or loss on raw material payments (including a gain or loss on hedging instruments and on a lower cost basis)		<b>0.1</b>		<b>0.7</b>			<b>0.8</b>
Actual sales difference (price difference)		<b>0.5</b>					<b>0.5</b>
Total effects from fluctuations in exchange rate and metal market prices	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	<b>0.7</b>	<b>0.0</b>	<b>0.0</b>	<b>1.6</b>
Actual sales difference (volume difference)		<b>0.8</b>					<b>0.8</b>
Changes in orders associated with changes in business environment	<b>(0.8)</b>	<b>0.7</b>	<b>1.2</b>	<b>2.1</b>			<b>3.2</b>
Total changes due to changes in the business environment	<b>(0.8)</b>	<b>1.5</b>	<b>1.2</b>	<b>2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>4.0</b>
Changes in depreciation	<b>0.5</b>						<b>0.5</b>
Equity method income or loss	<b>(0.1)</b>	<b>0.8</b>				<b>(0.4)</b>	<b>0.3</b>
Other (resale of unfinished products, etc.)						<b>(0.2)</b>	<b>(0.2)</b>
Subtotal	<b>(0.4)</b>	<b>3.2</b>	<b>1.2</b>	<b>2.8</b>	<b>0.0</b>	<b>(0.6)</b>	<b>6.2</b>
Productivity increases, cost reductions, etc.	<b>0.1</b>	<b>0.4</b>					<b>0.5</b>
Total	<b>(0.3)</b>	<b>3.6</b>	<b>1.2</b>	<b>2.8</b>	<b>0.0</b>	<b>(0.6)</b>	<b>6.7</b>

# Consolidated Results: Year-on-Year Comparison

## (by Segment for 1st Half)

Billion yen

	FY2008 H1			FY2009 H1			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																																									
Environmental Management & Recycling	41.4	3.2	3.4	27.5	0.9	0.7	(13.8)	(2.3)	(2.7)	Sales in the soil remediation business were down 1.6 billion yen while income fell 0.5 billion yen, reflecting continuing declines in demand. Sales of waste treatment declined 1.7 billion yen, with income falling 0.9 billion yen, attributable to a 15% decrease in the waste treatment volume. Sales from the recycling business fell 11.3 billion yen, with income declining 0.9 billion yen, given decreases in the collection and treatment of shredder residue, recycling materials, and recycling home electrical appliances.																																								
Nonferrous Metals	108.8	2.5	2.1	66.1	1.5	1.7	(42.7)	(1.0)	(0.4)	<p style="text-align: center;">Ratio of operating income to that of previous term <span style="float: right;">Billion yen</span></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Difference in volume</th> <th>Currency exchange and conditions</th> <th>Differences in market and book prices</th> <th>Cost reductions</th> <th>Unfinished products</th> <th>Other</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Copper</td> <td>(0.2)</td> <td>(0.2)</td> <td>4.9</td> <td>0.9</td> <td>(2.7)</td> <td>(0.7)</td> <td>2.0</td> </tr> <tr> <td>Rare metals</td> <td>(3.8)</td> <td></td> <td>0.5</td> <td></td> <td></td> <td>(0.9)</td> <td>(4.2)</td> </tr> <tr> <td>Zinc</td> <td>(0.6)</td> <td>(1.4)</td> <td>1.7</td> <td>1.6</td> <td></td> <td>(0.1)</td> <td>1.2</td> </tr> <tr style="background-color: #FFFF00;"> <td>Operating income</td> <td>(4.6)</td> <td>(1.6)</td> <td>7.1</td> <td>2.5</td> <td>(2.7)</td> <td>(1.7)</td> <td>(1.0)</td> </tr> </tbody> </table>		Difference in volume	Currency exchange and conditions	Differences in market and book prices	Cost reductions	Unfinished products	Other	Total	Copper	(0.2)	(0.2)	4.9	0.9	(2.7)	(0.7)	2.0	Rare metals	(3.8)		0.5			(0.9)	(4.2)	Zinc	(0.6)	(1.4)	1.7	1.6		(0.1)	1.2	Operating income	(4.6)	(1.6)	7.1	2.5	(2.7)	(1.7)	(1.0)
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Operating income	(4.6)	(1.6)	7.1	2.5	(2.7)	(1.7)	(1.0)																																											
Electronic Materials	33.3	3.0	3.0	21.7	1.7	1.7	(11.6)	(1.2)	(1.3)	Sales of compound semiconductors declined 40%, while sales of LEDs were down 25%. Sales of semiconductors dropped 2.5 billion yen, with income down 0.6 billion yen. Sales volumes of functional materials for solar batteries increased. Sales volumes were up 30% for silver powder, but were down for iron powder, carrier powder, and ferrite powder. Sales of functional materials decreased 8.7 billion yen and income fell 0.8 billion yen.																																								
Metal Processing	49.5	0.6	0.9	23.5	1.4	1.7	(25.9)	0.8	0.8	Sales volume grew, in reaction to rapid inventory adjustments in the previous fiscal year and a recovery in demand, but were still down from the year-ago level. Income rose, attributable to an improvement in productivity following a review of the production system and the consolidation of plating lines and rises in copper prices. Sales of copper strip products fell 24.0 billion yen, and income rose 0.8 billion yen. Sales of precious metal electroplated products slipped 1.6 billion yen, but income increased 0.2 billion yen.																																								
Heat Treatment	13.8	1.7	1.7	6.2	(0.2)	(0.2)	(7.6)	(1.9)	(1.9)	Although the automotive industry recovered overall, orders received by the Company fell 47%. Sales of heat treatment fell by 3.6 billion yen and income slipped 1.0 billion yen. Sales of industrial furnaces declined 4.1 billion yen, with income down 1.0 billion yen, the result of sluggish capital expenditure.																																								
Other/ Elimination	(31.9)	0.3	(0.0)	(15.6)	(0.1)	(0.9)	16.2	(0.5)	(0.9)	Ordinary income decreased 0.9 billion yen, reflecting worsening earnings in the construction sector and in the technology and analysis sector, and an increase in financial expenses.																																								
Total	215.1	11.5	11.2	129.6	5.2	4.7	(85.5)	(6.2)	(6.5)																																									

# *Analysis of Factors in Growth and Decline in Ordinary Income*

## *(Year-on-Year Comparison by Segment for 1st Half)*

Billion yen

<b>FY2009 H1 - FY2008 H1</b>	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Other	Total
Effects of changes in exchange rate, metal prices, and mine purchase agreement		<b>(1.6)</b>					<b>(1.6)</b>
A gain or loss on raw material payments (including a gain or loss on hedging instruments and on a lower cost basis)		<b>7.1</b>		<b>1.4</b>			<b>8.5</b>
Actual sales difference (price difference)		<b>(2.2)</b>					<b>(2.2)</b>
<b>Total effects from fluctuations in exchange rate and metal market prices</b>	<b>0.0</b>	<b>3.3</b>	<b>0.0</b>	<b>1.4</b>	<b>0.0</b>	<b>0.0</b>	<b>4.7</b>
Actual sales difference (volume difference)		<b>(2.4)</b>					<b>(2.4)</b>
Decrease in orders with worsening business environment, etc.	<b>(2.9)</b>	<b>(1.0)</b>	<b>(1.8)</b>	<b>(1.9)</b>	<b>(3.0)</b>	<b>(0.7)</b>	<b>(11.3)</b>
<b>Total operating rate difference and factors for higher costs</b>	<b>(2.9)</b>	<b>(3.4)</b>	<b>(1.8)</b>	<b>(1.9)</b>	<b>(3.0)</b>	<b>(0.7)</b>	<b>(13.7)</b>
Changes in depreciation	<b>(0.1)</b>	<b>0.4</b>		<b>0.3</b>			<b>0.6</b>
Equity method income or loss	<b>(0.2)</b>	<b>0.4</b>					<b>0.2</b>
Other (resale of unfinished products, etc.)		<b>(3.6)</b>				<b>(0.6)</b>	<b>(4.2)</b>
<b>Subtotal</b>	<b>(3.2)</b>	<b>(2.9)</b>	<b>(1.8)</b>	<b>(0.2)</b>	<b>(3.0)</b>	<b>(1.3)</b>	<b>(12.4)</b>
Productivity increases, cost reductions, etc.	<b>0.5</b>	<b>2.5</b>	<b>0.5</b>	<b>1.0</b>	<b>1.1</b>	<b>0.4</b>	<b>6.0</b>
<b>Total</b>	<b>(2.7)</b>	<b>(0.4)</b>	<b>(1.3)</b>	<b>0.8</b>	<b>(1.9)</b>	<b>(0.9)</b>	<b>(6.5)</b>

# *Fiscal 2008 Consolidated Earnings Forecasts*

Billion yen

	FY2008 Results (A)	FY2009 Initial forecasts (B)	Nearest forecasts 10/15 (C)	Change (C)-(A)	vs. Plan (C)-(B)
Net Sales	<b>346.8</b>	<b>240.0</b>	<b>278.0</b>	( <b>68.8</b> )	<b>38.0</b>
Operating Income	( <b>8.4</b> )	<b>5.0</b>	<b>11.0</b>	<b>19.4</b>	<b>6.0</b>
Ordinary Income	( <b>13.3</b> )	<b>3.0</b>	<b>10.0</b>	<b>23.3</b>	<b>7.0</b>
Net Income	( <b>28.1</b> )	<b>1.0</b>	<b>5.0</b>	<b>33.1</b>	<b>4.0</b>

## Exchange rate and metal prices

	FY2008 average		FY2009 average		(Reference) Nearest
	H1	H2	H1	Assumption for 2nd half	October average
Exchange rate: (\/\$)	<b>106.1</b>	<b>95.0</b>	<b>95.5</b>	<b>95.0</b>	<b>90.4</b>
Copper: (\$/t)	<b>8,060</b>	<b>3,665</b>	<b>5,260</b>	<b>5,500</b>	<b>6,288</b>
Zinc: (\$/t)	<b>1,942</b>	<b>1,179</b>	<b>1,617</b>	<b>1,500</b>	<b>2,072</b>
Indium: (\$/kg)	<b>581</b>	<b>376</b>	<b>332</b>	<b>350</b>	<b>488</b>

# *Second Half of Fiscal 2009 Assumptions and Sensitivities (Operating Income/Interim Period)*

**Million yen**

	<b>Assumptions</b>	<b>Fluctuation</b>	<b>Sensitivity</b> (Volume differences and raw material conditions)
<b>\/\$</b>	<b>¥95.0 /\$</b>	<b>±\1/\$</b>	<b>120</b>
<b>Copper</b>	<b>5,500 \$/t</b>	<b>±100 \$/t</b>	<b>20</b>
<b>Zinc</b>	<b>1,500 \$/t</b>	<b>±100 \$/t</b>	<b>210</b>
<b>Indium</b>	<b>350 \$/kg</b>	<b>±100 \$/kg</b>	<b>240</b>

Sensitivity is based on assumptions that the Company assumes to be reasonable at the time of publication. Actual effects may differ materially due to a variety of factors.

# *Forecasts of Consolidated Results*

## *Comparison with Previous Fiscal Year (by Segment)*

Billion yen

	FY2008 Results			FY2009 Forecasts			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	<b>69.7</b>	<b>4.9</b>	<b>4.3</b>	<b>62.0</b>	<b>2.0</b>	<b>1.8</b>	<b>(7.7)</b>	<b>(2.9)</b>	<b>(2.5)</b>
Nonferrous Metals	<b>173.6</b>	<b>(14.1)</b>	<b>(17.8)</b>	<b>135.0</b>	<b>2.1</b>	<b>2.0</b>	<b>(38.6)</b>	<b>16.2</b>	<b>19.8</b>
Electronic Materials	<b>50.8</b>	<b>3.7</b>	<b>3.6</b>	<b>44.0</b>	<b>3.6</b>	<b>3.6</b>	<b>(6.8)</b>	<b>(0.1)</b>	<b>0.0</b>
Metal Processing	<b>71.2</b>	<b>(5.7)</b>	<b>(5.5)</b>	<b>54.0</b>	<b>2.7</b>	<b>3.2</b>	<b>(17.2)</b>	<b>8.4</b>	<b>8.7</b>
Heat Treatment	<b>22.9</b>	<b>1.6</b>	<b>1.6</b>	<b>14.0</b>	<b>0.7</b>	<b>0.7</b>	<b>(8.9)</b>	<b>(0.9)</b>	<b>(0.9)</b>
Other/ Elimination	<b>(41.4)</b>	<b>1.1</b>	<b>0.5</b>	<b>(31.0)</b>	<b>(0.1)</b>	<b>(1.3)</b>	<b>10.4</b>	<b>(1.2)</b>	<b>(1.8)</b>
Total	<b>346.8</b>	<b>(8.4)</b>	<b>(13.3)</b>	<b>278.0</b>	<b>11.0</b>	<b>10.0</b>	<b>(68.8)</b>	<b>19.4</b>	<b>23.3</b>

# Balance Sheets (Consolidated Results)

Million yen

Accounts	March 31, 2009	September 30, 2009	Change	Accounts	March 31, 2009	September 30, 2009	Change
<b>Assets</b>				<b>Liabilities</b>			
<b>Current Assets</b>	<b>152,110</b>	<b>145,277</b>	( 6,832)	<b>Current Liabilities</b>	<b>121,956</b>	<b>123,154</b>	<b>1,198</b>
Cash and time deposits	50,824	41,305	( 9,519)	Notes and accounts payable	18,509	21,551	3,042
Notes and accounts receivable	34,584	37,224	2,639	Short-term borrowings	72,192	66,631	( 5,561)
Inventories	53,162	54,936	1,774	Corporate bonds due within one year	10,007	10,007	-
Deferred tax assets	2,678	3,892	1,213	Accrued income taxes, etc.	588	1,039	450
Other current assets	10,998	8,178	( 2,820)	Other current liabilities	20,658	23,925	3,267
Allowance for doubtful accounts	( 138)	( 259)	( 120)				
<b>Fixed Assets</b>	<b>191,098</b>	<b>190,134</b>	( 964)	<b>Long-term Liabilities</b>	<b>117,422</b>	<b>104,623</b>	( 12,798)
Tangible fixed assets	116,031	113,426	( 2,605)	Corporate bonds due within one year	7	-	( 7)
Intangible fixed assets	8,578	8,621	42	Long-term debt	98,289	86,017	( 12,272)
Investments in securities	48,966	54,659	5,693	Reserve for employees' retirement benefits	12,588	11,960	( 628)
Deferred tax assets	15,325	11,012	( 4,312)	Deferred tax liabilities	1,243	1,226	( 17)
Other investments	2,401	2,692	290	Other long-term liabilities	5,293	5,418	125
Allowance for doubtful accounts	( 204)	( 276)	( 72)	<b>Total Liabilities</b>	<b>239,378</b>	<b>227,778</b>	( 11,600)
<b>Deferred Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Net Assets</b>			
				<b>Shareholders' Equity</b>	<b>98,442</b>	<b>97,491</b>	( 951)
				Common stock	36,436	36,436	-
				Additional paid-in capital	26,361	26,361	-
				Retained earnings	41,262	40,311	( 951)
				Treasury stock, at cost	( 5,618)	( 5,618)	-
				<b>Adjustments for Valuation Foreign Currency</b>			
				<b>Translation and Others</b>	<b>124</b>	<b>5,277</b>	<b>5,153</b>
				Unrealized gains on available-for-sale securities	4,238	7,601	3,362
				Net deferred hedge income	( 2,542)	( 1,125)	1,416
				Foreign currency translation adjustments	( 1,571)	( 1,198)	373
				<b>Minority Interests</b>	<b>5,263</b>	<b>4,865</b>	( 397)
				<b>Total Net Assets</b>	<b>103,830</b>	<b>107,634</b>	<b>3,804</b>
<b>Total Assets</b>	<b>343,208</b>	<b>335,412</b>	( 7,796)	<b>Total Liabilities and Net Assets</b>	<b>343,208</b>	<b>335,412</b>	( 7,796)
				Interests-bearing debt	180,496	162,656	(17,840)
				Cash and time deposits	50,824	41,305	(9,519)
				Actual balance	129,672	121,351	(8,321)
				Equity ratio	28.7%	30.6%	1.9%
				ROA	-	3.0%	-

# Consolidated Statements of Cash Flows

Million yen

	FY2008 H1	FY2009 H1	Change
<b>I. Cash Flows from Operating Activities</b>			
Income before income taxes and minority interest	10,591	3,475	( 7,115)
Adjustments (non-cash)			
Depreciation	8,984	8,435	( 548)
Equity in (earnings) losses of affiliates	( 80)	( 355)	( 275)
Cost of structural reforms, impairment loss (Gain) loss due to sale or disposal of securities, property, plant and equipment	157	839	681
Loss on valuation of investment securities	321	235	( 86)
Loss on valuation of investment securities	17	26	9
Increase in allowance for doubtful accounts	( 326)	( 741)	( 415)
Interest income and expenses and dividends	63	( 8)	( 71)
Income taxes paid	( 13,195)	3,156	16,352
Other, net	90	177	87
Total for profit/loss items	6,623	15,240	8,617
Increase/decrease in assets/liabilities			
Increase/decrease in trade receivable/payable	( 4,825)	382	5,208
Increase/decrease in inventories	2,960	( 1,045)	( 4,005)
Other, net	( 2,908)	960	3,869
Total for balance sheet items	( 4,774)	297	5,071
Net cash provided by operating activities	1,848	15,538	13,689

	FY2008 H1	FY2009 H1	Change
<b>II. Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment	( 12,602)	( 3,455)	9,146
Sale and acquisition of securities	( 267)	( 488)	( 220)
Change in loans	73	( 288)	( 361)
Proceeds from disposal and sale of property, plant and equipment	101	74	( 26)
Other, net	( 151)	( 86)	64
Net cash used in investing activities	( 12,846)	( 4,243)	8,602
<b>III. Cash Flows from Financing Activities</b>			
Change in borrowings and corporate bonds	16,971	( 17,773)	( 34,745)
Purchases of treasury stock and issuance of common stock	( 2)	-	2
Cash dividends paid	( 6,220)	( 3,534)	2,686
Other, net	( 120)	487	608
Net cash used in financing activities	10,627	( 20,820)	( 31,447)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	( 27)	( 7)	20
Net Decrease in Cash and Cash Equivalents	( 397)	( 9,532)	( 9,135)

Cash and Cash Equivalents of Newly Consolidated Subsidiaries	100	( 35)	( 135)
Cash and Cash Equivalents at Beginning of Term	4,294	50,681	46,387
Cash and Cash Equivalents at End of Term	3,996	41,113	37,117

(For reference)

Free cash flow	( 10,753)	12,082	22,836
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Balance of interest-bearing debt	137,946	162,656	24,709
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# Changes in Investment and Depreciation

Billion yen

	FY2007 (results)			FY2008 (results)			FY2009 H1 (results)			FY2009 (forecasts)		
	Capital and stock investment	R&D investment	Total	Capital and stock investment	R&D investment	Total	Capital and stock investment	R&D investment	Total	Capital and stock investment	R&D investment	Total
Environmental Management & Recycling	4.6	0.5	5.2	17.0	0.6	17.6	1.1	0.1	1.3	4.9	0.3	5.2
Nonferrous Metals	13.2	4.0	17.3	9.4	0.9	10.3	4.1	0.3	4.4	5.3	0.7	6.0
Electronic Materials	1.6	2.5	4.1	2.6	2.5	5.2	0.2	1.1	1.4	0.7	2.3	3.0
Metal Processing	8.0	0.4	8.4	2.7	0.4	3.2	0.3	0.1	0.4	0.5	0.3	0.8
Heat Treatment	2.8	0.3	3.2	2.5	0.3	2.9	0.2	0.1	0.4	0.4	0.3	0.7
Companywide, Other	1.0	0.0	1.0	0.8	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Total	31.4	7.9	39.4	35.3	4.9	40.3	6.1	2.0	8.2	12.0	4.0	16.0

## Depreciation Expenses

Billion yen

	FY2007	FY2008	FY2009		
			H1 results	H2 forecasts	Full year forecasts
Environmental Management & Recycling	2.3	2.8	1.4	2.9	4.3
Nonferrous Metals	4.8	7.4	3.0	4.2	7.2
Electronic Materials	2.2	2.3	1.0	1.0	2.0
Metal Processing	2.3	3.7	1.5	1.7	3.2
Heat Treatment	1.3	1.6	0.7	0.7	1.5
Companywide, Other	0.8	0.5	0.2	0.2	0.5
Total	13.9	18.6	8.1	10.9	19.1

Factors for increases in depreciation

- Environmental Management & Recycling: New Incinerator at Eco-System Chiba
- Nonferrous Metals: Sulfuric acid facility at Akita Zinc

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***Summary of Business Results and  
Our Focus for the Future***

# Summary of Fiscal 2009 First Half

## Business Results

Net sales: 129.6 billion yen (+ 24.6 billion yen)

Operating income: 5.2 billion yen (+ 6.2 billion yen)

Ordinary income: 4.7 billion yen (+ 6.7 billion yen)

*Numbers in parentheses are differences with plans*

- ◆ Both sales and income exceeded the plans, reflecting the effects of structural reforms and a market recovery.

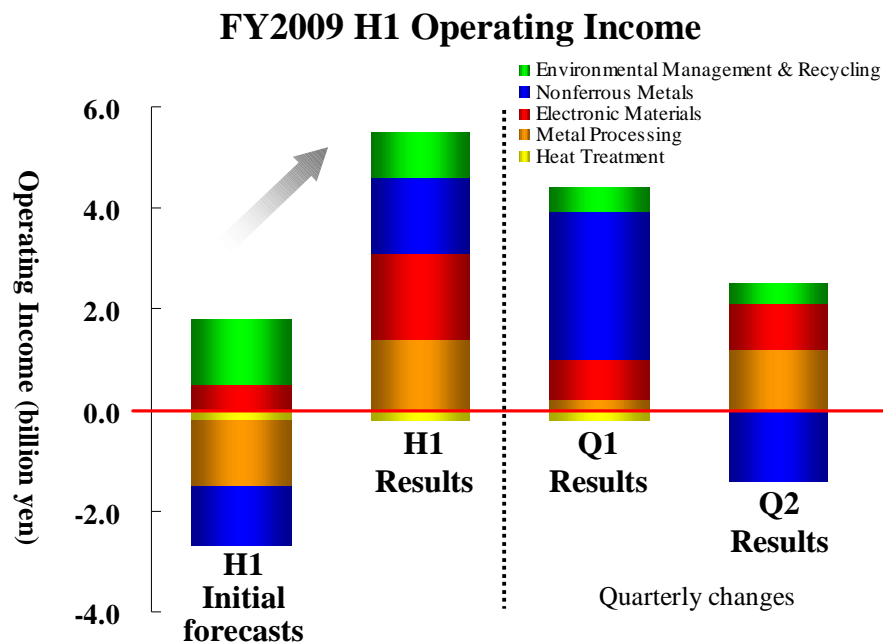
## Situations of Markets

- ◆ Products for automobiles, IT, and electric appliances recovered sharply, a reaction to inventory adjustments in the previous fiscal year and the effects of pump-priming measures in Japan and overseas.

- ◆ Collections of wastes and recycling materials gradually recovered. Sales of products related to plant and equipment were sluggish.

## Metal Prices and Effects of Exchange Rates

- ◆ Both metal prices and the yen were strong in the first half. The differences between market and book prices amounted to 1.3 billion yen in the nonferrous metals and metal processing segments. In addition to this amount, there was also a temporary profit of 0.7 billion yen from the sale of semi-finished products.
- ◆ The Company reviewed hedges in both segments in the second quarter and mitigated forex fluctuation risks from the second half.



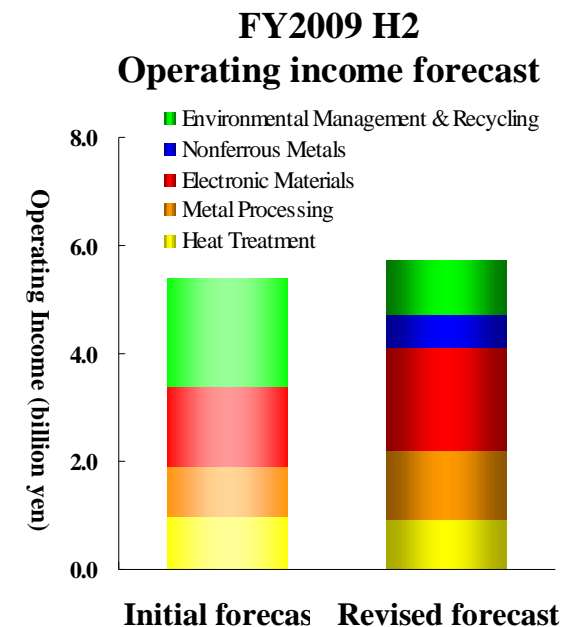
# Policy for 2nd Half of FY 2009

## ■ Outlook for markets

- ◆ *Automotive-related market: Will remain strong within the current fiscal year.  
IT and electric appliance markets: There may be adjustments in the fourth quarter following the Christmas selling season.*
- ◆ *Even if there is a surge in demand within the fiscal year in anticipation of the termination of tax credits for eco-friendly cars and the eco-points system, there will be a risk of production adjustments in reaction to the surge in the next fiscal year.*

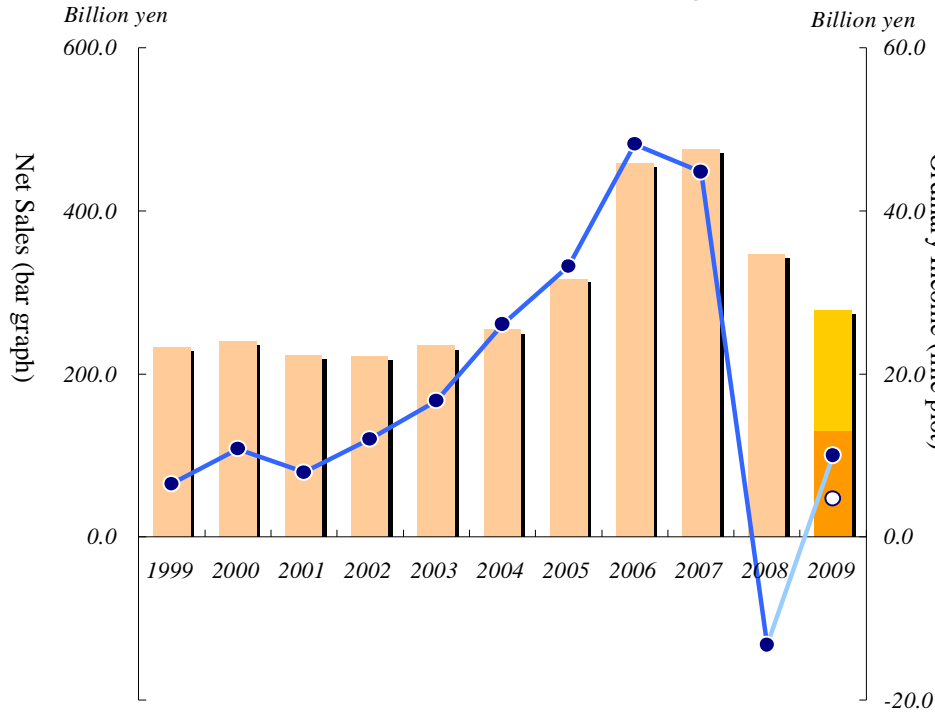
## ■ Outlook for the second half

- ◆ *The Company developed an initial plan for the second quarter based on the assumption that demand would recover to 70% to 80% of the peak level.  
Although demand is recovering more quickly than expected, there is concern that the recovery will lose momentum in the second half.  
The Company therefore has elected to leave largely unchanged its assumption of market conditions for the initial plan.*
- ◆ *Although prices are expected to fall from current levels, the Company aims to achieve targets even in difficult circumstances by steadily implementing planned initiatives.*

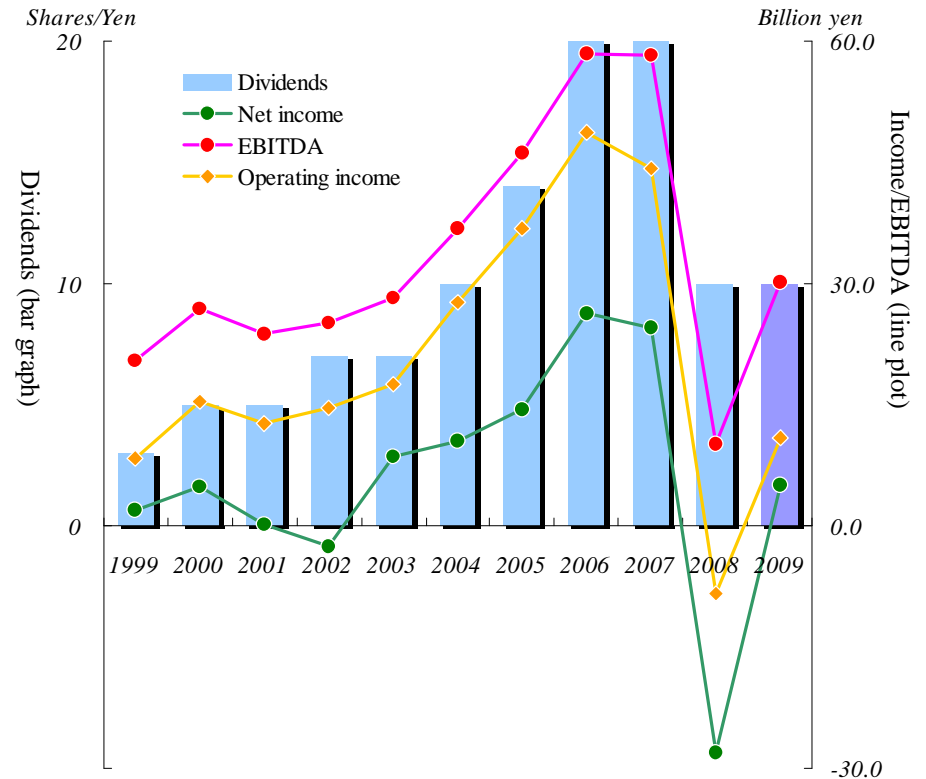


# Trends in Operating Results

*Trends in Net Sales and Ordinary Income*



*Trends in dividends, income, and EBITDA*



- *Ordinary income is expected to recover to 10 billion yen one year after an ordinary loss was posted in FY2008.*
- *EBITDA will recover to the same level as in FY 2003 and FY 2004.*
- *The dividend per share for FY 2009 is expected to be 10 yen (the same as the year-ago level).*

# Summary of Structural Reform (1)

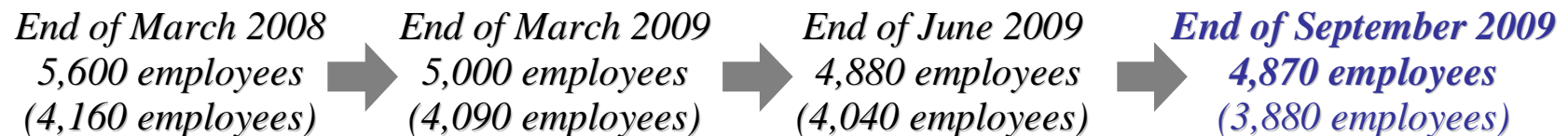
## Profitable system even in low operation

### ■ Base restructuring

- **Electronic Materials:** Consolidating ferrite powder production bases
  - Withdrawal from operations in Singapore completed at the end of June; concentrating production in domestic plant
- **Metal Processing:** Building an optimal production system by unifying the copper strip operations of two plants
  - The development and production engineering divisions were consolidated; operating at full capacity based on increasing orders received
- **Heat Treatment:** Concentrating on highly-efficient plants
  - The consolidation of industrial furnaces and the shift from Yokohama to Ota completed. The shift from Anjo to Handa is in progress

### ■ Personnel plan (Entire DOWA Group)

*Employees of MAEH are excluded; numbers in parentheses are numbers of regular employees.*



### ■ Cost reductions

	Annual Plan	H1 Results
- Personnel expenses: Salary reductions, performance-related bonuses	¥6.0 billion/year	¥2.8 billion/H1
- Cost-cutting: Reduction in commodities costs, revision of business trip regulations, etc.	¥1.0 billion/year	¥1.1 billion/H1
- Operational improvement: Reductions in energy and repair expenses, etc.	¥3.0 billion/year	¥2.1 billion/H1

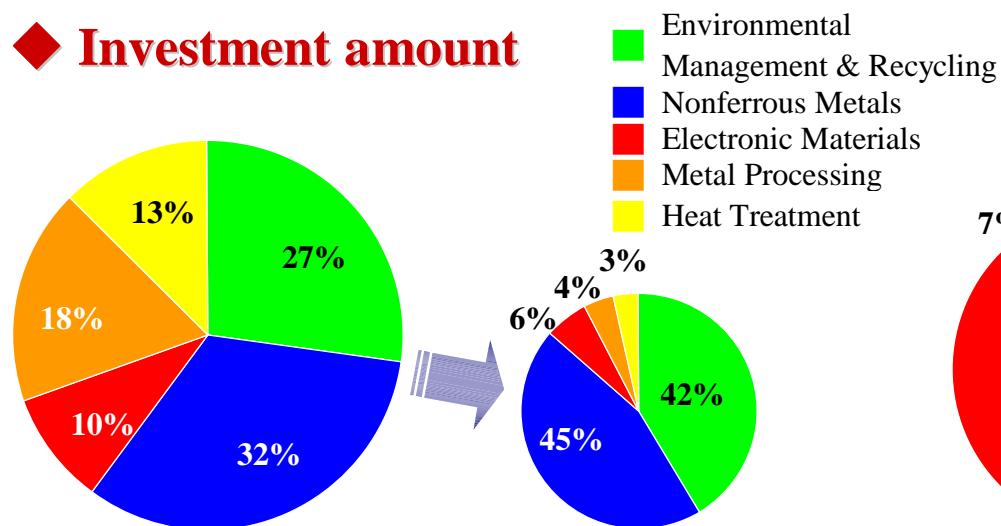
# Summary of Structural Reform (2)

## Profitable system even in low operation

### Investment and Research & Development

- Depreciation in FY2009 fell to 19.1 billion yen, down from 20.0 billion, the forecast at the beginning of the fiscal year, due to a delay in the commencement of the depreciation of a new Chiba incinerator.
- Investments declined sharply from the average for the preceding three fiscal years despite additional investments (in increased production of silver powder and in zinc recycling business).  
Research & development expenses for the Kosaka incinerator declined. R&D expenses in other fields, especially electronics materials, were maintained.

#### Investment amount

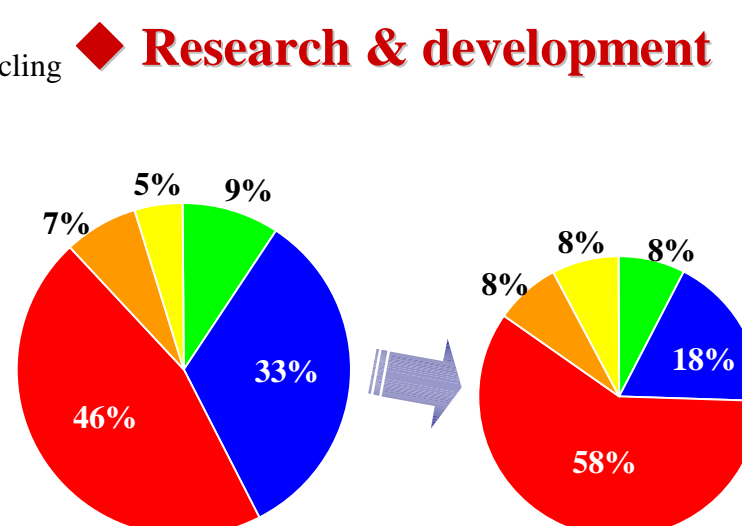


Average during fiscal 2006-2008:  
30.7 billion yen/year

Plan for fiscal 2009:  
11.0 billion yen/year  
→12.0 billion yen/year

Results in first half  
6.1 billion yen

#### Research & development



Average during fiscal 2006-2008:  
5.8 billion yen/year

Plan for fiscal 2009:  
4.3 billion yen/year  
→4.0 billion yen/year

Results in first half  
2.0 billion yen

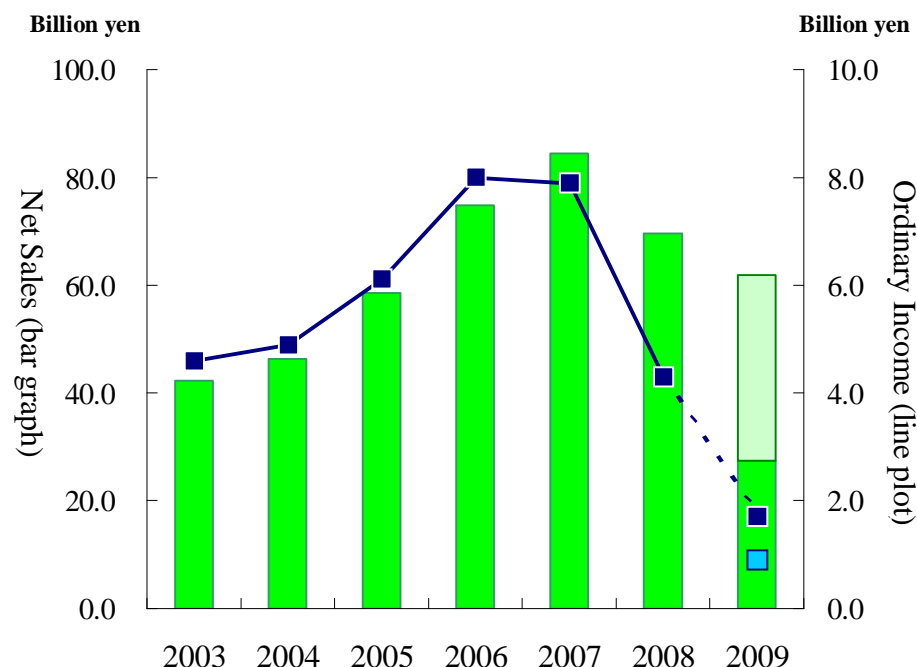


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***Challenges in Our Business and  
Focus for the Future***

## Situation in FY2009

- Waste and recycling materials generated declined in association with weaker production activities.
- Collections of waste recovered gradually, while the depreciation of a new Chiba incinerator starts in the second half.
- The Company is expanding its business through M&A and overseas operations.



## Future actions

- Waste treatment**
  - Eco-System Chiba: Stable operation of a new incinerator, and establishment of a collection system
  - MAEH: Approaching Japanese industrial complexes and bolstering the collection of waste
- Soil remediation**
  - Key operations: Stepping up operations for public offices and local governments
  - Expanding overseas operations: Tapping research and remediation markets in cooperation with MAEH
- Recycling**
  - Precious metals: Bolstering the washing-type treatment at three domestic facilities
  - Dowa Suzhou: Launch of home electrical appliance recycling business (2011-)

# Bolstering Our Domestic Waste Treatment Business

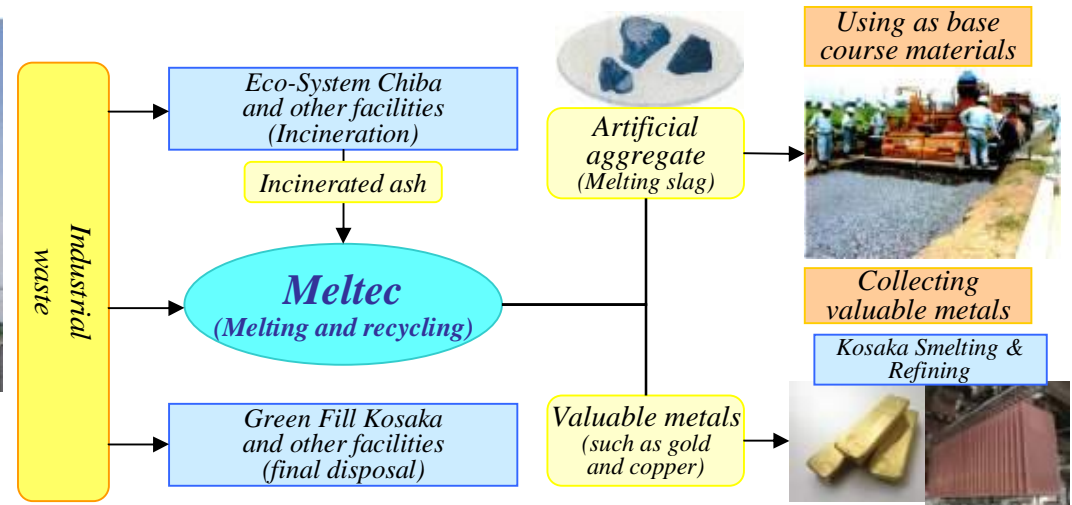
## ■ Acquiring Meltec Co., Ltd., a waste melting and recycling company

Plan to acquire 100% of the stock in December; establish a material recycling business using a melting furnace



Melting incinerated ash at a high temperature of 1,800°C

⇒ Collecting valuable metals in incinerated ash and producing artificial aggregate (melting slag) (recognized as an eco-friendly product by the prefectural government)



**Customers' needs for zero emissions can be met.**

## ■ A new incinerator of Eco-System Chiba began commercial operation in October.

Continuing stable operation at a load of 80% to 90% → Increasing the marketing staff to establish a full-operation that will treat 600 tons per day

## ■ Invested in Akagi Kouyu Co., Ltd. for industrial waste treatment

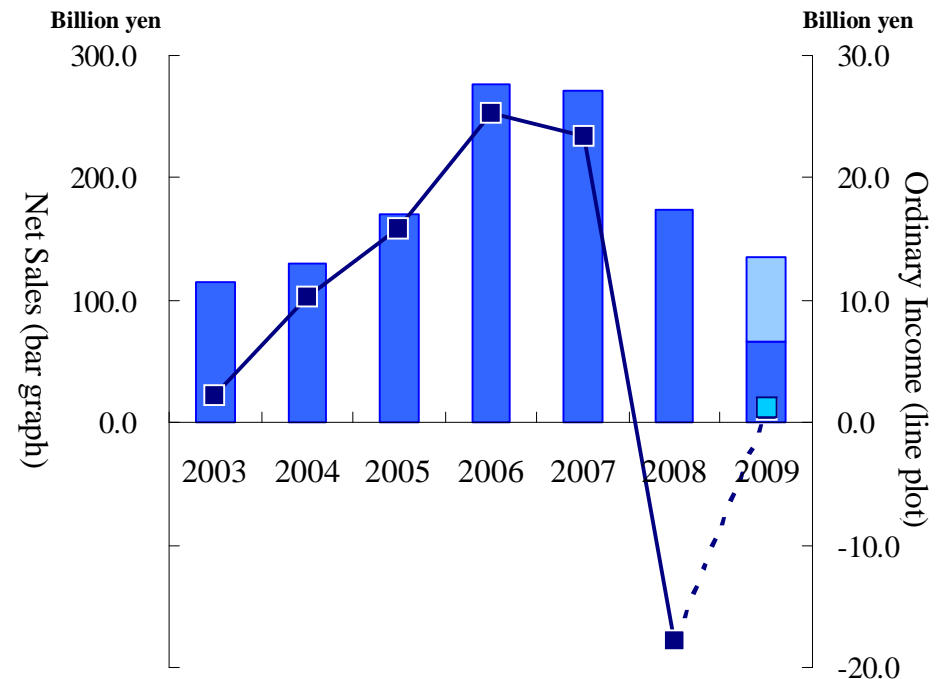
Acquired 20% of the stock in June. Expanded the Company's waste treatment system in Kanto by bolstering alliances.

### Situation in FY2009

- Production was adjusted in the first half in response to declining demand. Copper smelting is reaching full capacity.
- The new sulfuric acid plant of Akita Zinc made a good start (September 2009). Achieved cost reduction at Akita Zinc were 8% less than the plan in the first half.
- With respect to the collection of platinum group metals, the Company struggled to collect disposable catalysts (raw materials).

### Future actions

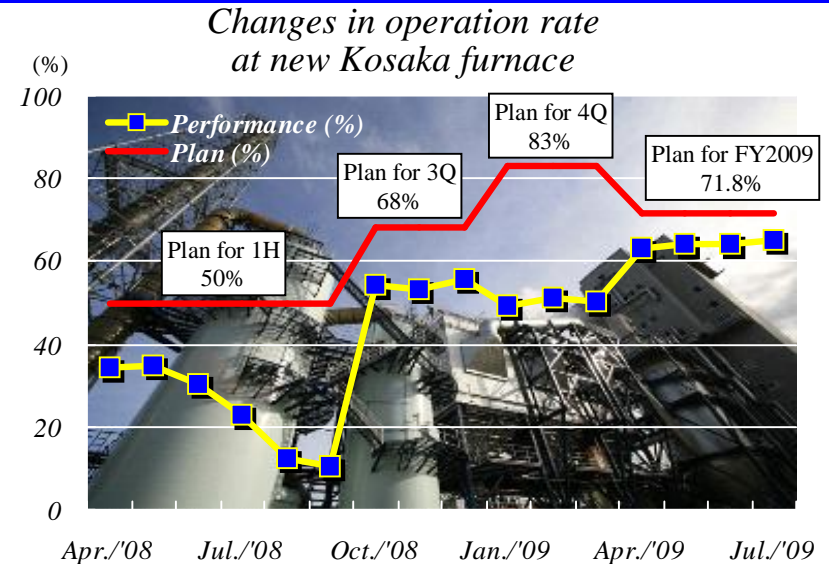
- **Precious metals and copper** - Improving the operation rate of a new smelting facilities at Kosaka and focusing on cost reduction
  - Collection of a new element: Preparations for the collection of tin (collection is expected to start in FY 2010)
- **Zinc**
  - Akita Zinc: Continuing thorough cost cutting
    - à Repair costs (cutting outsourcing costs, reviewing repairing methods)
    - Reducing basic units of power and commodities
  - Commencing construction of a zinc recycling plant, increasing production at Tizapa steadily
- **Platinum group metals**
  - Expanding collection areas (Europe and Asia) and items (materials) to be collected



# Bolstering Smelting for Recycling

## ■ Precious metals and copper

- Operation rate in April through July and in October 2009:  
In the 60% range (excluding August and September, when periodical repairs were made)
- à Focusing on improving the operation rate by enhancing the ability to handle impurities



## ■ Zinc

Entering the zinc recycling business  
Promoting zinc recycling  
Achieving new sources of materials



Improving revenue in the zinc business and stabilizing the business

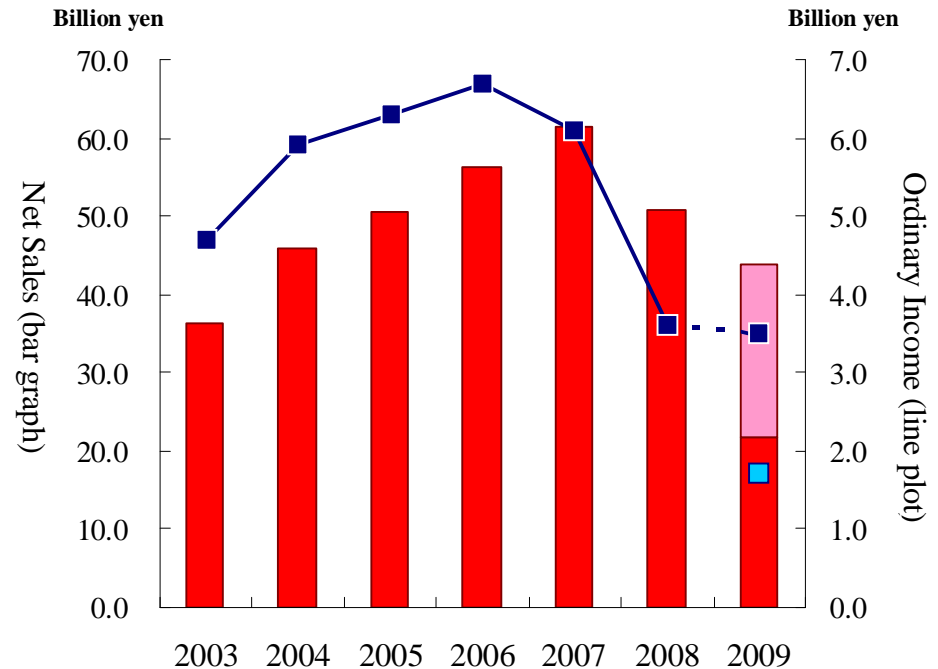
- Treatment capacity: 20,000 tons per year (converted into the amount of zinc)
- Investments: About 5 billion yen (using local subsidiary systems)
- Construction period: 14 months from October 2009 to November 2010
- Commencement of operation: December 2010 (plan)

### Situation in FY2009

- Demand is recovering steadily and is averaging more than 70% of its peak level.
- Demand for silver powder for solar batteries increased sharply.
- Sales of HEMTs were higher. Products for high frequencies and for power are progressing to the pilot production stage.

### Future actions

- **Semiconductors**
  - Opto: Developing high-power products → Expanding sales of products for sensors (body sensing and automotive parts).
  - HEMT: Boosting the yield rate and productivity and supporting 6-inch substrates
- **Electronic materials, magnetic materials**
  - Silver powder: Expanding sales for solar batteries and electronic components, and boosting production capacity
  - Metal powder: Supporting the development of magnetic powder for subsequent generations
  - Carrier powder: Expanding sales and share by meeting the needs of users
- **New development** - Making an early start to the manufacture of new products, including nano-powders, deep ultraviolet LEDs, and catalysts

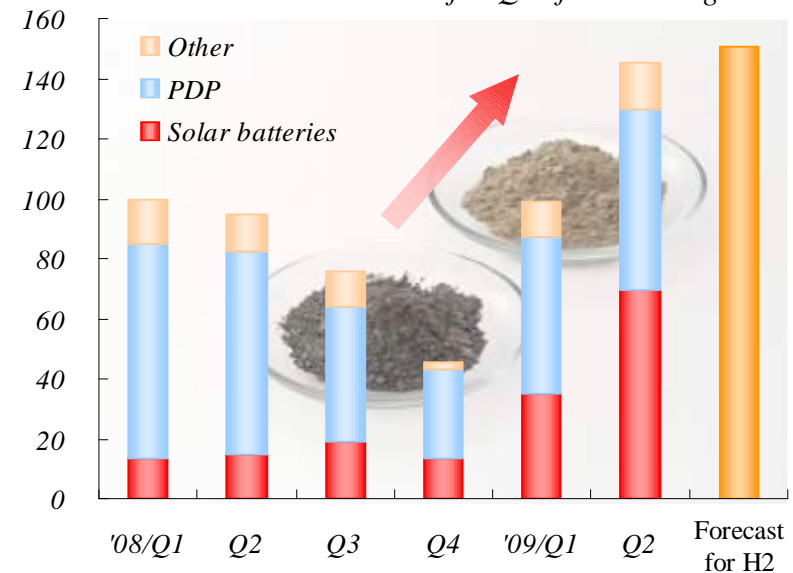


# Sales Expansion of Silver Powder and New Development

## ■ Sales expansion of silver powder

- Demand for solar batteries expanded sharply.
  - à Boosting production capacity by 50% in the second half of FY2009 and preparing for further increase in stages.
  - à Increasing items: Expanding the existing lineup of dozens of items; launching quick-delivery items to increase market share
- Sales for plasma display panels (PDPs) were solid.

Sales volume of silver powder  
(monthly average)  
Index with the sales volume for Q1 of 2008 being 100

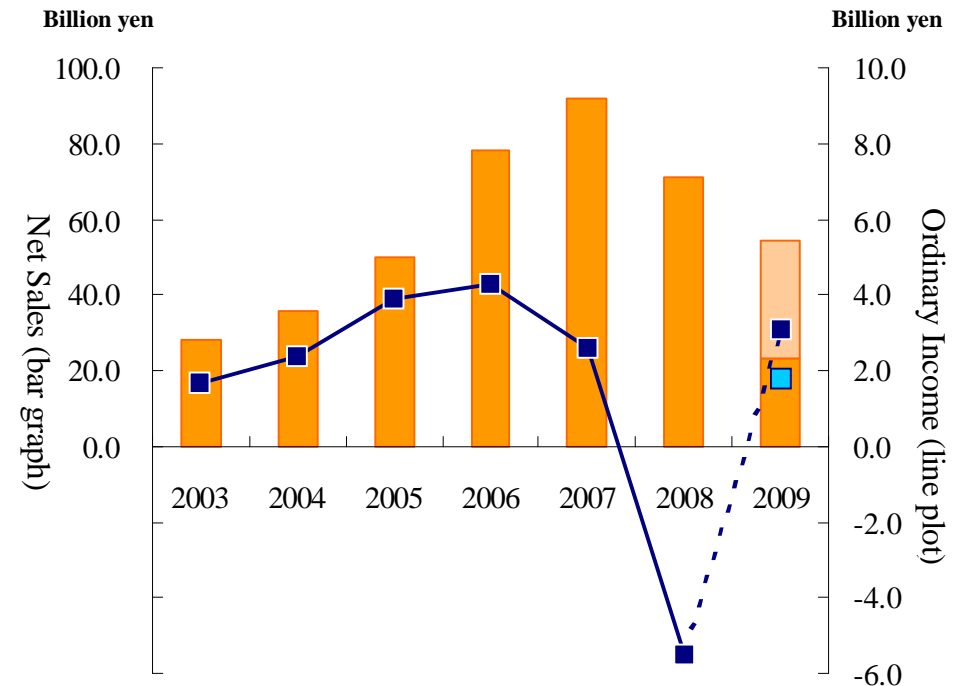


## ■ New development

- **Metal nano powders:** The product lineup will include nano powders of silver, copper, and nickel
  - à Planning to launch them in FY2010
- **Deep ultraviolet LEDs:** Achieving the world's highest output
  - Can be used for a wide range of purposes, including resin cure and sterilization
  - à Planning to ship samples in the second half of FY2009
- **New catalysts:** Accelerating the development of new catalysts for automobiles (diesel vehicles)
  - à Aiming to launch them in FY2011

### Situation in FY2009

- Demand for copper strip products and plating recovered sharply.  
Current demand is 80% to 100% of its peak.
- With reductions in fixed costs through structural reforms, the Company can make a profit even if orders are at 70% of the peak.
- Demand for metal-ceramic substrates for machine tools, the principal application, is weak.



### Future actions

#### ■ Copper strip products

- DOWA Metal: Boosting yield by making coils larger
- Handling a surge in orders and high quality requirements
- Expanding sales of modified copper alloys (copper-titanium alloys and high-strength copper alloys) and mass-producing the alloys.

#### ■ Electroplating

- Improving productivity in each consolidated line and adding high value
- Focusing on strong areas and bolstering the strengths

#### ■ Metal-ceramic substrates

- Acquiring new orders for metal-ceramic substrates for automobiles (HEVs and EVs) and inverters

# Improvement in Earnings in Metal Processing

## Implementing structural reforms

Orders declined sharply in 4Q of the previous fiscal year

à Started structural reforms

Ø Shifting to a structure in which an operation rate of 70% generates a profit

### ◆ Cost cutting

- Fixed costs: personnel expenses, repair costs, and expenses related to facilities
- Variable costs: energy costs, commodity costs, and outsourcing costs

### ◆ Integration of development and technology units

à Technology Center

### ◆ Selection and concentration

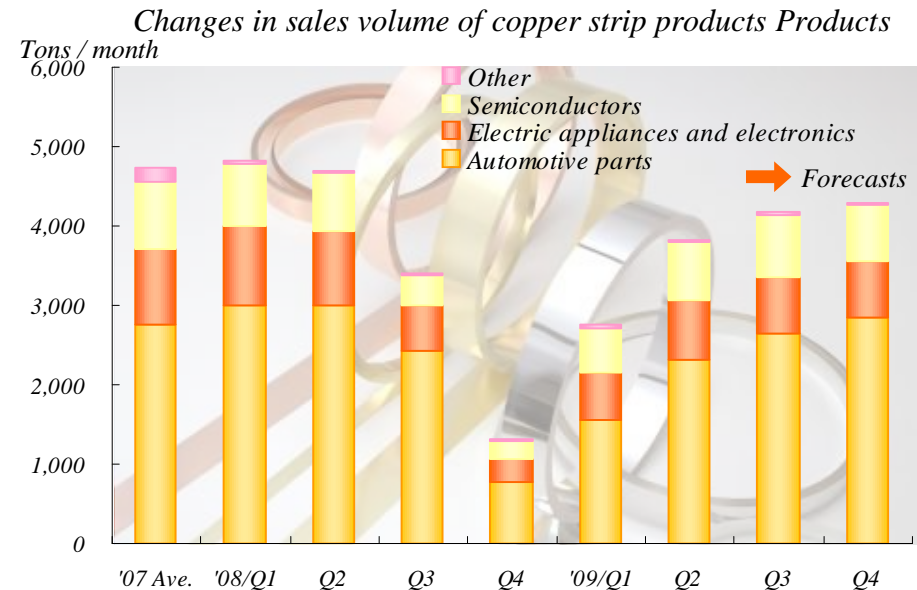
Consolidation of plating lines

- Narrowing items and consolidating lines to 13 from 25

Ø Market recovery

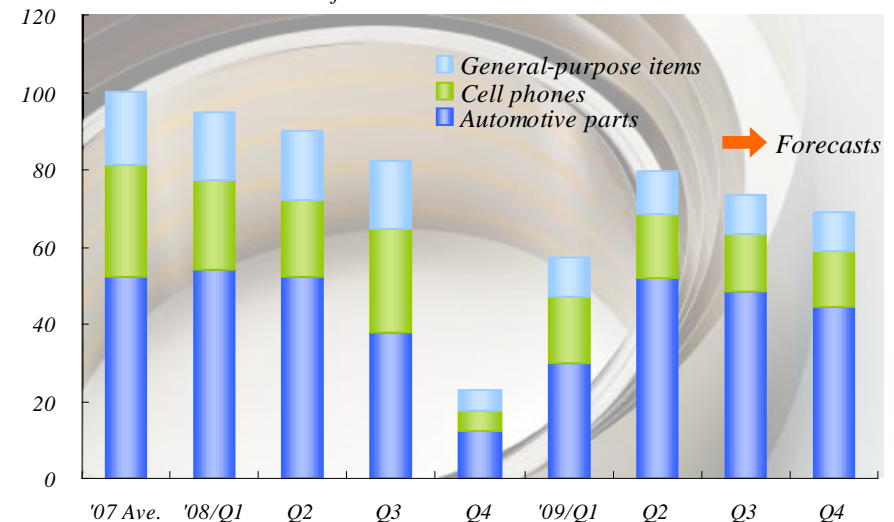
- ◆ The market bottomed out in 4Q of FY2008. Metal processing for major purposes, including automotive parts and semiconductors, recovered more quickly than expected.

- ◆ Focusing on production so that there will be no opportunity loss against a background of strong demand



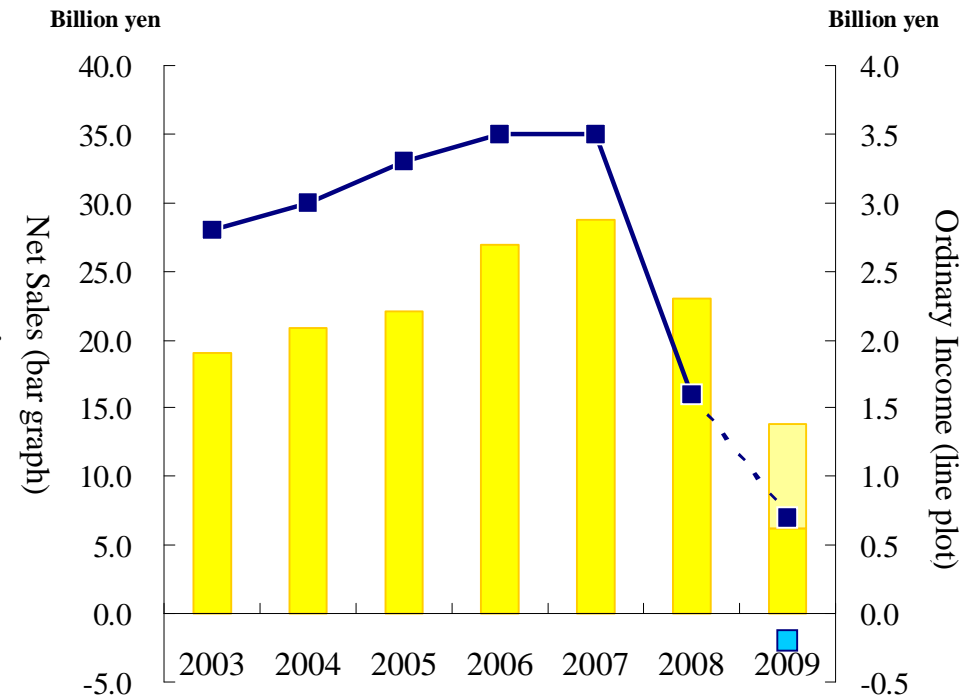
## Changes in processing sales of electroplating

Results and forecasts with results in FY2007 set at 100



### Situation in FY2009

- Although auto production is recovering, auto manufacturers prioritize self-manufacture over outsourcing. As a result, outsourced production is still in a slump.
- Sales of motorcycles are weak following a slump in sales of large motorcycles for the U.S. and Europe. Sales of construction machines fell about 50% year on year.
- The Company consolidated processing bases. The amalgamation of Yokohama Works with Ota Plant was completed. The amalgamation of Anjo Works with Handa Works is in progress. Three industrial furnaces were consolidated into one.
- The breakeven point in processing was lowered about 30% through structural reforms.

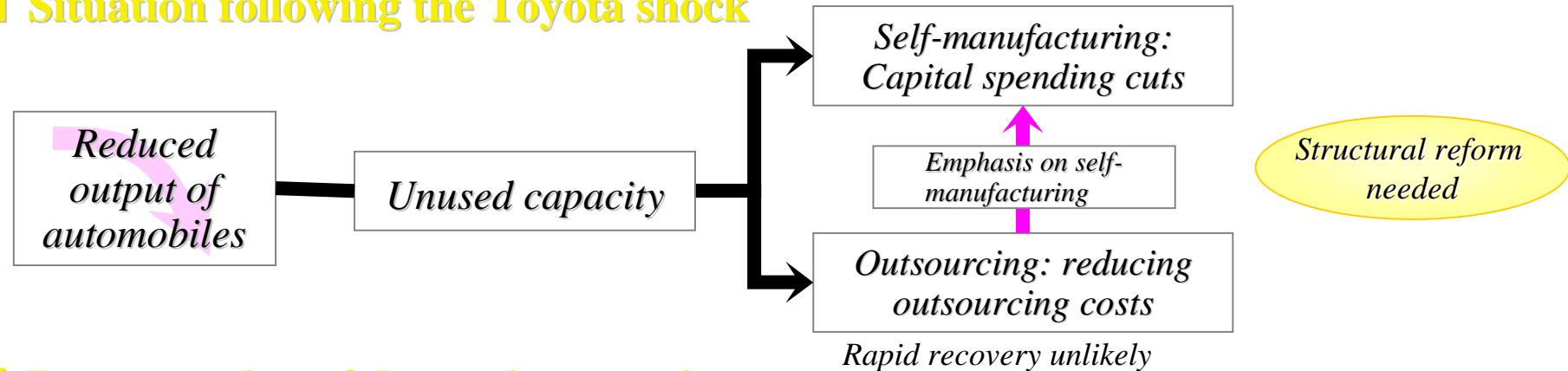


### Future actions

- Heat treatment**
  - Reliably mass producing new products and maintaining sales of existing products
  - Increasing the operation rate at Ota Plant and sales of die and mold TD treatment
- Industrial furnaces**
  - Sale overseas of idle facilities resulting from the consolidation of heat treatment plants
  - Winning orders for transfer work and restarts of furnaces that have been shut down, along with demand for maintenance
- Common**
  - Pursuing cost-cutting initiatives (utilities, personnel, and commodities expenses)
  - Looking to enter the Chinese market

# Responding to Changing Markets

## Situation following the Toyota shock



## Restructuring of domestic operations

### Ø Structural reforms

- Reorganizing bases in response to the shrinking domestic market
- Lowering the breakeven point through comprehensive cost cutting



**Achieving breakeven in Q2**

### Ø Business strategies by area

- Eastern area: Increasing share, taking advantage of cutting-edge facilities at Ota, shorter delivery periods, and low costs
- Central area: Providing outsourcing as a more cost effective alternative to customers' self-manufacturing
- Western area: Bolstering the ability to deal with small-lot and shorter-delivery products, for which customers have strong needs

## Overseas operations

In response to demand for compact and low-price vehicles, production in growing markets will accelerate.

Ø Thailand: Upgrading existing facilities to keep pace with growth in the market

Ø China: Looking to move into China, now the largest producer and market for automobiles



# *Conclusion*

- ◆ *Returned to the black as soon as possible through structural reforms*
- ◆ *Promoting “Select and Concentrate” to bolster earnings*
- ◆ *Investing aggressively in growth fields*

*Jump up to the New Stage*