

Jump up to the New Stage

Nonferrous Metals

Environmental
Management &
Recycling

Electronic Materials

Metal Processing

Heat Treatment

Become the No.1 in the Five Core Businesses

Intensive Investments in the Five Core Businesses

Accelerating Overseas Expansion

Technology-oriented Company

Moving to the New Stage

Semiannual Report 2007

For the period ended September 30, 2007

Message from the Management



MASAKI KOHNO
President and Representative Director

Interim Business Results

In the first half of fiscal 2007, the six-month period ended September 30, 2007, the Japanese economy generally showed a strong performance. Despite concerns about a slowdown in the U.S. economy and a continued steep rise in crude oil prices, private-sector capital investment and consumer spending in Japan were favorable.

Looking at Dowa's business environment, the Nonferrous Metals segment benefited from high market prices for major metals, underpinned by such factors as burgeoning demand from China. Meanwhile, the Metal Processing segment saw mobile phones and other IT-related products perform well. In the Environmental Management & Recycling segment, amid increasing demand for proper treatment of waste that is difficult to treat and moves to reduce waste volumes, Dowa continued to expand business by promoting differentiation based on its technological capabilities and marketing strengths.

Consolidated net sales rose 9% year on year to ¥237.2 billion, operating income jumped 17% to ¥27.3 billion, and ordinary income grew 15% to ¥27.4 billion. However, net income declined 13% to ¥12.1 billion, reflecting the posting of restructuring losses in non-core businesses.

In addition, Dowa Advanced Materials (Shanghai) Co., Ltd., which processes and sells copper and copper alloy strips, became a consolidated subsidiary in the first half of fiscal 2007.

Outlook for Fiscal 2007

With regard to Dowa's business environment, there are concerns about an economic slowdown stemming from such factors as uncertainties regarding the U.S. economy, which plays a pivotal role in the global economy, and the Chinese economy.

In addition, we believe there is a risk of a shortfall in earnings relative to forecasts, based on an uncertain outlook for trends in major metal prices and demand for products and services in the Electronic Materials and Metal Processing segments.

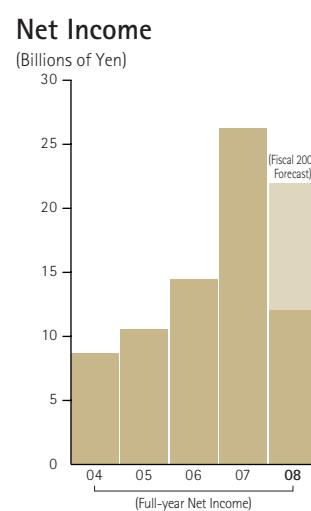
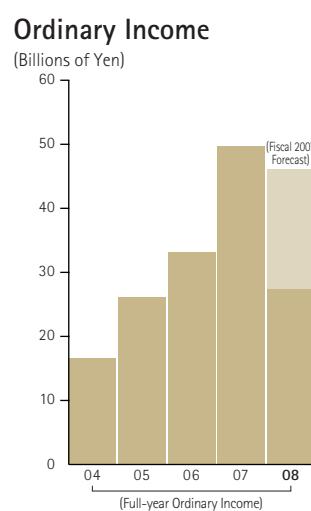
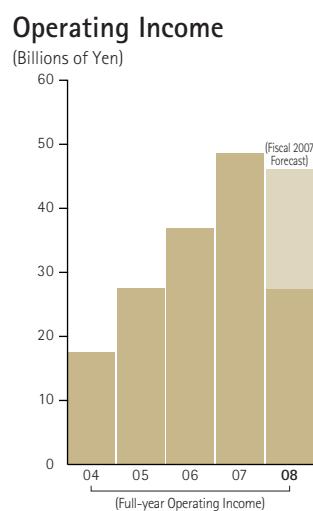
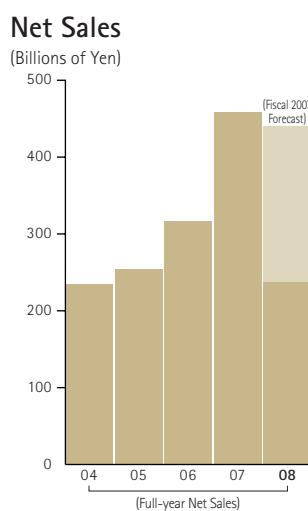
Under these circumstances, we intend to powerfully advance our new Business Structure Reform Plan III: "Jump up to the New Stage." We will also adopt more aggressive and bold measures as we carry out thorough cost cutting.

Our fiscal 2007 earnings estimates are based on the assumption of a decline in major metal prices and an average exchange rate of ¥112/US\$1 in the second half. We are forecasting net sales of ¥440 billion, operating income and ordinary income of ¥46 billion, and net income of ¥22 billion for fiscal 2007.

Masaki Kohno
MASAKI KOHNO
President and Representative Director

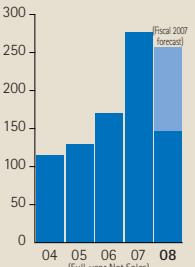
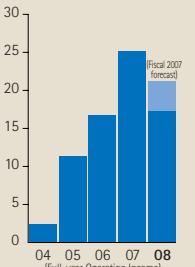
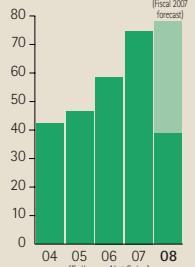
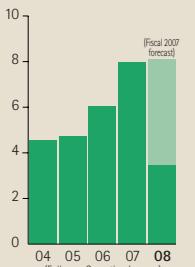
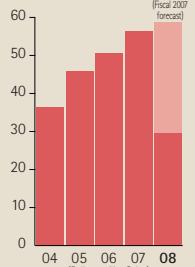
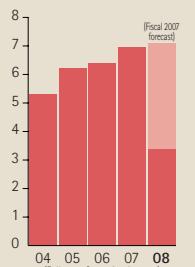
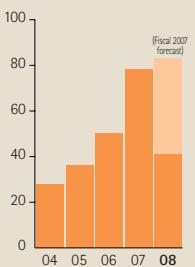
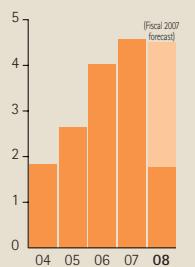
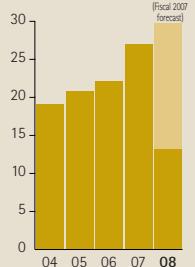
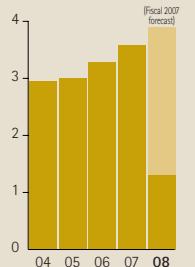
Financial Highlights

	Millions of Yen	Thousands of U.S. Dollars*	
	September 30, 2007	September 30, 2006	September 30, 2007
For the period:			
Net Sales	¥237,212	¥217,683	\$2,055,029
Operating Income	27,360	23,286	237,032
Ordinary Income	27,446	23,918	237,776
Net Income	12,118	13,864	104,981
At the end of the period:			
Net Assets	145,238	127,356	1,258,238
Total Assets	363,812	351,667	3,151,803
Interest-bearing Debt	121,817	128,406	1,055,335
Per Share:			
	¥ 40.42	¥ 46.23	\$ 0.35
Net Income	468.22	410.62	4.06



* The U.S. dollar amounts included herein represent translations, using the approximate exchange rate at September 28, 2007 of ¥115.43=US\$1, solely for convenience.

At a Glance

		Net Sales (Billions of Yen)	Operating Income (Billions of Yen)																								
	<p>Nonferrous Metals Dowa Metals & Mining Co., Ltd. Gold, silver, copper, zinc, lead, zinc alloys, platinum, palladium, indium, bismuth, tellurium, sulfuric acid</p>	 <table border="1"> <thead> <tr> <th>Year</th> <th>Net Sales (Billions of Yen)</th> </tr> </thead> <tbody> <tr><td>04</td><td>110</td></tr> <tr><td>05</td><td>130</td></tr> <tr><td>06</td><td>160</td></tr> <tr><td>07</td><td>270</td></tr> <tr><td>08</td><td>250 [Fiscal 2007 forecast]</td></tr> </tbody> </table>	Year	Net Sales (Billions of Yen)	04	110	05	130	06	160	07	270	08	250 [Fiscal 2007 forecast]	 <table border="1"> <thead> <tr> <th>Year</th> <th>Operating Income (Billions of Yen)</th> </tr> </thead> <tbody> <tr><td>04</td><td>2</td></tr> <tr><td>05</td><td>11</td></tr> <tr><td>06</td><td>16</td></tr> <tr><td>07</td><td>24</td></tr> <tr><td>08</td><td>18 [Fiscal 2007 forecast]</td></tr> </tbody> </table>	Year	Operating Income (Billions of Yen)	04	2	05	11	06	16	07	24	08	18 [Fiscal 2007 forecast]
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	<p>Environmental Management & Recycling Dowa Eco-System Co., Ltd. Waste treatment, soil remediation, metal recycling, consulting, landfill facilities, logistics</p>	 <table border="1"> <thead> <tr> <th>Year</th> <th>Net Sales (Billions of Yen)</th> </tr> </thead> <tbody> <tr><td>04</td><td>45</td></tr> <tr><td>05</td><td>48</td></tr> <tr><td>06</td><td>58</td></tr> <tr><td>07</td><td>75</td></tr> <tr><td>08</td><td>40 [Fiscal 2007 forecast]</td></tr> </tbody> </table>	Year	Net Sales (Billions of Yen)	04	45	05	48	06	58	07	75	08	40 [Fiscal 2007 forecast]	 <table border="1"> <thead> <tr> <th>Year</th> <th>Operating Income (Billions of Yen)</th> </tr> </thead> <tbody> <tr><td>04</td><td>4.5</td></tr> <tr><td>05</td><td>4.8</td></tr> <tr><td>06</td><td>5.8</td></tr> <tr><td>07</td><td>8.0</td></tr> <tr><td>08</td><td>3.5 [Fiscal 2007 forecast]</td></tr> </tbody> </table>	Year	Operating Income (Billions of Yen)	04	4.5	05	4.8	06	5.8	07	8.0	08	3.5 [Fiscal 2007 forecast]
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	<p>Electronic Materials Dowa Electronics Materials Co., Ltd. Compound semiconductor wafers, light-emitting diodes, high-purity rare metals such as gallium and indium, conductive powders such as copper powders, silver powders, silver oxide powders, metal powders, ferrite powders, carrier powders</p>	 <table border="1"> <thead> <tr> <th>Year</th> <th>Net Sales (Billions of Yen)</th> </tr> </thead> <tbody> <tr><td>04</td><td>38</td></tr> <tr><td>05</td><td>45</td></tr> <tr><td>06</td><td>50</td></tr> <tr><td>07</td><td>55</td></tr> <tr><td>08</td><td>30 [Fiscal 2007 forecast]</td></tr> </tbody> </table>	Year	Net Sales (Billions of Yen)	04	38	05	45	06	50	07	55	08	30 [Fiscal 2007 forecast]	 <table border="1"> <thead> <tr> <th>Year</th> <th>Operating Income (Billions of Yen)</th> </tr> </thead> <tbody> <tr><td>04</td><td>5.2</td></tr> <tr><td>05</td><td>6.0</td></tr> <tr><td>06</td><td>6.2</td></tr> <tr><td>07</td><td>6.8</td></tr> <tr><td>08</td><td>3.2 [Fiscal 2007 forecast]</td></tr> </tbody> </table>	Year	Operating Income (Billions of Yen)	04	5.2	05	6.0	06	6.2	07	6.8	08	3.2 [Fiscal 2007 forecast]
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	<p>Metal Processing Dowa Metaltech Co., Ltd. Copper, brass, and copper alloy strips, strip electroplating, brass rods, forged brass products, metal-ceramic substrates, electroplated products</p>	 <table border="1"> <thead> <tr> <th>Year</th> <th>Net Sales (Billions of Yen)</th> </tr> </thead> <tbody> <tr><td>04</td><td>30</td></tr> <tr><td>05</td><td>35</td></tr> <tr><td>06</td><td>50</td></tr> <tr><td>07</td><td>78</td></tr> <tr><td>08</td><td>40 [Fiscal 2007 forecast]</td></tr> </tbody> </table>	Year	Net Sales (Billions of Yen)	04	30	05	35	06	50	07	78	08	40 [Fiscal 2007 forecast]	 <table border="1"> <thead> <tr> <th>Year</th> <th>Operating Income (Billions of Yen)</th> </tr> </thead> <tbody> <tr><td>04</td><td>1.8</td></tr> <tr><td>05</td><td>2.5</td></tr> <tr><td>06</td><td>4.0</td></tr> <tr><td>07</td><td>4.5</td></tr> <tr><td>08</td><td>1.5 [Fiscal 2007 forecast]</td></tr> </tbody> </table>	Year	Operating Income (Billions of Yen)	04	1.8	05	2.5	06	4.0	07	4.5	08	1.5 [Fiscal 2007 forecast]
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	<p>Heat Treatment Dowa Thermotech Co., Ltd. Various types of heat treatment, various types of surface treatment, design, manufacture, marketing, and maintenance of various types of heat treatment equipment and ancillary equipment</p>	 <table border="1"> <thead> <tr> <th>Year</th> <th>Net Sales (Billions of Yen)</th> </tr> </thead> <tbody> <tr><td>04</td><td>19</td></tr> <tr><td>05</td><td>21</td></tr> <tr><td>06</td><td>22</td></tr> <tr><td>07</td><td>26</td></tr> <tr><td>08</td><td>13 [Fiscal 2007 forecast]</td></tr> </tbody> </table>	Year	Net Sales (Billions of Yen)	04	19	05	21	06	22	07	26	08	13 [Fiscal 2007 forecast]	 <table border="1"> <thead> <tr> <th>Year</th> <th>Operating Income (Billions of Yen)</th> </tr> </thead> <tbody> <tr><td>04</td><td>3.0</td></tr> <tr><td>05</td><td>3.0</td></tr> <tr><td>06</td><td>3.2</td></tr> <tr><td>07</td><td>3.5</td></tr> <tr><td>08</td><td>1.2 [Fiscal 2007 forecast]</td></tr> </tbody> </table>	Year	Operating Income (Billions of Yen)	04	3.0	05	3.0	06	3.2	07	3.5	08	1.2 [Fiscal 2007 forecast]
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Business Structure Reform Plan III	Operating Highlights
<p>Become the leader in East Asia in zinc business Increase specialization in recycling operations in precious metals and copper business</p> <p>ZINC AND RARE METALS</p> <ul style="list-style-type: none"> ▶ Reinforce operating base through active investments in areas ranging from raw materials to processing and sales, as well as operational improvements at Akita Zinc Co., Ltd. and elsewhere ▶ Become the leader in East Asia in collective capabilities, while fostering a strong awareness of the competition <p>PRECIOUS METALS AND COPPER</p> <ul style="list-style-type: none"> ▶ Develop unique business models linked to environmental businesses ▶ Build new processing facilities at Kosaka Smelting & Refining Co., Ltd. and enhance recycling efficiency through such means as reinforcing Japan's recycling network as well as overseas deliveries of E-Waste 	<ul style="list-style-type: none"> ■ Completed new furnace for recyclable material treatment with an investment of approximately ¥12 billion at Kosaka Smelting & Refining Co., Ltd. (August 2007). Started trial operation aimed at full-scale operation in spring 2008 ■ Started procuring zinc ore from the San Cristobal mine in Bolivia to ensure a stable supply of raw material ore for the zinc business (October 2007) ■ Formulated plans for large-scale expansion of production at the Tizapa mine in Mexico by 2010, also to ensure a stable supply of raw material zinc ore ■ Invested approximately ¥8 billion in Onahama Smelting & Refining Co., Ltd., a joint venture as part of a copper-refining-related business alliance with Mitsubishi Materials Corporation, and introduced a new copper smelting furnace (October 2007)
<p>Become a leading company in East Asia</p> <p>WASTE TREATMENT</p> <ul style="list-style-type: none"> ▶ Aim for further business expansion as a leading company in the waste treatment business by increasing capacity at existing treatment facilities and augmenting treatment networks <p>SOIL REMEDIATION</p> <ul style="list-style-type: none"> ▶ Become a leading company in Japan and the rest of East Asia leveraging a diverse lineup of services covering surveys, consulting and clean-up, as well as reliable technologies <p>RECYCLING</p> <ul style="list-style-type: none"> ▶ Aim to expand business by strengthening operations such as the recycling of precious metals from electronic circuit board scrap and other scrap, recycling of home appliances, and treatment of automobile shredder residue (ASR) 	<ul style="list-style-type: none"> ■ Obtained permission for construction of new furnace for waste treatment at Eco-System Chiba Co., Ltd. and started construction in May 2007 with completion scheduled for October 2008 ■ Started a recycling business for catalysts using waste treatment facility infrastructure as part of efforts to reinforce recycling operations at Eco-System Sanyo Co., Ltd. ■ Newly established Auto Recycle Akita Co., Ltd. as part of efforts to reinforce the automobile recycling business and completed the Kosaka Plant (November 2007) ■ Established the Northern Japan Plant of Eco-System Recycling Co., Ltd. as part of efforts to reinforce the precious metals recycling business (November 2007)
<p>Drive growth by aggressively investing in priority fields and developing new business</p> <p>SEMICONDUCTORS</p> <ul style="list-style-type: none"> ▶ Expand lineups of red LEDs (for medical sensors, etc.), infrared LEDs (for IrDAs, etc.), and other products, while aggressively investing in and developing new businesses such as nitride semiconductors <p>ELECTRONIC MATERIALS</p> <ul style="list-style-type: none"> ▶ Expand business by concentrating on priority products such as silver powder and indium oxide <p>MAGNETIC MATERIALS</p> <ul style="list-style-type: none"> ▶ Launch higher value-added metal-powder products for computer backup tapes ▶ Bring new products to market and rapidly establish new businesses 	<ul style="list-style-type: none"> ■ Completed construction and began operations at plant to manufacture nitride semiconductors for next-generation devices at Dowa Semiconductor Akita Co., Ltd. ■ Commercialized ultrafine particle metal powders compatible with high-capacity data storage tapes, and promoted R&D aimed at next- and subsequent-generation technologies ■ Boosted production capacity of carrier powder used in photocopiers, and cultivated new customers while enhancing product quality ■ Established New Business Promotion Dept., and bolstered development so as to accelerate commercialization
<p>Expand business and establish a stronger global presence through aggressive investments</p> <p>METAL PROCESSING</p> <ul style="list-style-type: none"> ▶ Shift further emphasis to value-added products by expediting capital investments ▶ Cement a leading position as a top supplier of materials for automotive connectors <p>ELECTROPLATING</p> <ul style="list-style-type: none"> ▶ Expand business by constructing new electroplating lines ▶ Develop technologies in value-added fields <p>METAL-CERAMIC SUBSTRATE</p> <ul style="list-style-type: none"> ▶ Strengthen business by strategic relationship with business partners ▶ Expand Cu-AlN substrate business and become the top share supplier 	<ul style="list-style-type: none"> ■ Acquired shares of copper alloy manufacturing and sales companies from Yamaha Corporation (November 2007) ■ Distribution subsidiary with slitting and plating capability began operations in Thailand (September 2007) ■ Substantially increased copper alloy melting and casting capacity at Dowa Metal Co., Ltd. by expanding copper alloy melt furnace and casting unit ■ Further implemented plans to expand electroplating lines at Dowa Hightech Co., Ltd. One new electroplating line was installed in addition to three lines in the previous fiscal year ■ Began construction of a joint-venture plant to manufacture aluminum nitride (AIN) substrates as raw materials in the metal-ceramic substrate business ■ Established European sales base in Germany (November 2007)
<p>Expand business through innovations in production technologies and aggressive investments</p> <p>HEAT TREATMENT</p> <ul style="list-style-type: none"> ▶ Strengthen operations by improving productivity and reducing costs ▶ Expand domestic market share by making capital investments to increase capacity ▶ Overseas, implement new initiatives in North America and Asia <p>INDUSTRIAL FURNACES</p> <ul style="list-style-type: none"> ▶ Bring new products to market through development focused on customer needs ▶ Expand business by putting in place a strong overseas sales and maintenance network 	<ul style="list-style-type: none"> ■ Started construction of a state-of-the-art plant in the Kanto region (Ohta, Gunma Prefecture.) Scheduled to begin operations in spring 2008 ■ Realized benefits from acquisition of Cemm Co., Ltd., consolidated from fiscal 2007 ■ Realized benefits from prior facility expansion at the Chukyo Handa Works, increasing treatment capacity 50% ■ Established a new heat treatment company in Thailand (April 2007). Started equipment maintenance services in October 2007 and plan to begin consigned heat treatment processing services in December 2007 ■ Substantially increased heat treatment processing capacity by implementing facility expansion at DTA

Consolidated Balance Sheets

Dowa Holdings Co., Ltd. and Its Consolidated Subsidiaries
September 30, 2007 and 2006

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	
Current Assets:			
Cash and time deposits (Note 4)	¥ 3,310	¥ 4,507	\$ 28,676
Notes and accounts receivable:			
Trade	68,711	66,470	595,262
Non-consolidated subsidiaries and affiliates	2,092	3,133	18,123
Others	5,533	2,997	47,936
Subtotal	76,336	72,600	661,323
Inventories	86,233	94,989	747,065
Deferred tax assets	3,453	4,820	29,920
Other current assets	3,580	2,282	31,016
Less: Allowance for doubtful accounts	(61)	(170)	(534)
Total current assets	172,852	179,030	1,497,467
Property, Plant and Equipment, at Cost:			
Land	20,674	21,691	179,104
Buildings and structures	72,607	82,587	629,020
Machinery, equipment and others	154,612	148,577	1,339,449
Construction in progress	16,395	8,833	142,042
Subtotal	264,290	261,691	2,289,617
Less: Accumulated depreciation	(159,290)	(166,558)	(1,379,970)
Total property, plant and equipment	105,000	95,132	909,646
Investments and Other Assets:			
Investments in securities (Note 5)	48,722	45,791	422,092
Investments in and advances to non-consolidated subsidiaries and affiliates (Note 5) ...	30,412	24,112	263,471
Long-term loans	36	233	316
Deferred tax assets	2,362	2,838	20,467
Other assets	4,583	4,816	39,708
Less: Allowance for doubtful accounts	(157)	(288)	(1,366)
Total investments and other assets	85,959	77,504	744,690
Total assets	¥363,812	¥351,667	\$3,151,803

1. The accompanying notes are an integral part of these financial statements.

2. ¥115.43=US\$1, the rate of exchange on September 28, 2007, is used.

Liabilities and Net Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	
Current Liabilities:			
Short-term borrowings	¥ 26,352	¥ 46,401	\$ 228,296
Long-term debt due within one year.....	25,674	17,382	222,425
Commercial paper	—	10,000	—
Notes and accounts payable:			
Trade.....	39,721	41,005	344,115
Non-consolidated subsidiaries and affiliates	709	654	6,142
Others.....	4,029	5,377	34,911
Subtotal.....	44,460	47,037	385,169
Derivatives traded at fair value	2,308	3,477	19,999
Accrued expenses	9,240	8,819	80,054
Accrued income taxes	12,217	8,089	105,846
Other current liabilities	4,115	3,824	35,651
Total current liabilities.....	124,369	145,032	1,077,444
Long-term Liabilities:			
Long-term debt	69,474	54,377	601,875
Reserves for employees' retirement benefits	13,533	12,195	117,240
Reserves for directors' and corporate auditors' retirement benefits	772	856	6,693
Deferred tax liabilities	6,663	10,185	57,731
Other long-term liabilities	3,760	1,663	32,579
Total long-term liabilities	94,204	79,278	816,120
Total liabilities	218,574	224,310	1,893,564

Contingent Liabilities (Note 6)**Net Assets****Shareholders' Equity:**

Common stock:

Authorized: 1,000,000 thousand shares in 2007 and 2006			
Issued: 303,790 thousand shares at September 30, 2007 and 2006	36,436	36,436	315,659
Additional paid-in capital	26,368	26,368	228,440
Retained earnings	63,262	44,579	548,063
Treasury stock, at cost (4,516,788 shares in 2007 and 3,874,074 shares in 2006).....	(2,619)	(2,240)	(22,696)
Subtotal.....	123,448	105,144	1,069,466

Adjustments for Valuation, Foreign Currency Translation and Others:

Unrealized gain on available-for-sale securities.....	16,909	21,565	146,491
Net deferred hedge income	(3)	(3,106)	(27)
Foreign currency translation adjustments.....	(228)	(453)	(1,975)
Subtotal.....	16,678	18,006	144,489
Minority Interests	5,111	4,205	44,282
Total net assets	145,238	127,356	1,258,238
Total liabilities and net assets	¥363,812	¥351,667	\$3,151,803

Consolidated Statements of Income

Dowa Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the six months ended September 30, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Net Sales	¥237,212	¥217,683	\$2,055,029
Cost of Sales	195,213	180,957	1,691,187
Gross profit	41,998	36,725	363,842
Selling, General and Administrative Expenses	14,637	13,438	126,810
Operating income	27,360	23,286	237,032
Other Income (Expenses):			
Interest and dividend income	785	755	6,808
Equity in earnings of affiliates	1,470	1,589	12,735
Interest expenses	(988)	(788)	(8,560)
Loss due to business reorganization	(1,676)	—	(14,523)
Loss due to impairment of property, plant and equipment	(266)	(69)	(2,309)
Gain on sale and loss due to disposal of property, plant and equipment, net	(139)	(1,757)	(1,211)
Other, net	(1,654)	(885)	(14,332)
Subtotal	(2,469)	(1,157)	(21,393)
Income before income taxes and minority interests	24,891	22,129	215,639
Income Taxes:			
Current	12,094	7,778	104,777
Deferred	(91)	(39)	(794)
Subtotal	12,002	7,738	103,983
Minority Interests	(770)	(526)	(6,674)
Net income	¥ 12,118	¥ 13,864	\$ 104,981
Per Share (Note 3):			
	Yen		U.S. Dollars (Note 1)
Primary net income	¥ 40.42	¥ 46.23	\$ 0.35
Fully diluted net income	38.47	—	0.33
Cash dividends	—	—	—

1. The accompanying notes are an integral part of these financial statements.

2. ¥115.43=US\$1, the rate of exchange on September 28, 2007, is used.

Consolidated Statements of Changes in Net Assets

Dowa Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the six months ended September 30, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Number of Shares of Common Stock (thousand)			
Balance at beginning of period	303,790	303,790	—
Net change during period	—	—	—
Balance at end of period	303,790	303,790	—
Common Stock			
Balance at beginning of period	¥36,436	¥36,436	\$315,659
Net change during period	—	—	—
Balance at end of period	¥36,436	¥36,436	\$315,659
Additional Paid-in Capital			
Balance at beginning of period	¥26,368	¥26,368	\$228,440
Net change during period	—	—	—
Balance at end of period	¥26,368	¥26,368	\$228,440
Retained Earnings			
Balance at beginning of period	¥57,052	¥35,079	\$494,259
Net income	12,118	13,864	104,981
Cash dividends paid	(6,075)	(4,252)	(52,633)
Bonuses to directors	—	(108)	—
Change in equity of subsidiaries newly consolidated at beginning of the period	168	(3)	1,456
Balance at end of period	¥63,262	¥44,579	\$548,063
Treasury Stock, at Cost			
Balance at beginning of period	¥(2,250)	¥(2,249)	\$ (19,493)
Purchase of treasury stock	(7)	(3)	(64)
Net change in treasury stock due to change in equity in equity-method affiliates	(362)	12	(3,138)
Balance at end of period	¥(2,619)	¥(2,240)	\$ (22,696)
Unrealized Gain on Available-for-Sale Securities			
Balance at beginning of period	¥19,219	¥22,112	\$ 166,501
Net change during period	(2,309)	(547)	(20,009)
Balance at end of period	¥16,909	¥21,565	\$ 146,491
Net Deferred Hedge Income (Loss)			
Balance at beginning of period	¥ 294	—	\$ 2,554
Net change during period	(297)	(3,106)	(2,581)
Balance at end of period	¥ (3)	¥ (3,106)	\$ (27)
Foreign Currency Translation Adjustments			
Balance at beginning of period	¥ (336)	¥ (426)	\$ (2,915)
Net change during period	108	(26)	940
Balance at end of period	¥ (228)	¥ (453)	\$ (1,975)
Minority Interest			
Balance at beginning of period	¥ 4,491	¥ 3,833	\$ 38,908
Net change during period	620	372	5,375
Balance at end of period	¥ 5,111	¥ 4,205	\$ 44,282

1. The accompanying notes are an integral part of these consolidated financial statements.

2. ¥115.43=US\$1, the rate of exchange on September 28, 2007, is used.

Consolidated Statements of Cash Flows

Dowa Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the six months ended September 30, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Cash Flows from Operating Activities:			
Income before income taxes and minority interests.....	¥24,891	¥22,129	\$215,639
Adjustments for:			
Depreciation	5,616	4,388	48,655
Loss due to impairment of property, plant and equipment	266	69	2,309
Amortization of excess of the purchase price over the underlying equity in net assets of businesses acquired.....	359	226	3,110
Reversal of allowance for bad debts	(1)	(77)	(10)
Interest and dividend income.....	(785)	(755)	(6,808)
Interest expenses	988	788	8,560
Equity in earnings of affiliates.....	(1,470)	(1,589)	(12,735)
Loss due to sale or disposal of property, plant and equipment, net	139	1,757	1,211
Loss due to business reorganization	1,676	—	14,523
(A)crease decrease in trade receivables	4,820	(21,797)	41,759
(A)crease in inventories.....	(6,266)	(25,132)	(54,284)
Increase in trade payables	2,678	11,360	23,206
Changes in consumption tax payable	(1,969)	(1,485)	(17,058)
Other, net	1,618	1,177	14,017
Subtotal.....	32,562	(8,937)	282,097
Interest and dividend income received	1,485	849	12,868
Interest expenses paid	(937)	(738)	(8,122)
Income taxes paid.....	(14,824)	(8,394)	(128,425)
Net cash provided by (used in) operating activities.....	18,286	(17,221)	158,418
Cash Flows from Investing Activities:			
Acquisition of property, plant and equipment.....	(14,807)	(10,169)	(128,282)
Acquisition of investments in securities	(1,003)	(4)	(8,690)
Acquisition of investments in subsidiaries and affiliates.....	(5,385)	(2,806)	(46,659)
Change in loans.....	68	792	595
Proceeds from sale of property, plant and equipment.....	92	4,629	803
Other, net	(51)	(14)	(442)
Net cash used in investing activities	(21,086)	(7,571)	(182,676)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term bank loans.....	(14,249)	17,487	(123,450)
Change in commercial paper	—	10,000	—
Change in long-term debt	28,700	6,200	248,635
Repayment of long-term debt	(7,389)	(5,806)	(64,020)
Cash dividends paid	(6,206)	(4,394)	(53,767)
Purchases of treasury stock	(7)	(3)	(64)
Increase in lease liabilities	198	—	1,721
Payment of lease liabilities	(130)	—	(1,126)
Other, net	(7)	(7)	(60)
Net cash provided by financing activities	908	23,475	7,866
Effect of Exchange Rate Changes on Cash and Cash Equivalents	34	(16)	296
Net Decrease in Cash and Cash Equivalents	(1,857)	(1,334)	(16,095)
Cash and Cash Equivalents at Beginning of Period	4,792	5,813	41,522
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	352	6	3,057
Cash and Cash Equivalents at End of Period (Note 4)	¥ 3,288	¥ 4,485	\$ 28,485

1. The accompanying notes are an integral part of these financial statements.

2. ¥115.43=US\$1, the rate of exchange on September 28, 2007, is used.

Notes to Consolidated Financial Statements

Dowa Holdings Co., Ltd. and Its Consolidated Subsidiaries

1. Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements of Dowa Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries (the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements, from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Company Law and the Financial Instruments and Exchange Law of Japan.

Moreover, the Company changed its name from "Dowa Mining Co., Ltd." to "Dowa Holdings Co., Ltd." on October 1, 2006.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

U.S. dollar amounts have been translated from Japanese yen solely for the convenience of readers outside Japan. ¥115.43=US\$1, the rate of exchange on September 28, 2007, is used. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

This semi-annual report should be read in conjunction with the annual report for the year ended March 31, 2007.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in non-consolidated subsidiaries have not been accounted for by the equity method, but have been carried at cost, since the Company's equity in their combined earnings, in aggregate, does not have a material effect on the consolidated financial statements.

The excess of the purchase price over the underlying equity in net assets of businesses acquired is amortized on a straight-line basis within 20 years.

Investments in major affiliated companies in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method.

(a) Note Regarding Scope of Consolidation

The consolidated financial statements for the interim period ended September 30, 2006 included Dowa Technology Co., Ltd., because it was material in the previous period. This company was an unconsolidated subsidiary in the consolidated financial statements through the year ended March 31, 2006.

The Company signed an agreement to buy all outstanding stocks of Cemm Co., Ltd. during the interim period ended September 30, 2006. The results of this subsidiary from the signing date of the agreement were included in the consolidated financial statements.

The Company signed an agreement to sell all owned stock in Dongwoo Heat Treating Co., Ltd. during the year ended March 31, 2007. This affiliate was excluded from the scope of application of the equity method in the consolidated financial statements for the year ended March 31, 2007.

Pulse Kensetsu Consultant Co., Ltd., a consolidated subsidiary in the previous fiscal year, changed its name to "Showa Kaihatsu Kogyo Co., Ltd." after absorbing consolidated subsidiary Showa Kaihatsu Kogyo Co., Ltd.

The consolidated financial statements for the interim period ended September 30, 2007 include Dowa Advanced Materials (Shanghai) Co., Ltd., because it was material in the current period. This company was an unconsolidated subsidiary in the consolidated financial statements through the year ended March 31, 2007.

(b) Accounting Period of Foreign Subsidiary

Consolidated subsidiary Dowa THT America, Inc. changed its fiscal year-end from December 31 to March 31 during the fiscal year ended March 31, 2007.

In preparing consolidated financial statements for the interim period ended September 30, 2006, the financial statements of Dowa THT America, Inc. as of June 30, 2006 were used, and significant transactions that occurred between July 1, 2006 and September 30, 2006 were adjusted as necessary for consolidation purposes.

In preparing consolidated financial statements for the interim period ended September 30, 2007, the financial statements of Dowa THT America, Inc. as of September 30, 2007 were used.

In preparing consolidated financial statements for the interim period ended September 30, 2007, the financial statements of Dowa Advanced Materials (Shanghai) Co., Ltd., as of June 30, 2007 were used, and significant transactions that occurred between July 1, 2007 and September 30, 2007 were adjusted as necessary for consolidation purposes.

3. Net Income per Share

Primary net income per share is based on the weighted average number of shares of common stock of the Company issued and outstanding during the respective period.

The Company has not issued any common stocks that would have diluted the amount of net income per share; therefore, fully diluted net income per share has been omitted from the consolidated financial statements for the interim period ended September 30, 2006.

4. Cash and Cash Equivalents

Cash and cash equivalents in the Consolidated Statements of Cash Flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

Cash and cash equivalents at September 30, 2007 and 2006 consisted of:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Cash and time deposits	¥3,310	¥4,507	\$28,676
Time deposits with deposit terms of over three months	(22)	(22)	(190)
Cash and cash equivalents	¥3,288	¥4,485	\$28,485

5. Investments

Investments at September 30, 2007 and 2006 consisted of:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Investments in non-consolidated subsidiaries and affiliates	¥30,412	¥24,112	\$263,471
Available-for-sale securities with market quotations.....	44,506	42,540	385,568
Unlisted securities.....	4,150	3,169	35,958
Others	65	82	565
Total	¥79,134	¥69,904	\$685,563

The net unrealized gain on available-for-sale securities with market quotations as of September 30, 2007 and 2006 were ¥26,405 million (US\$228,759 thousand) and ¥34,416 million, respectively.

6. Contingent Liabilities

At September 30, 2007 and 2006, the Group was contingently liable as guarantor of loans incurred by affiliates in the amount of ¥753 million (US\$6,526 thousand), and ¥220 million, respectively.

The Company has sold notes and accounts receivable to a finance company. As part of the finance agreement, under certain circumstances, the Company has the obligation to repurchase these amounts. In connection with this structured finance agreement, the Company was exposed to maximum repurchase commitments of ¥983 million (US\$8,518 thousand) and ¥1,225 million at September 30, 2007 and 2006, respectively.

7. Changes in Accounting Policies

(a) Accounting Standard for Inventory Valuation (2006)

The Company and its consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" ("Business Accounting Standard No. 9, July 5, 2006") on April 1, 2006. As a result of this change, cost of sales increased by ¥351 million: ¥312 million in the Nonferrous Metals segment, ¥14 million in the Electronic Materials segment, and ¥24 million in the Metal Processing segment. Gross profit, operating income and income before income taxes and minority interests all decreased by ¥351 million.

(b) Accounting Standard for Directors' Bonus (2006)

The Company and its consolidated subsidiaries adopted "Accounting Standard for Directors' Bonus" ("Accounting Standards Board of Japan Statement No. 4 issued on November 29, 2005") on April 1, 2006.

This change in accounting policy had a negligible impact on profit and loss.

(c) Accounting Standard for Presentation of Net Assets in the Balance Sheet (2006)

From the interim period ended September 30, 2006, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standards for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Statement No. 5)", and "Implementation Guidance for Accounting Standards for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Guidance No. 8)", both issued by the Accounting Standards Board of Japan on December 9, 2005.

These changes in accounting policy had no impact on profit and loss.

"Net Assets" on the Balance Sheets as of September 30, 2006 were presented according to the revised "Regulations concerning the Terminology, Form and Presentation Methods of Consolidated Financial Statements." Furthermore, the Group presented its net assets on the Balance Sheet as of March 31, 2006 based on the new presentation.

From the interim period ended September 30, 2006, the net-of-tax amount of the "Deferred Hedge Loss" item that was posted under "Current Assets" in the interim period ended September 30, 2005 was shown as "Net Deferred Hedge Income" under "Adjustments for Valuation, Foreign Currency Translation and Others."

(d) Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures and the Related Implementation Guidance (2006)

From the interim period ended September 30, 2006, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Business Combinations" (Accounting Standards issued on October 31, 2003 by the Business Accounting Council in Japan), "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No. 7) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10) both issued on December 27, 2005 by the Accounting Standards Board of Japan.

These changes in accounting policy had no impact on profit and loss.

(e) Accounting Standard for Treasury Shares and Appropriation of Legal Reserve (2006)

The Group has adopted "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve and its Implementation Guidance" ("Business Accounting Standard No. 1, revised on August 11, 2006").

This change in accounting policy had no impact on profit and loss.

The following changes in the presentation of the consolidated financial statements have been made in accordance with the revised regulations on consolidated financial statements. "Treasury stock, at cost" is presented as a component of "Shareholders' Equity" of "Net Assets" from the consolidated fiscal year beginning April 1, 2006.

On the consolidated balance sheets as of March 31, 2006, "Treasury stock, at cost" was presented as a component of "Shareholders' Equity."

(f) Depreciation Method for Tangible Fixed Assets (2007)

From the start of this financial period, pursuant to an amendment to the Corporate Tax Law, the Company and its domestic consolidated subsidiaries changed their depreciation method for tangible fixed assets acquired on or after April 1, 2007 to a method based on the amended Corporate Tax Law.

As a result, compared with the previous method, operating income decreased ¥75 million (US\$655 thousand) (including decreases of ¥6 million (US\$58 thousand) in the Nonferrous Metals segment, ¥13 million (US\$115 thousand) in the Environmental Management & Recycling segment, ¥12 million (US\$105 thousand) in the Electronic Materials segment, ¥30 million (US\$266 thousand) in the Metal Processing segment, ¥6 million (US\$55 thousand) in the Heat Treatment segment and ¥6 million (US\$54 thousand) in the Others segment), and income before income taxes and minority interests decreased ¥76 million (US\$658 thousand).

8. Change of Presentation (2006)

The Group has rounded down figures less than ¥1 million from the consolidated fiscal year beginning April 1, 2006. Accordingly, some figures may not total due to rounding.

Figures in the consolidated financial statements for the interim periods ended September 30, 2007 and 2006 have been rounded down.

9. Additional Information

(a) Reserve for Directors' and Corporate Auditors' Retirement Benefits (2006)

The retirement benefits system for the directors and corporate auditors of the Company was abolished at the general meeting of stockholders on June 28, 2006.

The Company has recorded accrued directors' and corporate auditors' severance indemnities approved at the general meeting of stockholders under "Other Long-term Liabilities" pursuant to "Auditing Treatment Relating to Reserve Defined under the Special Tax Measurement Law, Reserve Defined under the Special Law and Reserve for Director and Corporate Auditor Retirement Benefits" (The Japanese Institute of Certified Public Accountants ("JICPA") Auditing and Assurance Practice Committee Report No. 42, revised on April 13, 2007).

(b) Depreciation Method for Tangible Fixed Assets (2007)

Pursuant to an amendment to the Corporate Tax Law, the Company and its domestic consolidated subsidiaries now depreciate the difference between 5% of the acquisition cost and the memorandum price of tangible fixed assets acquired on or before March 31, 2007. From the fiscal year following the consolidated fiscal year that a tangible fixed asset is depreciated to the previously allowable 5% limit using a method based on the preamended Corporate Tax Law, this difference is depreciated evenly over 5 years and included in depreciation and amortization.

As a result, compared with the previous method, operating income decreased ¥351 million (US\$3,048 thousand) (including decreases of ¥154 million (US\$1,341 thousand) in the Nonferrous Metals segment, ¥34 million (US\$299 thousand) in the Environmental Management & Recycling segment, ¥71 million (US\$620 thousand) in the Electronic Materials segment, ¥42 million (US\$366 thousand) in the Metal Processing segment, ¥36 million (US\$319 thousand) in the Heat Treatment segment and ¥11 million (US\$100 thousand) in the Others segment), and income before income taxes and minority interests decreased ¥373 million (US\$3,233 thousand).

10. Derivatives

All derivatives held by the Group as of September 30, 2006 were subject to hedge accounting, so disclosure is not required.

The contract amount, fair value and unrealized gain (loss) for derivatives as of September 30, 2007 are as follows.

Commodity-related

Type	Millions of Yen				Thousands of U.S. Dollars (Note 1)			
	Contract Amount, etc.	Over One Year	Fair Value	Unrealized Gain (Loss)	Contract Amount, etc.	Over One Year	Fair Value	Unrealized Gain (Loss)
Nonferrous metal forward contracts								
Buying								
Silver	636	—	737	101	5,510	—	6,388	878
Zinc	1,514	—	1,385	(129)	13,121	—	11,999	(1,122)
Copper	16,205	2,891	18,130	1,925	140,393	25,047	157,073	16,679
Selling								
Silver	637	—	739	(102)	5,524	—	6,408	(884)
Zinc	3,769	—	3,794	(24)	32,654	—	32,868	(213)
Copper	16,208	2,810	18,112	(1,903)	140,422	24,349	156,909	(16,487)
Total	—	—	—	(132)	—	—	—	(1,149)

1. Fair value has been calculated based on the price of commodity futures, etc., as of September 30, 2007.

2. Items for which hedge accounting has been applied have been excluded.

11. Equity Warrants

Equity warrants which the Company issued for the interim period ended September 30, 2007 and year ended March 31, 2007 were as follows:

Item	Class of Stocks to be Issued	Number of Stocks to be Issued				Balance Sheet (Millions of Yen)
		March 31, 2007	Increase	Decrease	September 30, 2007	
Equity warrants	Common stock	15,188,998	—	—	15,188,998	—
	Total	15,188,998	—	—	15,188,998	—

The share numbers above assume all warrants are exercised.

The first day of the exercise period for 2006 equity warrants has not arrived.

As of September 30, 2007, the number of stocks issued when equity warrants are exercised is projected to be less than 15,188,998.

12. Subsequent Event

(a) Issuance of Unsecured Straight Bonds (2006)

The Company's Board of Directors passed a resolution to entrust an issuance of unsecured domestic straight bonds and conditions of issuance to the representative director at a meeting held on November 13, 2006. Based on this resolution, the representative director determined the conditions of issuance on December 1, 2006 and unsecured straight bonds were issued on December 18, 2006 as follows.

1. Type

Unsecured domestic straight bonds (DOWA bonds)

2. Total amount issued

¥10,000 million

3. Issue price of bonds

¥100 per par value of ¥100

4. Date of issuance

December 18, 2006

5. Redemption date

December 18, 2009

6. Interest rate

1.21% per annum

7. Intended use of proceeds

To provide for payment for other bonds and for investment in property, plant and equipment in an effort to attain the targets of medium-term planning.

13. Segment Information

The Company's business segments, which should be separately disclosed pursuant to regulations in Japan on consolidated financial statements, consist of the following:

Principal Products

- (1) Nonferrous Metals: Production and sale of gold, silver, copper, zinc, lead, zinc alloy, indium, platinum, and other nonferrous metals
- (2) Environmental Management and Recycling: Waste treatment, soil remediation, metal recycling, consulting, final waste treatment and disposal facilities, and freight transport
- (3) Electronic Materials: High-purity gallium for compound semiconductor manufacturing, compound semiconductors for electronic and optical devices, LEDs for transmission and medical sensors, metal powders for data storage tape and other electronic materials
- (4) Metal Processing: Manufacture and sale of copper, brass, copper alloy strips and other copper strip products, strip platings, brass bars and forged parts, metal-ceramic substrates for power modules
- (5) Heat Treatment: Heat treatment, surface treatment, and surface modification treatment, and the design, manufacture, sale and maintenance of facilities for heat treatment
- (6) Others: Construction, rental, geothermal business and others

	Millions of Yen								
	Nonferrous Metals	Environmental Management and Recycling	Electronic Materials	Metal Processing	Heat Treatment	Others	Total	Eliminations	Consolidated
2007									
Net sales:									
Outside customers	¥129,204	¥22,412	¥28,516	¥40,736	¥13,227	¥3,115	¥237,212	¥ —	¥237,212
Intersegment	16,860	16,422	1,055	51	0	6,468	40,858	(40,858)	—
Total	146,064	38,834	29,572	40,787	13,227	9,583	278,070	(40,858)	237,212
Operating expenses	128,809	35,385	26,194	39,030	11,924	9,844	251,188	(41,337)	209,851
Operating income (loss)	¥ 17,255	¥ 3,449	¥ 3,377	¥ 1,757	¥ 1,302	¥ (260)	¥ 26,881	¥ 478	¥ 27,360

	Millions of Yen								
	Nonferrous Metals	Environmental Management and Recycling	Electronic Materials	Metal Processing	Heat Treatment	Others	Total	Eliminations	Consolidated
2006									
Net sales:									
Outside customers	¥ 114,552	¥ 21,089	¥ 27,873	¥ 37,239	¥ 11,658	¥ 5,270	¥ 217,683	¥ —	¥ 217,683
Intersegment	16,851	15,854	517	16	—	4,125	37,365	(37,365)	—
Total	131,404	36,944	28,390	37,255	11,658	9,396	255,048	(37,365)	217,683
Operating expenses	119,602	33,220	24,827	34,756	10,228	9,188	231,824	(37,428)	194,396
Operating income	¥ 11,801	¥ 3,723	¥ 3,562	¥ 2,498	¥ 1,429	¥ 207	¥ 23,224	¥ 62	¥ 23,286

	Thousands of U.S. Dollars (Note 1)								
	Nonferrous Metals	Environmental Management and Recycling	Electronic Materials	Metal Processing	Heat Treatment	Others	Total	Eliminations	Consolidated
2007									
Net sales:									
Outside customers	\$1,119,332	\$194,164	\$247,043	\$352,909	\$114,590	\$26,989	\$2,055,029	\$ —	\$2,055,029
Intersegment	146,062	142,272	9,147	445	0	56,038	353,968	(353,968)	—
Total	1,265,394	336,437	256,190	353,355	114,591	83,028	2,408,998	(353,968)	2,055,029
Operating expenses	1,115,907	306,550	226,930	338,133	103,308	85,283	2,176,114	(358,116)	1,817,997
Operating income (loss)	\$ 149,487	\$ 29,886	\$ 29,260	\$ 15,222	\$ 11,282	\$ (2,255)	\$ 232,884	\$ 4,148	\$ 237,032

*¥115.43=US\$1, the rate of exchange on September 28, 2007 is used.

Segment information by geographic area is not disclosed pursuant to regulations on consolidated financial statements in Japan, since the net sales of the Company and its domestic consolidated subsidiaries, taken as a whole, were more than 90% of consolidated net sales.

Information on overseas sales is not disclosed pursuant to regulations on consolidated financial statements in Japan, since the aggregate overseas sales of the Company and its domestic subsidiaries and overseas consolidated subsidiaries was less than 10% of consolidated net sales.