DOWA HOLDINGS CO., LTD.

# Jump up to
# the New Stage

## Annual Report 2010
For the year ended March 31, 2010

DOWA

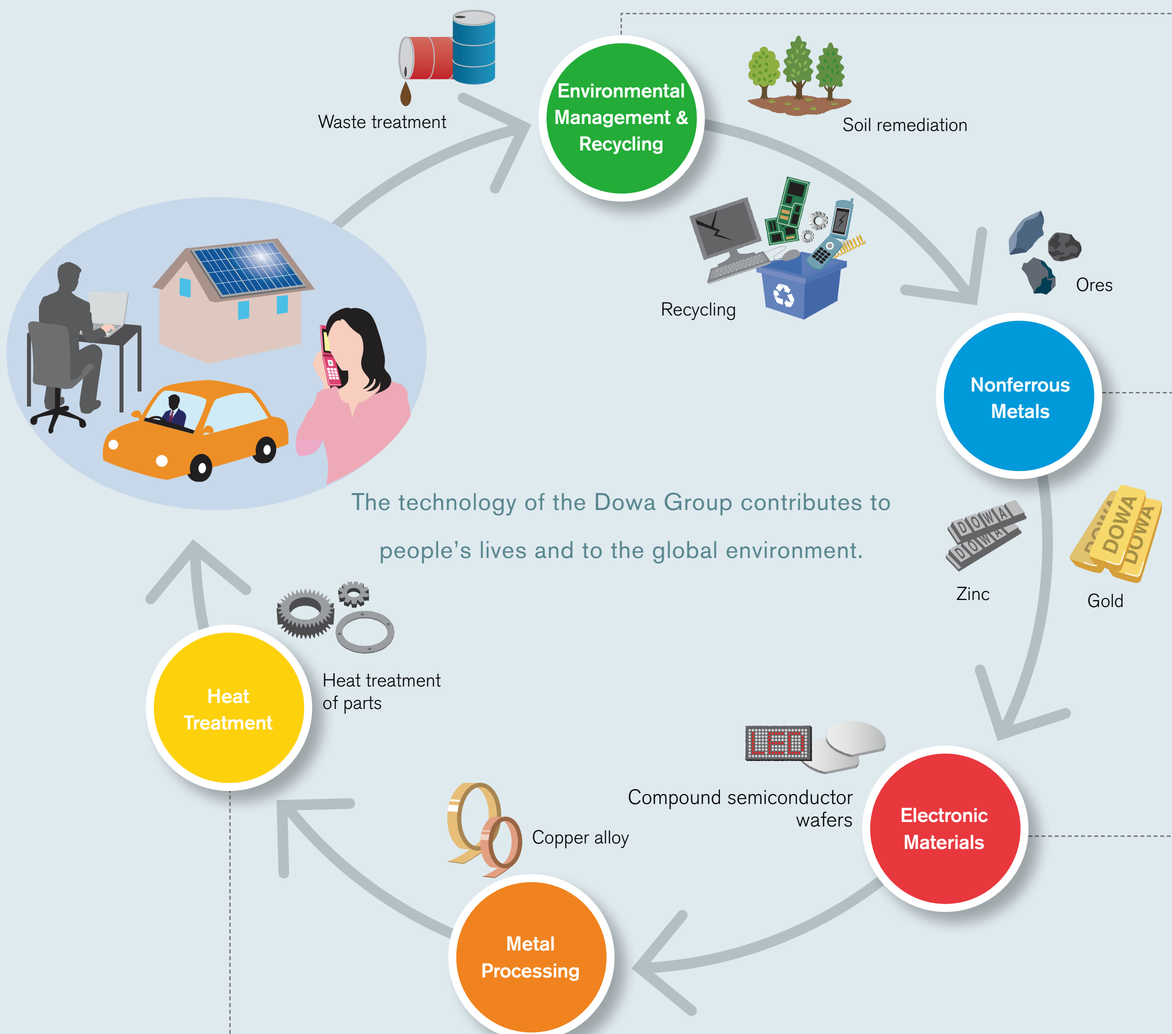
# Business Activities of the Dowa Group

**Corporate Philosophy**

Through its business operations on the world stage,

Dowa seeks to contribute to a high standard of living and

the emergence of a resource-recycling society.




The Dowa Group is engaged in a wide range of business activities, making use of our original technologies and expertise accumulated throughout our history in the mining and nonferrous metals industries since our establishment in 1884. In our Nonferrous Metals business, we extract useful metals from a variety of resources in addition to natural resources. These metals provide added value to our Electronic Materials, Metal Processing and Heat Treatment businesses, and are incorporated in our end products after being given sophisticated functionality. In our Environmental Management & Recycling business, we make waste materials harmless and recover metals from products after they have been used. These recovered metals are then recycled as nonferrous raw materials. In this manner, Dowa's businesses are contributing to the recycling of resources.

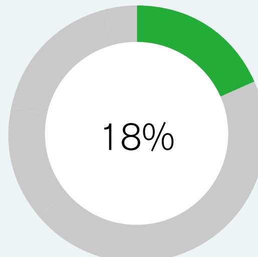
Percentage of Total Net Sales

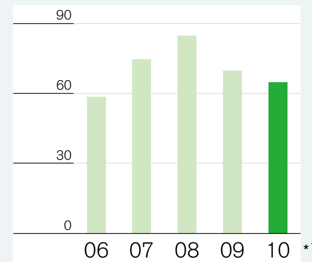
Net Sales (Billions of Yen)

## DOWA ECO-SYSTEM CO., LTD.

Waste treatment, soil remediation, metal recycling, consulting on environmental affairs, landfill facilities, logistics

>>> P10

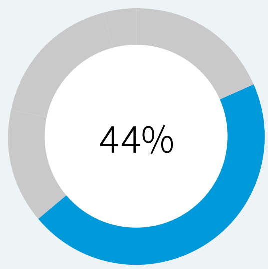


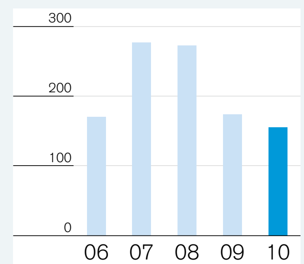




## DOWA METALS & MINING CO., LTD.

Gold, silver, copper, zinc, zinc alloys, lead, platinum, palladium, indium, bismuth, tellurium, sulfuric acid

>>> P12




## DOWA ELECTRONICS MATERIALS CO., LTD.

High-purity gallium, indium, compound semiconductor wafers, light-emitting diodes, silver powders, copper powders, silver oxide powders, metal powders, carrier powders, ferrite powders

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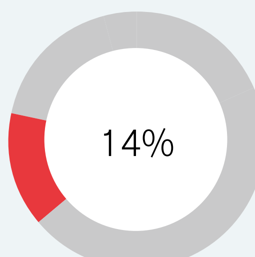
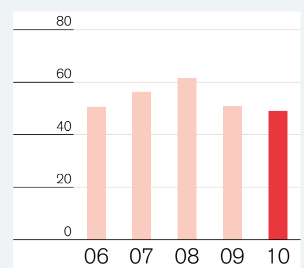
Feature >>> P6

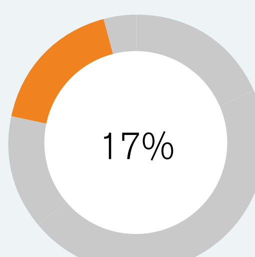


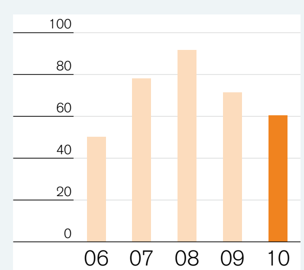




## DOWA METALTECH CO., LTD.

Copper, brass, copper alloy strips, nickel alloy strips, reflow tin plated strips, brass rods, forged brass products, electroplated products, metal-ceramic substrates

>>> P16

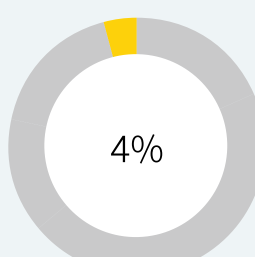


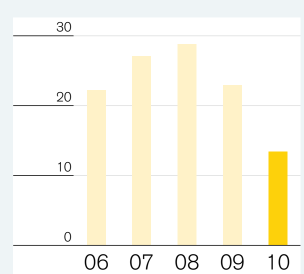




## DOWA THERMOTECH CO., LTD.

Various types of heat treatment, various types of surface treatment, design, manufacture, marketing, and maintenance of various types of industrial furnaces and ancillary equipment

>>> P18




*1 The years stated in the text are ended March 31 of the year. Thus “2010” refers to the fiscal year, which ran from April 1, 2009 through March 31, 2010.

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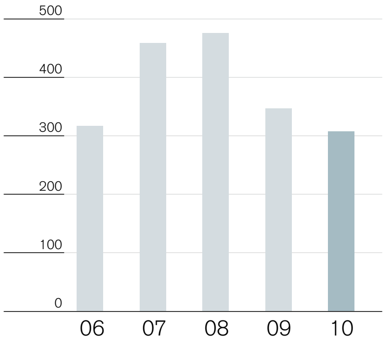
# Financial Highlights

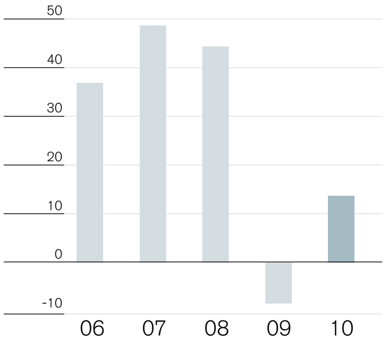
Years ended March 31

| | Millions of Yen | | Thousands of U.S. Dollars[*2] |
|---|---|---|---|
| | 2010[*1] | 2009 | 2010 |
| **For the Year:** | | | |
| Net Sales | ¥307,462 | ¥346,885 | $3,304,629 |
| Operating Income (loss) | 13,701 | (8,497) | 147,267 |
| Ordinary Income (loss) | 13,809 | (13,350) | 148,424 |
| Net Income (loss) | 4,359 | (28,138) | 46,852 |
| Cash Flows from Operating Activities | 25,011 | 33,593 | 268,823 |
| Capital Expenditures | 10,763 | 24,213 | 115,681 |
| R&D Expenses | 3,829 | 4,421 | 41,154 |
| **At Year-end:** | | | |
| Equity | 111,667 | 103,830 | 1,200,210 |
| Total Assets | 330,720 | 343,208 | 3,554,610 |
| Interest-bearing Debt[*3] | 149,371 | 180,496 | 1,605,450 |
| Return on Assets (ROA[*4]) | 4.1% | – | 4.1% |

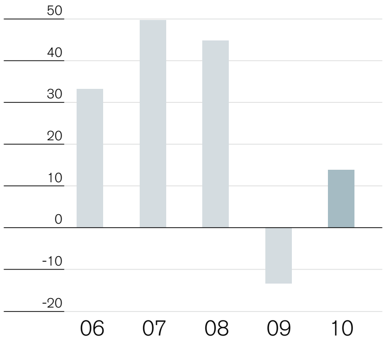
**Net Sales**
(Billions of Yen)



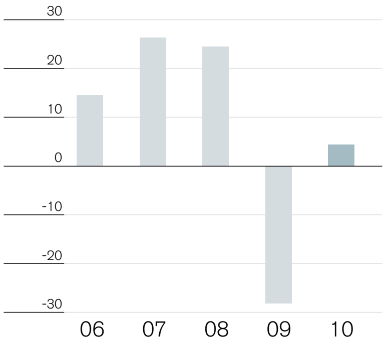

**Operating Income (loss)**
(Billions of Yen)



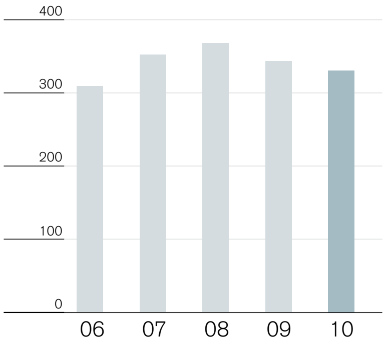

**Ordinary Income (loss)**
(Billions of Yen)



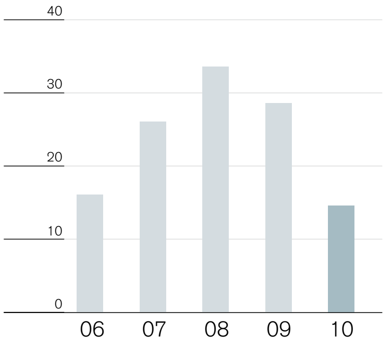

**Net Income (loss)**
(Billions of Yen)




**Total Assets**
(Billions of Yen)




**Capital Expenditures and R&D Expenses**
(Billions of Yen)




*1 The years stated in the text are ended March 31 of the year. Thus "2010" refers to the fiscal year, which ran from April 1, 2009 through March 31, 2010.
*2 ¥93.04=US$1, the rate of exchange on March 31, 2010, is used.
*3 Interest-bearing debt does not include lease obligations.
*4 ROA is Ordinary Income divided by average of Total Assets at the start and end of the year.

## Message from the Management

**The Dowa Group continues to overcome adversities in an increasingly unsettled economic climate and to "Jump up to the New Stage" by strengthening its underlying business foundations through structural reforms and steadily building and expanding operations in growth regions, particularly Asia.**

# Jump up to the New Stage

Masao Yamada
President and Representative Director

## Results for Fiscal 2009

Fiscal 2009, the year ended March 31, 2010, marked the beginning of a global recession triggered by the collapse of Lehman Brothers in the previous fiscal year. The Japanese economy showed some signs of recovery, underpinned by government economic stimulus measures and economic growth in China and other emerging countries. However, declining personal consumption and corporate capital investment raised fears of a double-dip recession, and business conditions remained severe.

In this operating environment, our Environmental Management & Recycling segment was adversely affected by a paucity of waste byproducts, recyclable raw materials and demand for soil remediation as a recovery failed to gain traction in Japanese industry on the whole. In the Nonferrous Metals segment, competition grew fiercer for acquiring resources, and buying terms for raw materials worsened. In the Electronic Materials segment and the Metal Processing segment, the recovery was faster than initially anticipated in automotive, IT, semiconductor, and some other areas, but demand for construction materials and industrial machinery was lackluster as capital investment stayed dormant. In the Heat Treatment segment, customers have been internalizing operations.

Under these adverse conditions, the Dowa Group realigned production bases, reduced costs by ¥10 billion over the course of the year, and promoted other restructuring measures in order to build secure foundations for generating profits even when plants are operating at low capacity. Despite a ¥39.4 billion decrease in sales to ¥307.4 billion in fiscal 2009, these initiatives quickly moved income back into the black and onto a solid growth footing. Operating income improved by ¥22.1 billion to ¥13.7 billion. Ordinary income improved by ¥27.1 billion to ¥13.8 billion, and net income improved by ¥32.4 billion to ¥4.3 billion.

More rigorous selectivity in investment prompted us to lower capital spending from the previous year. However, we rapidly stepped up equipment capacity in silver materials and other markets where we anticipated surging growth and steadily increased market share by meeting market needs. In addition, we continued to aggressively invest in projects that will further bolster our business foundations and make inroads into new business fields in preparation for the next growth phase ahead. For example, we acquired copper mining rights in Canada and purchased Meltec Co., Ltd., a waste disposal and treatment firm.

## "Jump up to the New Stage"

The global economy is on a recovery course, but trends in the financial markets are still unpredictable. We will continue unceasingly promoting policies that will steadily reap rewards through structural changes.

While further strengthening established businesses, we will step up expansion overseas, especially in Asia, where markets continue growing, and fully globalize our resource recycling businesses. In China, we are entering the home appliance recycling and heat treatment businesses. In Southeast Asia, we plan to expand operations at Modern Asia Environmental Holdings Inc. (MAEH) and increase production capacity at existing plants in metal processing, heat treatment, and other segments. Outside of Asia, we are establishing collection points for platinum group metals recovery and increasing sales of electronic materials in Europe as part of our efforts to tap into new markets.

As we continue making inroads overseas, we will explore markets in environmental fields such as natural energy and eco-friendly cars that are expected to attain growth going forward, and nurture the businesses that will be important pillars of our operations in the next generation.

Looking ahead, we will remain unwavering in our implementation of a strategy of selection and concentration for attaining our goals, and stand by our policy of becoming a technology-oriented company that can "Jump up to the New Stage."

Feature: Exciting New Challenges in Electronic Materials

# Dowa Electronics Materials
# Accelerating Expansion in Growth Markets

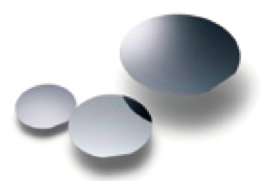
## Semiconductors

**Dowa Electronics Materials Co., Ltd. is seeking its presence in the two new business fields: Nitride high electron mobility transistor (HEMT) Epi-Wafers and Deep UV LEDs.**

**The first (HEMT Epi-Wafer) is recently deemed as the key material for the next generation saving energy and high efficiency devices, in use of home power management circuits in home appliances and power transmitters in industrial mobile phone base stations.**

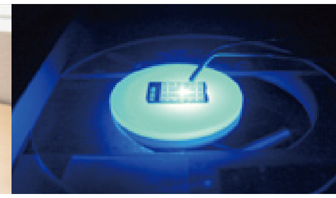
**The second (UV LED) is expected to replace conventional UV light sours such as mercury lamps, with the outstanding benefits: saving energy, longer life, and mercury free. Our attempt of producing Deep UV LED has been encouraged in the applications of resin curing, sensor, photo-catalyst, and sterilization.**

**We are commercializing above two new business all at DOWA Semiconductor Akita Co., Ltd., a subsidiary that produces compound semiconductor related materials for many years. These two new businesses are our aims to create the new pillars of growth for expansion of our operating base in the semiconductor business.**



Nitride HEMT epi-wafers

PC
(an example with semiconductor devices)



Deep-UV LEDs

Dowa Semiconductor Akita Co., Ltd.

## Nitride HEMT Epi-Wafers

Nitride HEMT Epi-Wafers are key materials for next generation power control devices such as inverters, power switching devices, and RF (Radio Frequency) power amplifiers. Nowadays energy efficiency in semiconductor power devices has become major demand in terms of global warming and environmental preservation, which seems difficult to be well-performed by conventional Silicon base semiconductors due to its material characteristic limit.

Nitride base semiconductors originally possess some particular merits rather than existing silicon base semiconductors: high voltage operation and lower (1/3 of silicon) electric resistance, etc. which are essential characteristics for saving energy. DOWA provides Nitride HEMT Epi Wafers can be used in High Voltage operation up to 1,000V, which are unique and at highest performances in the industry worldwide. They can also work with very low electric resistance and heat generation. These electronic properties are clue to realize simple and small device architecture without cooling management, which has been a must with silicon base semiconductors.

Major applications of Nitride HEMT Epi-Wafers are prospected in very wide range of industry, from home appliances such as power switching device in PC, inverter in air Conditioner and refrigerator, to automotive applications such as power unit in Electric vehicle and hybrid vehicle. And some RF power devices in mobile phone base station have been be also in recent implementation. The markets, requiring high performance, with high efficiency and energy saving, are continuously expanding rapidly. We are shifting sample stage to mass production in our subsidiary DOWA semiconductor Akita in 2101, and will attempt to reinforce sales with European and American customers in addition to existing domestic customers.

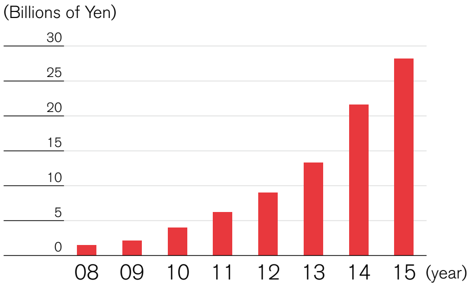
## Deep-UV LEDs

Deep-UV LED is expected in application of resin curing, drying, medical appliance, sensor, photo-catalyst, water purification, and sterilization. Replacing conventional mercury UV Lamps, shall bring many benefits; energy saving, longer life, mercury free, availability of wavelength variation. Since it is difficult, none of manufacture has been successful to provide Deep-UV LED so far in the world, however, DOWA made it possible to bring about Deep-UV LEDs in 2010, with wavelength of 300nm to 350nm. The excellent achievement of world class out put power in 300nm to 350nm has been obtained by mixture of three outstanding advanced technologies; DOWA's own original high quality AlN template (high quality AlN layer grown on sapphire substrate), technology from PARC (Palo Alto Research Center, USA), and technology from RIKEN (Institute of Physical and Chemical Research, Japan).

We are now at stage of sample submission and initial evaluation, and aim to develop the new products with higher output power and shorter wavelength, in order to occupy major market share in promising great market deserving several ten billion yen annually in near future.

**Market forecasts for epi-wafers for power semiconductors**

(Billions of Yen)




### Advantages in Semiconductor Business

- Crystalline growth technologies, film technologies, and high-purity technologies amassed from our gallium, gallium arsenide, LED, and other semiconductor businesses
- Our integrated production flow extending from upstream (high-purity gallium) to downstream (LEDs) product development and to recycling processes

Feature: Exciting New Challenges in Electronic Materials

# Dowa Electronics Materials
# Accelerating Expansion in Growth Markets

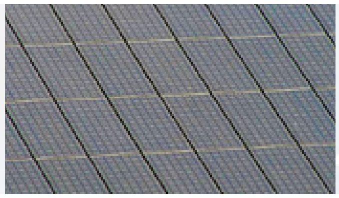
## Electronic Materials

Dowa Electronics Materials Co., Ltd.'s silver powders are used as a paste for electro-conductivity in cutting-edge products such as solar cells and plasma display panels.

We increased production capacity 50% in 2009 for meeting demand in the solar battery market, now growing rapidly in Japan and abroad, and in the PDP market, undergoing steady growth as flat-screen TVs gain wider diffusion.

We are commercially developing metal nanopowders as our next growth product. We are actively promoting R&D and making concerted efforts to commercialize products with the aim of entering the printable electronics market.

Silver oxide powder (on left) and silver powder



Solar power generation panels (an example with silver powder)

Silver nano-powder and nano-inks

Antenna for electronic tags (an example with nano-inks)

## Silver Powders

Solar cells have been attracting greater interest in recent years as a replacement for fossil fuels. The market has grown rapidly in Japan and abroad thanks to government assistance programs and systems for buying surplus power. It is expected to grow 20% annually on a global basis in 2010 and beyond.

In addition, PDP sales are increasing in tandem with proliferation of thin-screen TVs. Broader diffusion of three-dimensional TVs recently attests to the attractiveness of this product and is expected to fuel stronger market expansion.

To meet brisk demand for these products, we increased production capacity of silver powders by 50% in December 2009 and plan to continue strengthening capacity in 2010. Dowa's silver powders have excellent diameter control, good grain-size dispersability, good surface characteristics and filling capacity, and other attributes. They come in a number of forms for meeting user needs and satisfy stringent demands for electrode conductivity, fineness, and other requirements.

We will step up development of silver powders for semiconductor die bonding and for conductive adhesives and work to expand operations in both the solar cell and PDP markets.

## Metal Nanopowders

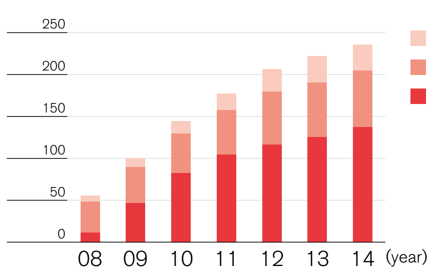
For metals, nano-particulation is known to greatly reduce melting points. For example, silver's melting point is 962˚C, but it is reduced radically to around 100˚C through nano-particulation. Dowa Electronics Materials has successfully reduced the diameter of silver powders from one micrometer to 10 nanometers (a nano is 1/1,000 micrometer, $10^{-9}$ meter), the molecular level, and it is conducting research on using the particles for paste and ink applications.

Using nano-particulation, circuits can be formed using printing methods on paper and PET resins with low heat-resistance and on bendable flexible boards and other materials that are difficult to form using older conductive particulation methods. This has greatly increased market applications. Electrodes can be used for tracing only the necessary parts, and this is expected to shorten calcination time and reduce production costs considerably.

In the nano-ink field, we are developing products and conducting joint research with PChem Associates, Inc., of the U.S. Dowa has independent marketing rights in Japan and Asia for products that use technology from its partner.

The printable electronics market is expected to generate auxiliary growth in fields such as solar cells, electroluminescent (EL) displays, e-paper, and e-tags (radio frequency identification). We expect the market to be valued at several ten billion yen in the coming years. We are strengthening research and will work to quickly commercialize products for this market.

### Dowa's silver powder sales




* Index based on 2009 sales (=100)

### Advantages in Electronic Materials Business

- Systems for stable silver product supplies and recycling afforded from the Dowa Group's resources in smelting, recycling, and other areas
- Crystalline control technologies, small-particle technologies, and granulometry technologies culled from metal powder, carrier powder, silver powder, and other powder businesses

## Environmental Management & Recycling

# DOWA ECO-SYSTEM CO., LTD.

**Main Products and Services**
Waste treatment, soil remediation, metal recycling, consulting on environmental affairs, landfill facilities, logistics

President
**Yoshito Koga**

Dowa Eco-System Co., Ltd. is expanding operations in Japan and abroad by furnishing comprehensive and reliable waste management, soil remediation, and recycling services. As the leading environmental and recycling company in Asia, we are strengthening our business foundations and increasing operating bases overseas to help improve the environment in Asia.

### Business Conditions

In waste treatment, despite an upturn for automotive, IT-related products, and some other materials, waste emissions were slow to recover overall, and business conditions remained severe. In soil remediation, construction projects declined and the market itself was dormant, leading to falling demand. For recycled raw materials, demand for replacement buying of home electronics fueled a strong performance in some areas, but strengths failed to extend to operations on the whole.

### Fiscal 2009 Results

As a result, segment consolidated sales decreased 7% year on year to ¥64.8 billion. We worked diligently to maintain profits by upgrading our waste collection network and reduced intermediary treatment, logistics, and other costs. However, these gains were unable to offset falling revenues, partially because the depreciation burden increased. Segment consolidated operating income decreased 57% to ¥2.1 billion.

### Fiscal 2010 Outlook

In the waste treatment business, we plan to reduce costs, increase collections, further expand customer services, and raise competitiveness. In soil remediation, we will step up activities in the soil survey market and enhance on-site cleanup services following amendments to the Soil Contamination Act. In metal recycling, our efforts will center on bolstering sales capabilities and on setting up and expanding operating bases. Overseas, we are forming alliances with companies such as Modern Asia Environmental Holdings Inc. (MAEH), a Southeast Asian waste management company, and Dowa Environmental Management Co., Ltd., a recycler of precious metals in China, and further bolstering our soil reclamation and precious metal recycling businesses. Through these strategies, in fiscal 2010 we expect to achieve consolidated sales of ¥76.0 billion and consolidated operating income of ¥3.0 billion.

(Billions of Yen)

| | 2007.3 (FY2006) | 2008.3 (FY2007) | 2009.3 (FY2008) | 2010.3 (FY2009) | 2011.3 (FY2010) |
|---|---|---|---|---|---|
| Net Sales | 74.7 | 84.5 | 69.7 | 64.8 | 76.0 |
| Operating Income | 7.9 | 8.0 | 4.9 | 2.1 | 3.0 |
| Investment* | 3.0 | 5.2 | 17.6 | 4.1 | 8.4 |

* The total of investments in property, plant and equipment, R&D expenses


## Waste Treatment

We acquired all shares in Meltec Co., Ltd., a waste incineration and recycling company, in December 2009. Meltec uses molten furnaces to recycle burned ash in base course material, and we plan to count on its expertise to meet the zero-emission needs of customers throughout our Group operations.

## Soil Remediation

We commercialized a microactive agent (BioAngel), developed for on-site soil remediation. By breaking down and decontaminating matter using activated microbes indigenous to the soil, BioAngel meets needs for low-cost and environmentally sound soil cleanup.

## Recycling

We have started building a home electronics recycling plant in Suzhou, China. Also, in Tianjin, we have reached an agreement to start a new home electronics recycling business. We will develop and expand operations in China as home electronics recycling laws come into effect in January 2011.

## Nonferrous Metals

# DOWA METALS & MINING CO., LTD.

**Main Products and Services**
Gold, silver, copper, zinc, zinc alloys, lead, platinum, palladium, indium, bismuth, tellurium, sulfuric acid, and other metals

President
**Nobuo Yamazaki**

Dowa Metals & Mining Co., Ltd. plans to establish recycling and smelting complexes using its engineering capabilities in these two areas honed over many years. We are helping to develop a resource recycling society by furnishing steady supplies of copper, zinc, rare metals, and other metals as we work to further strengthen recycling and smelting operations.

## Business Conditions

In fiscal 2009, prices of gold, silver, and some other precious metals increased and prices of key metals such as silver and zinc rebounded more than was initially expected. Demand for base metals in Japan recovered for automotive and some other applications, but it declined for construction use and was sluggish overall. For the platinum group metals recovery business, collection of used catalysts, a key raw material, declined and depressed sales volume.

## Fiscal 2009 Results

Consequently, segment consolidated sales decreased 10% year on year to ¥155.5 billion. Buying terms for raw material supply deteriorated owing to more stringent efforts to reduce production, sales and logistics costs, but consolidated operating income in the segment improved by ¥17.1 billion to ¥3.0 billion.

## Fiscal 2010 Outlook

In the precious metals and copper business, we plan to improve operations at Kosaka Smelting & Refining Co., Ltd. We are enhancing our abilities to remove impure substances and diversifying metal recovery practices. In the zinc business, strategies for stabilizing operations and reducing costs are showing steady progress, and we are entering the zinc recycling business to further strengthen business platforms. In rare metals, we intend to tap into source raw materials for the platinum group metals recovery business and strengthen our collection network by establishing new bases in Europe. In addition, we are increasing production at the Tizapa copper mine and starting raw material processing from the Gibraltar copper mine after having purchased mining rights there with the aim of ensuring ongoing raw material supplies. We are targeting sales of ¥170.0 billion and operating income of ¥3.0 billion in fiscal 2010.

(Billions of Yen)

| | 2007.3 (FY2006) | 2008.3 (FY2007) | 2009.3 (FY2008) | 2010.3 (FY2009) | 2011.3 (FY2010) |
|---|---|---|---|---|---|
| Net Sales | 276.6 | 272.2 | 173.6 | 155.5 | 170.0 |
| Operating Income | 25.1 | 22.4 | (14.1) | 3.0 | 3.0 |
| Investment* | 7.3 | 17.3 | 10.3 | 8.3 | 6.5 |

* The total of investments in property, plant and equipment, R&D expenses

## Precious Metals and Copper

As part of our initiatives to ensure stable material supply, we reached an agreement to acquire mining rights at the Gibraltar copper mine in Canada in March 2010. This mine is already operating and produces clean, copper-concentrated ore with few impurities. It yields extremely competitive copper materials in terms of quality, production costs, transportability and other attributes.

## Zinc

Akita Zinc Co., Ltd. completed construction of a sulfuric acid plant in August 2009. The plant sharply reduces airborne emissions of sulfur oxides by using a unique low-emission treatment system, and heat emitted in the production process is effectively used to reduce the use of heavy oils. The plant is operating smoothly and helping to significantly reduce stress on the environment.

## Rare Metals

In the platinum recovery business, collection of used automobile catalysts (honeycombs) is the core operation. In fiscal 2009, collections decreased because automobile sales volume declined, but collections have been rising in Europe in fiscal 2010.

## Electronic Materials

# DOWA ELECTRONICS MATERIALS CO., LTD.

**Main Products and Services**
High-purity gallium, indium, compound semiconductor wafers, light-emitting diodes (LEDs), silver powders, copper powders, silver oxide powders, metal powders, carrier powders, ferrite powders

President
**Akira Otsuka**

Dowa Electronics Materials Co., Ltd. is engaged in various businesses—semiconductors that use gallium materials, electronic materials that use electrical conducting materials and functional materials that use magnetic materials—and provides its characteristic products worldwide. Not being complacent about the current situation, we are focused on increasing the market share of our established products by improving their special characteristics and reducing costs, and on R&D activities for new products. In the rapidly changing field of electronic materials, we are always working to further bolster competitiveness in line with our policy of being a leading technological company.

## Business Conditions

Because IT-related products and products for solar cell applications were among the first to shake off and recover from the global credit crunch, there was brisk growth in sales volume of silver powders, copper powders, LED chips, wafers, high-purity gallium, and nitride high-electron mobility transistor (HEMT) epi-wafers. Carrier powders used in new types of copying machines and silver oxide for batteries subject to rebounding demand also enjoyed rising sales volume. However, iron powders, ferrite powders, metal powders, and indium registered weak sales as demand flagged.

## Fiscal 2009 Results

As a result, segment consolidated sales decreased 1% year on year to ¥50.2 billion. The segment stayed profitable thanks to rising sales in growing fields and the launch of new products, and efforts to ramp up production yields and increase efficiency in production processes along with cost-cutting benefits led to a 28% increase in consolidated operating income to ¥4.8 billion.

## Fiscal 2010 Outlook

In the semiconductor business, we are raising production capacity of nitride HEMT epi-wafers and increasing sales of deep-UV LEDs as we strive to further increase productivity from established product lines through cost-cutting and enhance product performance for boosting competitiveness. In the electronic materials and functional materials businesses, our efforts are centered on clearly ascertaining market trends, improving product performance and actual growth rates, and boosting sales while steadily capturing demand in growth areas such as silver powders and carrier powders. We continue developing new products and plan to fortify and broaden our business foundations in future growth areas by quickly bringing metal nanopowders and auto exhaust catalysts to market.

From these initiatives, we project consolidated sales to research ¥55.0 billion and consolidated operating income to amount to ¥5.8 billion.

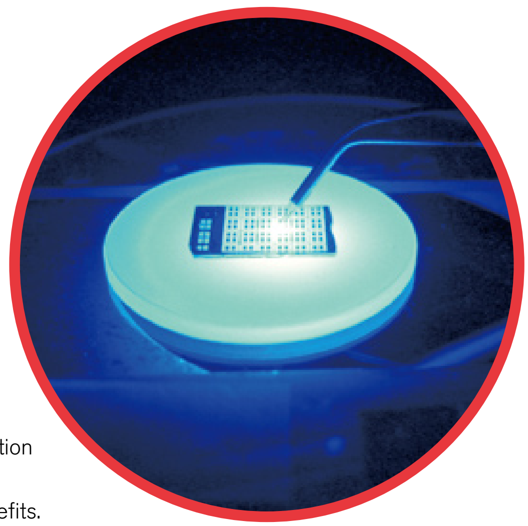
(Billions of Yen)

| | 2007.3 (FY2006) | 2008.3 (FY2007) | 2009.3 (FY2008) | 2010.3 (FY2009) | 2011.3 (FY2010) |
|---|---|---|---|---|---|
| Net Sales | 56.3 | 61.4 | 50.8 | 50.2 | 55.0 |
| Operating Income | 6.9 | 6.3 | 3.7 | 4.8 | 5.8 |
| Investment* | 7.0 | 4.1 | 5.2 | 3.0 | 5.1 |

* The total of investments in property, plant and equipment, R&D expenses

## Semiconductors

Having successfully developed deep-UV LEDs, which have shorter wavelengths than normal UV LEDs, we are providing samples for use as a resin curing agent, a sterilizer, and for other practical applications to pioneer new markets. We think these LEDs, which use mercury as their lighting source, will reduce energy consumption with mercury-free output, extending product life and providing other benefits.




## Electronic Materials

We have increased sales and production capacity of silver powders used as a paste for solar cells and plasma display panels. The solar cell market is expected to register especially strong 20% growth worldwide from 2010, and we aim to expand operations to meet burgeoning future demand.

## Functional Materials

We have focused on enhancing the special features of products by using metal powders for high-capacity data storage tape, and our products are now used by all the leading tape makers. We are satisfying new tape standards issued in March 2010 with tapes having 3-terabyte* capacity per roll and developing other next-generation products for maintaining market share.

* terabyte: a unit of information equal to 1024 gigabytes

## Metal Processing

# DOWA METALTECH CO., LTD.

**Main Products and Services**
Copper, brass, copper alloy strips, nickel alloy strips, reflow tin plated strips, brass rods, forged brass products, electroplated products, metal-ceramic substrates

President
**Hiroyuki Kai**

Dowa Metaltech Co., Ltd. supplies value-added products for in-vehicle installation, power steering, and IT applications from its rolled copper product, precious metal plating, and metal-ceramic substrate businesses. We are promoting operations at the global level, particularly at production bases in Asia for satisfying growing markets there.

## Business Conditions

Demand for rolled copper products used in automotive and other terminals and connectors, and for plating used in mobile phones and other IT products rebounded for automotive and IT use, particularly in the second half of fiscal 2009. This led to modest growth in sales volume year on year. However, demand for metal-ceramic substrates used in invertors for industrial machinery and other products did not recover, and sales declined as customers kept capital investment in check.

## Fiscal 2009 Results

Consequently, segment sales declined 15% year on year to ¥60.4 billion. Rising sales of value-added products put earnings on a growth trajectory, and we worked to reduce costs by merging production lines and other means. In turn, operating income improved by ¥9.0 billion to ¥3.2 billion. Results improved substantially over fiscal 2008, when slumping metal prices led to losses.

## Fiscal 2010 Outlook

In the rolled copper product business, we are working to strengthen the cost-competitiveness of domestic processing plants and fuel new sales growth, particularly of value-added products. Overseas, we aim to build new production facilities and increase capacity to meet the needs of users expanding their businesses. In the precious metal plating business, we will increase sales and enhance earnings capabilities by improving quality and increasing productivity, reducing costs, and expanding into new fields and attracting new customers. In metal-ceramic substrates, we aim to meet rising demand in established fields such as industrial machinery and in the eco car, new energy, and other new fields.

Based on these initiatives, we are targeting sales of ¥69.0 billion and operating income of ¥4.9 billion in fiscal 2010.

(Billions of Yen)

| | 2007.3 (FY2006) | 2008.3 (FY2007) | 2009.3 (FY2008) | 2010.3 (FY2009) | 2011.3 (FY2010) |
|---|---|---|---|---|---|
| Net Sales | 78.0 | 91.7 | 71.2 | 60.4 | 69.0 |
| Operating Income | 4.5 | 3.0 | (5.7) | 3.2 | 4.9 |
| Investment* | 5.7 | 8.4 | 3.2 | 1.0 | 2.9 |

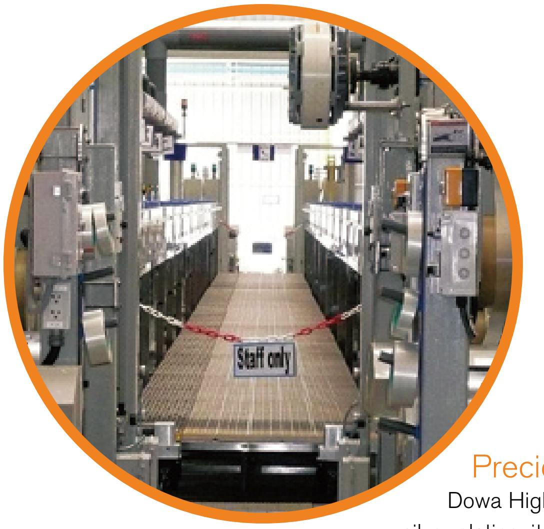
* The total of investments in property, plant and equipment, R&D expenses

## Rolled Copper Products

Dowa Metal Co., Ltd. began operating a new annealing furnace, completing a series of investments in larger coil output that began with a revamping of hot-rolled coil production in 2005. The investment in larger coils has improved quality and increased productivity, enabling the company to cut fixed costs and thereby reducing the profit breakeven point while also satisfying rapidly recovering demand.

## Metal-Ceramic Substrates

We made concerted efforts to expand operations in the rolling stock field, which is expected to generate stable demand, and in new energy fields that are poised for future growth. We also promoted new technological development for hybrid car and other applications. Moreover, we have worked to reduce costs by improving unit output.




## Precious Metal Plating

Dowa Hightech Co., Ltd. has consolidated all silver plating, its mainstay product, at new lines, which feature sophisticated processing capabilities and fast line speed. Integrating all silver plating at new lines has greatly enhanced production yields and productivity and spearheaded better profits.

## Heat Treatment

# DOWA THERMOTECH CO., LTD.

**Main Products and Services**
Various types of heat treatment, various types of surface treatment, design, manufacture, marketing, and maintenance of various types of industrial furnaces and ancillary equipment

President
**Toshiro Sumida**

Dowa Thermotech Co., Ltd. is engaged in a heat treatment business for extending the life of metal materials and an industrial furnace business that applies our accumulated expertise. Backed by our technological prowess in carburizing heat treatment and other areas, we aim to become a leading company in the heat treatment industry throughout Asia.

## Business Conditions

Although the automotive industry was on a recovery course, heat treatment orders have not been rising because customers proceeded to internalize operations. Demand for construction equipment parts has not fully rebounded, and sales fell. For industrial furnaces, both furnace sales and maintenance demand were sluggish, undercut by customers who delayed or halted capital investment.

## Fiscal 2009 Results

As a result, consolidated segment sales declined 41% year on year to ¥13.4 billion. Through consolidating production plants and revamping our operating network, we worked diligently to improve earnings by implementing cost-savings measures. However, these efforts failed to offset the reduced sales, and consolidated operating income declined by ¥1.5 billion to ¥100 million.

## Fiscal 2010 Outlook

In the heat treatment business, we plan to reduce costs by further improving productivity, especially by optimizing our production framework by upgrading our production bases in Japan, and to raise our competitiveness. In the industrial furnace business, we will further cut primary costs and expand maintenance capabilities, in order to secure profits. Meanwhile, we are developing environment-friendly furnaces that reduce carbon dioxide emissions and new furnaces with lower costs. For overseas development, in response to our customers' moves to increase local procurement, we plan to build manufacturing sites for industrial furnaces in China, and further bolster treatment capabilities at our furnace sites in Thailand. In these ways, we will further bolster and broaden our underlying business foundations throughout Asia, including Japan.

Through these strategies, in fiscal 2010 we are projecting consolidated sales of ¥14.2 billion and consolidated operating income of ¥1.0 billion.

(Billions of Yen)

| | 2007.3 (FY2006) | 2008.3 (FY2007) | 2009.3 (FY2008) | 2010.3 (FY2009) | 2011.3 (FY2010) |
|---|---|---|---|---|---|
| Net Sales | 27.0 | 28.8 | 22.9 | 13.4 | 14.2 |
| Operating Income | 3.5 | 3.5 | 1.6 | 0.1 | 1.0 |
| Investment* | 6.0 | 3.2 | 2.9 | 0.8 | 2.3 |

* The total of investments in property, plant and equipment, R&D expenses


## Heat Treatment

We have integrated heat treatment facilities at the Ota plant in Gunma Prefecture by transferring the Tokyo-area heat treatment operations at the Yokohama plant to Gunma. The Ota plant is installed with energy-saving heat treatment facilities that we developed independently and uses cutting-edge environmental standards for reducing carbon dioxide emissions. By consolidating heat treatment plants to increase efficiency and creating an optical network for Japan, we have reduced the earnings breakeven point considerably.


## Overseas Business Development

Dowa Thermotech (Thailand) Co., Ltd. has enlarged and increased the capacity of its carburizing furnaces. We expect healthy growth in Thailand as the base for automobile production in Southeast Asia. We will continue actively working to expand operations overseas by meeting strong demand for procuring parts and equipment locally.

## Industrial Furnaces

We have integrated all domestic industrial furnace operations at our plant in Moka, Tochigi Prefecture. As part of our plans to upgrade overseas maintenance services, we are considering establishing facilities in India and Indonesia.

# Environmental Management

**The Dowa Group's environmental preservation initiatives combine the reduction of environmental impact in the Group's own business activities with initiatives to contribute to the environment and society through core businesses. In other words, we believe we should create economic value in tandem with environmental preservation activities.**

**While promoting environmental management, the Dowa Group will contribute to the creation of a sustainable society.**

## Environmental Management Organization

The CSR Division of Dowa Holdings Co., Ltd., the Group's holding company, and the planning departments of each operating company, which carry out environmental preservation activities, cooperatively carry out the Dowa Group's environmental management activities. Dowa Holdings Co., Ltd. performs the functions of adjustment and coordination among the various operating companies while taking responsibility for the environmental management and compliance management of the entire Dowa Group.

## Status of Introduction of Environmental Management Systems

In the Dowa Group, the main 27 manufacturing bases in Japan (and one overseas base) have acquired ISO 14001 certification. Furthermore, Dowa-Tsuun Co., Ltd. has obtained Green Management Certification for the promotion of environmental preservation in the truck transportation business.

## Implementation of Environmental Audits

To ensure the appropriate implementation of environmental management, the Company periodically carries out internal audits and external audits. In addition, we hold courses for the development of internal auditors as part of efforts to foster and increase the number of internal auditors.

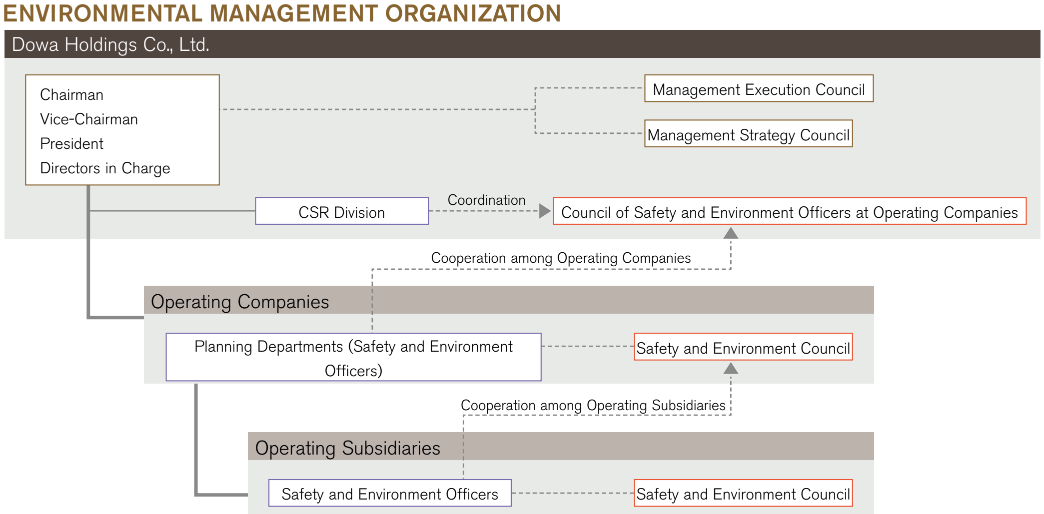
## Environmental Education

By actively undertaking educational activities regarding the Environmental Management System (EMS), we aim to enhance the environmental awareness of employees and strengthen their willingness and capacity to reduce environmental impact. Moreover, besides ISO 14001 auditor training, we are also actively conducting environmental education activities at various operating bases. These include the holding of an energy-saving technology course (New Nippon Brass Co., Ltd.) and an external transportation risk reduction/driver study group (Eco-System Recycling Co., Ltd. East Japan) as well as participation in the Okayama City Eco-Technology Seminar (Eco-System Okayama Co., Ltd.).

## Research & Development

The Dowa Group regards the environmental and recycling sectors as major pillars of its business operations. We are not only reinforcing soil remediation as well as Environmental Management & Recycling, which are currently core businesses, but also actively promoting environmental research and development aimed at the creation of advanced, original technologies.

### ENVIRONMENTAL MANAGEMENT ORGANIZATION




**For more detailed information about Dowa Group's CSR activities, please visit the Dowa website at http://www.dowa-csr.jp**

# Contribution to Society

**To contribute to the sustainable development of society and become a Company whose existence is desired by regional communities, the Dowa Group's nationwide operating bases and affiliated companies are undertaking social contribution activities tailored to the characteristics of their respective regions, based on the "Dowa Group's Values and Standards of Conduct."**

**In fiscal 2009, we carried out the following main initiatives.**

## Reducing Greenhouse Gas Emissions

The Dowa Group has been recovering and destroying chlorofluorocarbons since 1996 and producing biodiesel from used cooking oil since 2006 in order to reduce greenhouse gas emissions. In April 2010, we started operating facilities for collecting and burning methane gas from wastewater produced at swine farms in the Philippines. The methane burned and destroyed from these projects is used to obtain clean development mechanism (CDM) credits under Kyoto Protocol standards and helps reduce greenhouse gas emissions by Japan.

Facilities for collecting and burning methane gas

## Working to Conserve Biodiversity

The Dowa Group manages forests, plants trees, and preserves its woodland holdings for maintaining a rich and diverse habitat of living organisms. To complement these activities, we began testing plant management techniques at Kosaka in Akita Prefecture in 2009 for learning about forest management with a view toward increasing biodiversity.

In vegetation control testing, we analyze forest management techniques using natural mechanisms with as little human intervention as possible in order to gain a better understanding of how seeds lying dormant under the ground germinate and grow into broadleaf trees.

Vegetation control testing area

Nestling under accumulated dead branches, a *mizunara* plant sprouts roots.

## Improving Local Communities
## Dowa Cup Junior Cross Country Ski Festival

We hold the Dowa Cup Towada Lake junior cross country ski festival each year in Kosaka, Akita Prefecture. The event brings together Dowa Group employees, local ski club members, and other interested parties and is supported by local government and educational institutions and many other groups in the area.

The year 2009 marked the 20th anniversary of the festival. A total of 526 elementary and junior high school students from the three northernmost prefectures of Tohoku participated in two days of events that included sprints and cross country races and relay competitions between schools, as well as "sitting" ski races for participants with disabilities. Eiji Nozawa, a silver medalist at the Winter Paralympics, was a special guest. He coached participants between races and gave an encouraging lecture to the children at the welcome party.

# Corporate Governance

## Strengthening Corporate Governance

Dowa Holdings Co., Ltd. and the Dowa Group companies have made strengthening corporate governance one of the top priorities of management.

We have established the "Dowa Group's Values and Standards of Conduct" in order to ensure that each and every employee is aware of the public nature of Dowa as a corporation and acts in accordance not only with the law but also with social norms. The entire Group is engaged in contributing to society through business activities and in developing and operating effective internal controls.

The Dowa Group has adopted a holding company system, which has increased the specialization of our business divisions and expedited administration. We have also established a Board of Auditors, which includes outside auditors, and appointed outside directors, steps that have served to ensure and raise managerial soundness.

Furthermore, we established the Dowa Consultation Desk as a point of contact with outside lawyers, and have put in place the necessary mechanisms to use internal audits such as legal audits and accounting audits, to prevent any improprieties or misconduct, and to quickly discover any such incidents.

In March 2009 we began participating in the United Nations Global Compact, a voluntary set of ten principles for businesses related to human rights, labor, the environment and anti-corruption.

In fiscal 2009, we conducted audits of new overseas subsidiaries that had joined the Dowa Group, and held hearings regarding the status of internal controls, including the work environment, and regarding local CSR activities.

Our participation in the Global Compact will help the entire Group make progress in implementing compliance and in fulfilling corporate social responsibilities at an even higher level than in the past.

## Internal Control System

The internal control system that was established in May 2006 and subsequently revised in December 2006 upon the transition to a holding company system, was again revised in May 2009 in line with changes in business activities and the societal environment.

Moreover, the board of directors at each Group company (with the exception of certain joint ventures) have approved adoption of similar internal control systems in order to apply the system to the Group as a whole.

In April 2008, we formulated the "Internal Control Guidelines" at the Group level. We are currently promoting internal control activities for the Group centering on monitoring and improvement processes.

## Compliance with the Financial Instruments and Exchange Act

The Dowa Group has made progress since fiscal 2006 in complying with the Financial Instruments and Exchange Act, which went into full force in fiscal 2008.

We have been documenting the accounting and all administrative processes for all Group companies, and have worked to appropriately assign responsibilities for daily administrative activities and increase administrative efficiency.

Fiscal 2008 was the first fiscal year that the internal control reporting system was applied under the Financial Instruments and Exchange Act. The project team administered by the CSR Department provides support for internal control development and operation in the Group, evaluates internal controls as an independent body within the company, and otherwise works to confirm the effectiveness of the internal controls.

In fiscal 2009, the project team carried out audits to raise auditing efficiency by integrating activities to confirm there was no duplication or loss of effectiveness of audits among projects.

The Dowa Group is committed to continuing to construct internal controls for the Group and ensuring the reliability of financial reporting.

### Dowa Group Corporate Governance Initiatives

| | | |
|---|---|---|
| **2000** | | Introduced an executive officer system |
| **2001** | | Formed the Management Execution Council |
| **2003** | | Shortened the terms of office of directors from two years to one |
| **2006** | **May** | Board of Directors passed resolution on internal control system |
| | **June** | Appointed outside directors |
| | **October** | Moved to a holding company structure |
| | **December** | Resolution of Board of Directors revised the internal control system |
| | | "Dowa Group's Values and Standards of Conduct" established |
| **2007** | **March** | Resolutions of boards of directors of Group companies regarding internal control system |
| | **December** | CSR Department established |
| **2008** | **April** | "Internal Control Guidelines" formulated |
| | | Project members began initial fiscal year compliance with internal control over financial reporting |
| | **June** | "Dowa Group CSR Guidelines" established |
| **2009** | **March** | Began participation in United Nations Global Compact |
| | **May** | Resolution of Board of Directors revised the internal control system |

# Board of Directors and Officers

As of June 24, 2010

## DIRECTORS

**Hirokazu Yoshikawa**
*Chairman & Representative Director*

**Masao Yamada**
*President & Representative Director*

**Hiroshi Nakashio**
*Director*

**Eiji Hosoda**
*Director*[*1]

**Masaki Kohno**
*Vice Chairman & Director*

**Fumitoshi Sugiyama**
*Director & CTO*

**Takeaki Yamada**
*Director*

## AUDITORS

**Yoshiyuki Ohji**
*Corporate Auditor*

**Yoji Mizuma**
*Corporate Auditor*

**Akira Segawa**
*Corporate Auditor*[*2]

**Osamu Hamamatsu**
*Corporate Auditor*[*2]

## OFFICERS

**Yoshito Koga**
*Officer*

**Nobuo Yamazaki**
*Officer*

**Akira Otsuka**
*Officer*

**Hiroyuki Kai**
*Officer*

**Toshiro Sumida**
*Officer*

[*1] Outside Director
[*2] Outside Auditor

# Consolidated 11-Year Summary

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

| For the years ended March 31 | 2010*1 | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| **For the year:** | | | | |
| Net Sales | ¥307,462 | ¥346,885 | ¥475,826 | ¥458,701 |
| Cost of Sales | 268,738 | 329,340 | 399,901 | 383,136 |
| Selling, General and Administrative Expenses | 25,022 | 26,042 | 31,605 | 26,830 |
| Operating Income (loss) | 13,701 | (8,497) | 44,319 | 48,733 |
| Operating Income (loss) to Net Sales (%) | 4.46% | (2.45) | 9.31 | 10.62 |
| Operating Income by Segment (%) | | | | |
| Environmental Management & Recycling (2000~) | 15.35% | –% | 18.11% | 16.31% |
| Nonferrous Metals | 21.95 | – | 50.74 | 51.55 |
| Electronic Materials (2007~) | 35.12 | – | 14.23 | 14.31 |
| Metal Processing (2007~) | 24.00 | – | 6.86 | 9.37 |
| Heat Treatment (2000~) | 1.07 | – | 8.11 | 7.37 |
| Others and Elimination | 2.51 | – | 1.93 | 1.08 |
| Electronic Materials & Metal Processing (2003~2006) | – | – | – | – |
| Metal Processing and Chemical Products (~2003) | – | – | – | – |
| Electronic Materials (2000~2002) | – | – | – | – |
| Construction and Real Estate (~2005) | – | – | – | – |
| Commodity Sales (~2004) | – | – | – | – |
| Net Income (loss) | 4,359 | (28,138) | 24,520 | 26,337 |
| Capital Expenditures | 10,763 | 24,213 | 26,324 | 21,821 |
| R&D Expenses | 3,829 | 4,421 | 7,309 | 4,384 |
| **At Year-end:** | | | | |
| Equity*6 | 111,667 | 103,830 | 150,281 | 141,276 |
| Minority Interests | 5,663 | 5,263 | 6,078 | 4,491 |
| Total Assets*6 | 330,720 | 343,208 | 367,931 | 352,299 |
| Interest-bearing Debt*8 | 149,371 | 180,496 | 120,953 | 114,757 |
| **Per Share:** | | | | |
| Basic Net Income (loss) | ¥ 14.96 | ¥ (94.36) | ¥ 81.86 | ¥ 87.82 |
| Fully Diluted Net Income*7 | – | – | 77.91 | 83.59 |
| Fully Diluted Equity*5 | 358.33 | 339.93 | 481.85 | 456.10 |
| Cash Dividends | 10.00 | 10.00 | 20.00 | 20.00 |
| **Cash Flows:** | | | | |
| Cash Flows from Operating Activities | ¥ 25,011 | ¥ 33,593 | ¥ 40,398 | ¥ 13,700 |
| Cash Flows from Investing Activities | (14,602) | (36,477) | (39,138) | (24,387) |
| Cash Flows from Financing Activities | (33,888) | 49,303 | (1,820) | 9,634 |
| Cash and Cash Equivalents at End of Year | 27,115 | 50,681 | 4,294 | 4,792 |
| **Ratios** | | | | |
| Return on Assets*2 | 4.07% | –% | 12.31% | 14.87% |
| Return on Equity*3*4 | 4.26 | (23.18) | 17.45 | 20.93 |
| Equity Ratio*4 | 32.05 | 28.72 | 39.19 | 38.83 |
| Current Ratio | 127.48 | 124.72 | 156.05 | 124.63 |
| Interest Coverage (times) | 5.12 | (2.79) | 21.10 | 30.18 |
| Debt/Equity Ratio (times)*5 | 1.41 | 1.83 | 0.84 | 0.84 |
| Return on Invested Capital*5 | 1.71 | (10.08) | 9.25 | 10.47 |

*1 The years stated in the text are ended March 31 of the year. Thus "2010" refers to the fiscal year, which ran from April 1, 2009 through March 31, 2010.
*2 Operating Income divided by average of Total Assets at the start and end of the year.
*3 Net income divided by average of Equity at the start and end of the year.
*4 From 2007, the ratios have been calculated using shareholders' equity (the amounts after deducting minority interest amounts from equity amounts).
*5 From 2007, the ratios have been calculated after deducting minority interest amounts from equity amounts.

Millions of Yen

| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|---|---|
| | ¥316,388 | ¥254,192 | ¥234,675 | ¥221,051 | ¥222,175 | ¥239,758 | ¥232,809 |
| | 253,389 | 202,447 | 192,843 | 181,142 | 182,689 | 197,882 | 196,602 |
| | 26,101 | 24,102 | 24,192 | 25,159 | 26,875 | 26,419 | 27,859 |
| | 36,897 | 27,642 | 17,640 | 14,749 | 12,609 | 15,457 | 8,347 |
| | 11.66 | 10.88 | 7.52 | 6.67 | 5.68 | 6.45 | 3.59 |
| | | | | | | | |
| | 16.32% | 17.02% | 25.77% | 22.09% | 18.94% | 10.36% | 7.63% |
| | 45.58 | 41.31 | 13.99 | 11.30 | 24.32 | 22.95 | 10.90 |
| | – | – | – | – | – | – | – |
| | – | – | – | – | – | – | – |
| | 8.90 | 10.86 | 16.76 | 20.30 | 14.19 | 10.44 | 3.22 |
| | 1.04 | (2.86) | (2.83) | (1.51) | (2.17) | (2.28) | (5.37) |
| | 28.15 | 32.04 | 40.47 | 27.27 | – | – | – |
| | – | – | – | 7.95 | 5.31 | 8.99 | 13.23 |
| | – | – | – | – | 22.20 | 39.88 | 55.93 |
| | – | 1.62 | 4.79 | 11.23 | 16.14 | 8.57 | 12.20 |
| | – | – | 1.06 | 1.38 | 1.06 | 1.09 | 2.26 |
| | 14,532 | 10,609 | 8,683 | (2,619) | 282 | 4,921 | 2,070 |
| | 12,497 | 11,551 | 9,419 | 9,814 | 10,244 | 11,641 | 9,172 |
| | 3,739 | 2,993 | 2,690 | 2,195 | 2,454 | 2,177 | 3,100 |
| | | | | | | | |
| | 114,869 | 94,670 | 84,673 | 70,931 | 76,125 | 69,564 | 61,695 |
| | 3,833 | – | – | – | – | – | – |
| | 303,029 | 261,461 | 246,275 | 248,689 | 284,552 | 313,209 | 319,989 |
| | 99,653 | 97,709 | 104,375 | 132,179 | 158,440 | 188,831 | 208,868 |
| | | | | | | | |
| | ¥ 48.12 | ¥ 35.14 | ¥ 28.79 | ¥ (8.85) | ¥ 0.93 | ¥ 17.61 | ¥ 7.42 |
| | – | – | – | – | – | – | – |
| | 382.69 | 315.46 | 282.15 | 236.29 | 250.59 | 239.65 | 221.22 |
| | 14.00 | 10.00 | 7.00 | 7.00 | 5.00 | 5.00 | 3.00 |
| | | | | | | | |
| | ¥ 17,783 | ¥ 17,432 | ¥ 29,725 | ¥ 23,134 | ¥ 23,503 | ¥ 21,176 | ¥ 17,516 |
| | (15,616) | (7,636) | (1,290) | (1,520) | (7,708) | (4,033) | (3,513) |
| | (1,758) | (8,917) | (30,072) | (26,882) | (26,127) | (17,523) | (19,723) |
| | 5,813 | 5,286 | 4,414 | 5,624 | 10,429 | 20,696 | 21,028 |
| | | | | | | | |
| | 13.07% | 10.89% | 7.13% | 5.53% | 4.22% | 4.88% | 2.57% |
| | 13.87 | 11.83 | 11.16 | (3.56) | 0.39 | 7.50 | 3.60 |
| | 37.91 | 36.21 | 34.38 | 28.52 | 26.75 | 22.21 | 19.28 |
| | 129.16 | 132.54 | 121.86 | 95.93 | 90.51 | 95.67 | 107.98 |
| | 29.23 | 20.30 | 12.04 | 8.38 | 5.59 | 5.14 | 2.91 |
| | 0.87 | 1.03 | 1.23 | 1.86 | 2.08 | 2.71 | 3.39 |
| | 6.77 | 5.52 | 4.59 | (1.29) | 0.12 | 1.91 | 0.77 |

*6 The Equity and Total Assets for 2006 have been reclassified to reflect the "Accounting standards for presentation of net assets in the balance sheet."

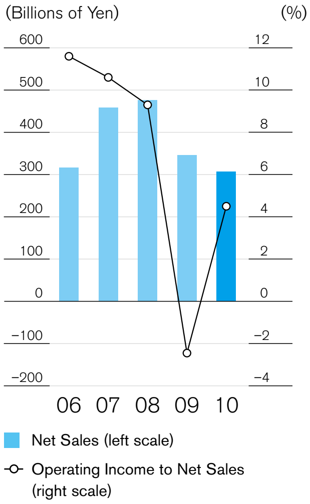
*7 Fully diluted net income is not stated up to 2001 because bonds with subscription rights were issued and net income per share did not decrease due to adjustment calculations. Fully diluted net income is not stated from 2002 to 2006 and 2010 because no diluted shares existed. From 2002, fully diluted net income is calculated after deducting the average number of shares of treasury stock during the term. Fully diluted net income is not stated for 2009 although diluted shares existed because a net loss per share was incurred.

*8 From 2008, in the balance sheets, long-term loans payable and current portion of long-term loans payable were stated including lease obligations. However, interest-bearing debt amounts stated in the Consolidated 11-Year Summary do not include lease obligations.

# Financial Review

Years ended March 31

Net Sales and Operating Income to Net Sales




## Results of Operations

During the fiscal year ended March 31, 2010, the Japanese economy showed signs of recovery. Although the fiscal year began with the severe conditions of a worldwide economic slowdown caused by a sharp credit crunch that began in the United States in the middle of the previous fiscal year, the Japanese economy responded to the government's implementation of economic measures and the expansion of the Chinese economy. However, the unclear conditions continued amid concerns about worldwide trends, especially in China and other emerging economies, about the future employment situation and about ongoing deflation.

Looking at the business environment of the Dowa Group, demand for products related to automobiles and IT (information technology) recovered comparatively quickly, and metal prices reached higher levels than Dowa had anticipated. On the other hand, despite signs of a business recovery, emission volumes of waste materials did not return to pre-economic crisis levels and the domestic market for the soil remediation business continued to be cool. Moreover, companies curbed capital investment and manufactured products themselves when demand required, especially in the heat treatment field.

In this environment, the Group worked to preserve earnings by pushing ahead with such measures as improving productivity and vigorously cutting costs through structural reforms in each business, and realigning bases.

As a result, on a consolidated basis, sales in the fiscal year under review amounted to ¥307,462 million, down 11% year on year. Nevertheless, the Group posted operating income of ¥13,701 million, rising ¥22,199 million from the operating loss recorded a year ago. The ordinary income was ¥13,809 million, an increase of ¥27,159 million from the ordinary loss posted a year ago. The Group posted net income of ¥4,359 million, a rise of ¥32,497 million from a net loss a year ago, attributable in part to the significant decrease in extraordinary losses, including the loss on revaluation of investments in securities.

Forecast for next fiscal year

(Millions of yen)

| | Net sales | Operating income | Net income |
|---|---|---|---|
| Fiscal year ended March 31, 2010 | 307,462 | 13,701 | 4,359 |
| Fiscal year ending March 31, 2011 | 340,000 | 18,000 | 9,000 |
| Change | 32,538 | 4,299 | 4,641 |
| (Percentage change) | 10.6% | 31.4% | 106.5% |

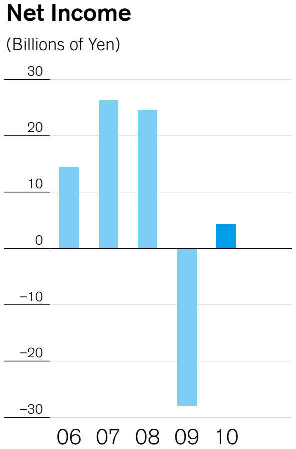
Management expects continued uncertainty about business conditions due to a variety of concerns that include turbulent fluctuations in the metals prices markets and currency markets, trends in emerging economies and fear of deflation, despite some signs of the economy picking up mainly in response to various economic measures and the expansion of the Chinese economy.

Facing such conditions, in the fiscal year ending March 31, 2011 the Group plans to focus investment on competitive businesses. At the same time, the Group will continue to further strengthen its business structure through structural reforms in each business segment.

For the fiscal year ending March 31, 2011, the Group forecasts net sales of ¥340 billion, operating income of ¥18 billion, ordinary income of ¥18 billion and net income of ¥9 billion. These figures assume average U.S. dollar exchange rates of ¥90, and metal prices for copper and zinc of $6,500/ton and $2,000/ton, respectively.

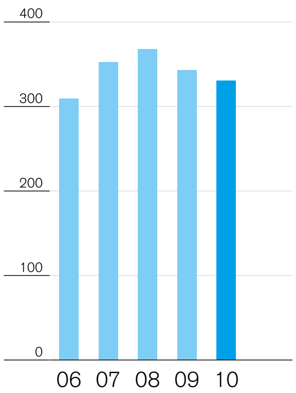
* Disclaimer: The above forecasts are based on assumptions, projections and plans relating to future performance that were accurate at the time of this report's publication. Actual performance could differ materially from these forecasts due to risks associated with changes in global economic conditions, the competitive climate and exchange rates, among other factors not subject to the Group's control.

Net Income



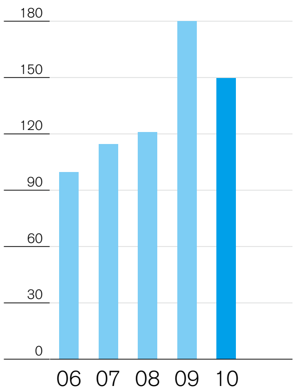
**Total Assets**

(Billions of Yen)




**Interest-bearing Debt**

(Billions of Yen)




* Does not include lease obligations

## Analysis of Financial Position

Analysis of assets, liabilities and equity

Total assets at the end of the fiscal year under review fell ¥12,487 million from the end of the previous fiscal year, to ¥330,720 million. Current assets declined ¥3,409 million, and fixed assets decreased ¥9,078 million.

The decline in current assets reflected the ¥23,433 million decrease in cash and time deposits due to normalization of the current financial situation, offset by the increase in notes and accounts receivable of ¥16,369 million, the result of the recovery in net sales. The decline in fixed assets reflected the fact that capital expenditure was restrained to ¥10,763 million even though depreciation and amortization amounted to ¥19,276 million. Although investments in securities increased ¥7,458 million mainly due to rises in stock market prices, deferred tax liabilities, non-current, decreased ¥7,184 million mainly due to the partial cancellation of the income tax-related consolidated subsidiaries' deficit.

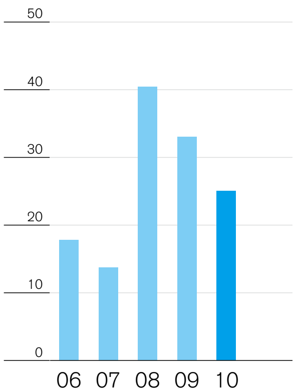
Liabilities decreased ¥20,325 million, with an increase in notes and accounts payable of ¥10,203 million countered by a decrease of ¥31,125 million in interest-bearing debt.

Equity increased ¥7,837 million. The primary factors for the increase were net income of ¥4,359 million, a rise of ¥1,388 million in shareholders' equity because of cash dividends paid and other factors, and an increase of ¥6,049 million in adjustments for valuation, foreign currency translation and others due to the estimated fair value of investment securities and derivative transactions at the end of the period.

As a result, the equity ratio rose 3.3% from the end of the previous fiscal year, to 32.1%.

**Cash Flows from Operating Activities**

(Billions of Yen)




Analysis of cash flows

Consolidated cash and cash equivalents (“cash”) declined ¥23,566 million from the end of the previous fiscal year to ¥27,115 million at the end of the fiscal year under review.

Net cash provided by operating activities was ¥25,011 million (down ¥8,582 million year on year) with income before income taxes and minority interests of ¥9,723 million (up ¥40,332 million from a loss in the previous year) and the non-financial expenses of depreciation and amortization of ¥19,276 million offset by an increase in trade receivables of ¥16,256 million and an increase in inventories of ¥3,491 million, among other factors. Also, proceeds of ¥2,153 million were provided mainly by refunds of income taxes.

Net cash used in investing activities was ¥14,602 million (down ¥21,874 million), primarily reflecting capital expenditures of ¥10,062 million, mainly in the Nonferrous Metals business, and purchases of shares of ¥3,254 million for expanding operations.

Net cash used in financial activities was ¥33,888 million (up ¥83,191 million from the net cash provided last year) with a fall in interest-bearing debt of ¥31,081 million due to curbed capital expenditures and decreased cash reserves, and cash dividends paid of ¥3,543 million.

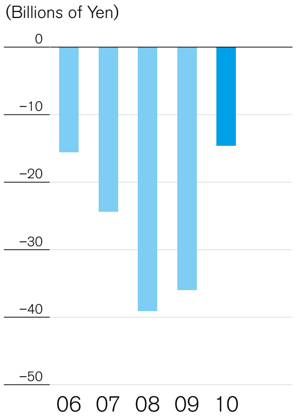
(For reference) Cash flow-related indicator trends

| | Fiscal year ended March 31, 2006 | Fiscal year ended March 31, 2007 | Fiscal year ended March 31, 2008 | Fiscal year ended March 31, 2009 | Fiscal year ended March 31, 2010 |
|---|---|---|---|---|---|
| Equity ratio | 37.9 | 38.8 | 39.2 | 28.7 | 32.1 |
| Market price-based equity ratio | 136.2 | 102.0 | 48.1 | 31.0 | 50.4 |
| Interest-bearing debt-to-cash flow ratio | 5.6 | 8.4 | 3.0 | 5.4 | 6.0 |
| Interest coverage ratio | 13.6 | 8.6 | 19.5 | 14.0 | 8.5 |

(Notes) 1. Equity ratio: shareholders’ equity / total assets
Market price-based equity ratio: market capitalization / total assets
Interest-bearing debt-to-cash flow ratio: interest bearing debt / cash flows
Interest coverage ratio: cash flows / total interest paid
2. Each ratio is calculated on a consolidated basis.
3. Market capitalization is calculated based on the number of outstanding shares excluding treasury stock.
4. Cash flows are the cash flows from operating activities on the consolidated statements of cash flows.
5. Interest-bearing debt includes all liabilities (except lease obligation) bearing interest posted on the consolidated balance sheets.
The total interest paid is the interest expenses paid on the consolidated statements of cash flows.

**Cash Flows from Investing Activities**

(Billions of Yen)




## Basic Dividend Policy and Dividends for the Fiscal Year Under Review and Next Fiscal Year

The Company views the payment of dividends to shareholders as a key management issue. The Company’s policy is to pay a dividend commensurate with performance, having appropriated sufficient retained earnings to bolster the Group’s business position and support future business development.

After comprehensive consideration of its performance in the fiscal year under review, business development in the future and strengthening the financial structure, the Company paid an annual dividend of ¥10 per share, the same level as in the previous year.

At present, the Company also plans to pay only the same dividend of ¥10 per share in the fiscal year ending March 31, 2011, despite the forecast for increased earnings for this fiscal year, in light of such increasing uncertainties as the immediate international economic environment centered on Europe, and the financial situation.

## Business Risks

The Group faces a variety of risks such as those described below that could potentially and adversely impact its operating results, stock price and financial position. Forward-looking statements among the risk items that follow reflect the opinion of the Group as of March 31, 2010.

### Economic conditions

The Group's business performance and financial condition may be negatively affected by economic recessions in its principal markets, which include Japan, North America, Asia, and Europe, or by shrinking demand accompanying such changes.

### Metal and currency markets

Among its products, the Group handles gold, silver, copper, and zinc, the prices for which are set by international markets. The unprocessed ore for these metals is also procured from overseas. For these reasons, the Group is confronted with risks due to changes in international market conditions and fluctuations in currency exchange rates. The Group employs a variety of hedging measures, including nonferrous metal commodity forward contracts and forward exchange contracts, in an attempt to mitigate these risks.

### Public regulations

The Group is subject to a variety of legal regulations. In Japan, these include laws pertaining to the environment and recycling, as well as anti-trust laws. Overseas, the Group must comply with legal regulations present in the countries where it operates, for example regulations regarding customs, imports and exports, and laws concerning the control of foreign currency. The Group, for its part, takes every legal precaution to protect its rights with respect to these laws. Nevertheless, business performance may be adversely affected if Group business operations are restricted as a result of mandates stipulated by the establishment of presently unforeseen regulations.

### Stock price fluctuations

The Group is subject to risks due to fluctuations in stock prices stemming from the approximately ¥26.4 billion in marketable securities it held as of March 31, 2010. These securities primarily represent stock held in Group business partners. Similarly, the Group faces the risk that a fall in stock prices could erode the value of pension assets, causing shortfalls in the reserve for retirement benefits and leading to a substantial increase in retirement benefit expenses.

### Interest rate fluctuations

As of March 31, 2010, the Group's balance of interest-bearing debt was ¥149.3 billion, with external fund procurement accounting for 45% of total assets. Consequently, a sharp rise in interest rates could adversely affect business performance.

### Disasters and power outages

The Group conducts disaster prevention and equipment inspections at all of its facilities in an attempt to minimize any possible negative effects that could result from sudden production line stoppages. Nevertheless, the Group may experience a dramatic decline in production capacity should a disaster, power outage, or other type of interruption occur at its production facilities.

# Consolidated Balance Sheets

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

As of March 31, 2010 and 2009

| Assets | Millions of Yen 2010 | Millions of Yen 2009 | Thousands of U.S. Dollars (Note 1) 2010 |
|---|---|---|---|
| **Current Assets:** | | | |
| Cash and time deposits (Note 4) | ¥ 27,390 | ¥ 50,824 | $ 294,396 |
| Notes and accounts receivable: | | | |
| Trade | 47,670 | 33,136 | 512,365 |
| Non-consolidated subsidiaries and affiliates | 4,909 | 2,820 | 52,771 |
| Others | 3,408 | 2,402 | 36,629 |
| Subtotal | 55,988 | 38,359 | 601,766 |
| Inventories : | | | |
| Merchandise and finished products | 19,357 | 16,715 | 208,058 |
| Work in process | 3,558 | 3,938 | 38,250 |
| Raw materials and supplies | 33,815 | 32,508 | 363,453 |
| Subtotal | 56,732 | 53,162 | 609,762 |
| Deferred tax assets, current (Note 10) | 4,602 | 2,678 | 49,468 |
| Other current assets | 4,253 | 7,223 | 45,718 |
| Allowance for doubtful accounts, current | (267) | (138) | (2,870) |
| Total current assets | 148,700 | 152,110 | 1,598,242 |
| **Property, Plant and Equipment** (Notes 6 and 7): | | | |
| Land | 22,228 | 22,760 | 238,917 |
| Buildings and structures | 85,779 | 82,635 | 921,968 |
| Machinery and equipment | 179,340 | 171,185 | 1,927,564 |
| Construction in progress | 3,295 | 14,573 | 35,423 |
| Others | 11,302 | 11,518 | 121,479 |
| Subtotal | 301,947 | 302,673 | 3,245,354 |
| Accumulated depreciation | (196,350) | (186,641) | (2,110,383) |
| Total property, plant and equipment | 105,597 | 116,031 | 1,134,970 |
| **Investments and Other Assets:** | | | |
| Investments in securities (Notes 5 and 7) | 29,991 | 24,248 | 322,350 |
| Investments in and advances to non-consolidated subsidiaries and affiliates (Notes 5 and 7) | 26,803 | 24,719 | 288,081 |
| Long-term loans | 13 | 21 | 141 |
| Deferred tax assets, non-current (Note 10) | 8,140 | 15,325 | 87,495 |
| Goodwill | 7,038 | 7,174 | 75,646 |
| Other assets | 4,696 | 3,782 | 50,480 |
| Allowance for doubtful accounts, non-current | (260) | (204) | (2,798) |
| Total investments and other assets | 76,422 | 75,067 | 821,397 |
| **Total assets** | ¥ 330,720 | ¥ 343,208 | $ 3,554,610 |

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. The years stated in the text are for fiscal years, which run from April 1 of the previous year through March 31. Thus, 2010 refers to the year ended March 31, 2010.
3. ¥93.04=US$1, the rate of exchange on March 31, 2010 is used.

| Liabilities and Equity | Millions of Yen 2010 | 2009 | Thousands of U.S. Dollars (Note 1) 2010 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Short-term borrowings (Note 7) | ¥ 40,338 | ¥ 51,853 | $ 433,560 |
| Current maturities of long-term debt (Note 7) | 25,805 | 30,577 | 277,360 |
| Notes and accounts payable: | | | |
| Trade | 28,033 | 18,290 | 301,304 |
| Non-consolidated subsidiaries and affiliates | 700 | 239 | 7,528 |
| Others | 3,971 | 4,978 | 42,682 |
| Subtotal | 32,704 | 23,508 | 351,514 |
| Accrued expenses | 6,035 | 5,890 | 64,874 |
| Accrued income taxes | 1,729 | 588 | 18,589 |
| Deferred tax liabilities, current (Note 10) | 2 | 2 | 21 |
| Accrued bonuses | 2,628 | 2,579 | 28,249 |
| Accrued directors' bonuses | 141 | 162 | 1,522 |
| Other current liabilities | 7,262 | 6,793 | 78,053 |
| Total current liabilities | 116,648 | 121,956 | 1,253,748 |
| **Long-term Liabilities:** | | | |
| Long-term debt (Note 7) | 85,159 | 99,074 | 915,294 |
| Reserve for employees' retirement benefits (Notes 13) | 11,964 | 12,588 | 128,596 |
| Reserve for directors' and corporate auditors' retirement benefits | 557 | 651 | 5,991 |
| Deferred tax liabilities, non-current (Note 10) | 1,213 | 1,243 | 13,040 |
| Negative goodwill | – | 485 | – |
| Other long-term liabilities | 3,510 | 3,378 | 37,727 |
| Subtotal | 102,404 | 117,422 | 1,100,651 |
| Total liabilities | ¥219,053 | ¥239,378 | $2,354,399 |
| **Contingent Liabilities** (Note 8): | | | |
| **Equity** (Note 9): | | | |
| **Common stock:** | | | |
| Authorized: 1,000,000 thousand shares in 2010 and 2009, respectively | | | |
| Issued: 309,946 thousand shares in 2010 and 303,790 thousand shares in 2009 | ¥ 36,437 | ¥ 36,436 | $ 391,631 |
| Capital surplus | 26,362 | 26,361 | 283,341 |
| Retained earnings | 42,791 | 41,262 | 459,920 |
| Unrealized gain on available-for-sale securities | 7,533 | 4,238 | 80,974 |
| Deferred gain(loss) on derivatives under hedge accounting | 160 | (2,542) | 1,730 |
| Foreign currency translation adjustments | (1,521) | (1,571) | (16,352) |
| Treasury stock, at cost (14,120 thousand shares in 2010 and 13,828 thousand shares in 2009) | (5,759) | (5,618) | (61,907) |
| Subtotal | 106,003 | 98,566 | 1,139,337 |
| **Minority Interests:** | 5,663 | 5,263 | 60,873 |
| Total equity | 111,667 | 103,830 | 1,200,210 |
| **Total liabilities and equity** | ¥330,720 | ¥343,208 | $3,554,610 |

# Consolidated Statements of Operations

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2010 and 2009

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| **Net Sales** | ¥307,462 | ¥346,885 | $3,304,629 |
| **Cost of Sales** (Note 14) | 268,738 | 329,340 | 2,888,418 |
| Gross profit | 38,724 | 17,545 | 416,210 |
| **Selling, General and Administrative Expenses** (Notes 11 and 12) | 25,022 | 26,042 | 268,943 |
| Operating income (loss) | 13,701 | (8,497) | 147,267 |
| **Other Income (Expenses):** | | | |
| Interest and dividend income | 715 | 1,461 | 7,693 |
| Interest expense | (2,815) | (2,520) | (30,259) |
| Gain (loss) on sale of property, plant and equipment, and loss on disposals of property, plant and equipment, net | (979) | (856) | (10,525) |
| Foreign exchange gain (loss) | 65 | (1,766) | 704 |
| Gain (loss) on sale of investments in subsidiaries and affiliates | – | (52) | – |
| Equity in earnings (losses) of affiliates | 1,568 | (1,836) | 16,859 |
| Gain (loss) on sale of investment in securities | 6 | 20 | 74 |
| Loss on valuation of investment securities | (238) | (9,295) | (2,562) |
| Loss on impairment (Notes 5 and 6) | (851) | (2,290) | (9,152) |
| Provision of allowance for doubtful accounts | (153) | – | (1,652) |
| Business structure improvement expenses | (1,490) | (4,166) | (16,020) |
| Other, net | 193 | (807) | 2,081 |
| Subtotal | (3,978) | (22,111) | (42,759) |
| Income (loss) before income taxes and minority interests | 9,723 | (30,608) | 104,508 |
| **Income Taxes** (Note 10): | | | |
| Current | 2,394 | 2,422 | 25,731 |
| Deferred | 1,944 | (5,062) | 20,899 |
| Total income taxes | 4,338 | (2,639) | 46,630 |
| **Minority Interests** | (1,025) | (168) | (11,026) |
| Net income (loss) | ¥ 4,359 | ¥ (28,138) | $ 46,852 |
| | Yen | | U.S. Dollars (Note 1) |
| **Per Share** (Note 18): | | | |
| Basic net income (loss) | ¥ 14.96 | ¥ (94.36) | $ 0.16 |
| Cash dividends | 10.00 | 10.00 | 0.11 |

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. The years stated in the text are for fiscal years, which run from April 1 of the previous year through March 31. Thus, 2010 refers to the year ended March 31, 2010
3. ¥93.04=US$1, the rate of exchange on March 31, 2010 is used.

# Consolidated Statements of Changes in Equity

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2010 and 2009

| | Thousands of shares | |
|---|---|---|
| | **2010** | 2009 |
| **Number of Shares of Common Stock** | | |
| Balance at beginning of year | **303,790** | 303,790 |
| Issuance of new shares-exercise of subscription rights to shares | **6,155** | – |
| Balance at end of year | **309,946** | 303,790 |
| **Number of Shares of Treasury Stock** | | |
| Balance at beginning of year | **13,828** | 4,522 |
| Net change of treasury stock held by affiliates during year | **224** | (0) |
| Purchase of treasury stock | **69** | 9,315 |
| Sale of treasury stock | **(3)** | (8) |
| Balance at end of year | **14,120** | 13,828 |

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| **Common Stock** | | | |
| Balance at beginning of year | **¥36,436** | ¥ 36,436 | **$391,622** |
| Issuance of new shares-exercise of subscription rights to shares | **0** | – | **8** |
| Balance at end of year | **¥36,437** | ¥ 36,436 | **$391,631** |
| **Capital Surplus** | | | |
| Balance at beginning of year | **¥26,361** | ¥ 26,367 | **$283,336** |
| Net change due to sale of treasury stock | **0** | (6) | **4** |
| Issuance of new shares-exercise of subscription rights to shares | **(0)** | – | **(0)** |
| Balance at end of year | **¥26,362** | ¥ 26,361 | **$283,341** |
| **Retained Earnings** | | | |
| Balance at beginning of year | **¥41,262** | ¥ 75,469 | **$443,495** |
| Net income (loss) | **4,359** | (28,138) | **46,852** |
| Cash dividends paid | **(2,944)** | (6,075) | **(31,648)** |
| Increase due to sale of treasury stock of affiliates | **0** | 6 | **6** |
| Increase in retained earnings due to decrease in number of consolidated subsidiaries | **238** | – | **2,568** |
| Change of scope of equity method | **(126)** | – | **(1,354)** |
| Balance at end of year | **¥42,791** | ¥ 41,262 | **$459,920** |
| **Unrealized Gain on Available-for-sale Securities** | | | |
| Balance at beginning of year | **¥ 4,238** | ¥ 7,854 | **$ 45,551** |
| Net change during year | **3,295** | (3,615) | **35,422** |
| Balance at end of year | **¥ 7,533** | ¥ 4,238 | **$ 80,974** |
| **Deferred Gain on Derivatives Under Hedge Accounting** | | | |
| Balance at beginning of year | **¥ (2,542)** | ¥ 1,047 | **$ (27,324)** |
| Net change during year | **2,703** | (3,589) | **29,054** |
| Balance at end of year | **¥ 160** | ¥ (2,542) | **$ 1,730** |
| **Foreign Currency Translation Adjustments** | | | |
| Balance at beginning of year | **¥ (1,571)** | ¥ (348) | **$ (16,893)** |
| Net change during year | **50** | (1,223) | **541** |
| Balance at end of year | **¥ (1,521)** | ¥ (1,571) | **$ (16,352)** |
| **Treasury Stock, at Cost** | | | |
| Balance at beginning of year | **¥ (5,618)** | ¥ (2,624) | **$ (60,387)** |
| Net change of treasury stock held by affiliates during year | **(107)** | 0 | **(1,157)** |
| Purchase of treasury stock | **(34)** | (3,003) | **(373)** |
| Sale of treasury stock | **1** | 9 | **10** |
| Balance at end of year | **¥ (5,759)** | ¥ (5,618) | **$ (61,907)** |
| **Minority Interests** | | | |
| Balance at beginning of year | **¥ 5,263** | ¥ 6,078 | **$ 56,572** |
| Net change during year | **400** | (815) | **4,301** |
| Balance at end of year | **¥ 5,663** | ¥ 5,263 | **$ 60,873** |

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. The years stated in the text are for fiscal years, which run from April 1 of the previous year through March 31. Thus, 2010 refers to the year ended March 31, 2010
3. ¥93.04=US$1, the rate of exchange on March 31, 2010 is used.

# Consolidated Statements of Cash Flows

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2010 and 2009

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| **Cash Flows from Operating Activities:** | | | |
| Income (loss) before income taxes and minority interests | ¥ 9,723 | ¥(30,608) | $ 104,508 |
| Adjustments for: | | | |
| Income taxes (paid) refunded | 2,153 | (17,397) | 23,145 |
| Depreciation and amortization | 19,276 | 18,612 | 207,190 |
| (Gain) loss on sale of property, plant and equipment, and on disposals of property, plant and equipment, net | 979 | 856 | 10,525 |
| Increase in allowance for doubtful accounts | 183 | 75 | 1,973 |
| Equity in (earnings) losses of affiliates | (1,568) | 1,836 | (16,859) |
| (Gain) loss on sale of investment in securities, net | (6) | 32 | (74) |
| Loss on valuation of investment securities | 238 | 9,295 | 2,562 |
| Loss on impairment (Notes 5 and 6) | 851 | 2,290 | 9,152 |
| Business structure improvement expenses | 1,490 | 4,166 | 16,020 |
| Changes in assets and liabilities | | | |
| (Increase) decrease in trade receivables | (16,256) | 43,172 | (174,728) |
| (Increase) decrease in inventories | (3,491) | 29,719 | (37,531) |
| Increase (decrease) in trade payables | 10,186 | (26,177) | 109,489 |
| Decrease in interest and dividend receivables | 1,261 | 56 | 13,554 |
| (Decrease) increase in interest payables | (137) | 124 | (1,473) |
| Other, net | 127 | (2,461) | 1,368 |
| Net cash provided by operating activities | 25,011 | 33,593 | 268,823 |
| **Cash Flows from Investing Activities:** | | | |
| Payments for time deposits | (479) | (266) | (5,156) |
| Proceeds from repayment of time deposits | 220 | 145 | 2,375 |
| Acquisition of property, plant and equipment | (10,062) | (24,989) | (108,150) |
| Proceeds from sale of property, plant and equipment | 114 | 176 | 1,232 |
| Acquisition of investments in securities | (61) | (404) | (660) |
| Proceeds from sale of investments in securities | 8 | 16 | 87 |
| Acquisition of investments in subsidiaries and affiliates | (2,616) | (540) | (28,121) |
| Proceeds from sale of investments in affiliates | 9 | 57 | 96 |
| Acquisition of subsidiaries, net of cash acquired | (576) | (9,617) | (6,192) |
| Payment for loans | (1,623) | (1,269) | (17,445) |
| Proceeds from collection of loans | 595 | 300 | 6,404 |
| Other, net | (132) | (87) | (1,423) |
| Net cash used in investing activities | (14,602) | (36,477) | (156,952) |
| **Cash Flows from Financing Activities:** | | | |
| Net (decrease) increase in short-term bank loans | (11,514) | 31,170 | (123,762) |
| Proceeds from long-term debt | 1,430 | 46,400 | 15,370 |
| Repayment of long-term debt | (20,989) | (18,001) | (225,598) |
| Payments for redemption of bonds | (10,007) | (7) | (107,555) |
| Proceeds from issuance of bonds | 10,000 | – | 107,480 |
| Proceeds from issuance of stock resulting from exercise of subscription rights to shares | 0 | – | 8 |
| Cash dividends paid | (3,543) | (7,029) | (38,082) |
| Increase in lease obligations by sale and leaseback | 1,118 | – | 12,022 |
| Repayment of lease obligations | (349) | (227) | (3,761) |
| Proceeds from sale of treasury stock | 1 | 2 | 15 |
| Purchase of treasury stock | (34) | (3,003) | (373) |
| Net cash (used in) provided by financing activities | (33,888) | 49,303 | (364,235) |
| **Foreign currency translation adjustment on cash and cash equivalents** | (51) | (132) | (553) |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | (23,531) | 46,287 | (252,918) |
| **Cash and Cash Equivalents of Newly Consolidated Subsidiaries** | – | 100 | – |
| **Decrease in Cash and Cash Equivalents due to Exclusion of Subsidiaries from Scope of Consolidation** | (35) | – | (378) |
| **Cash and Cash Equivalents at Beginning of Year** | 50,681 | 4,294 | 544,732 |
| **Cash and Cash Equivalents at End of Year** (Note 4) | ¥ 27,115 | ¥ 50,681 | $ 291,435 |

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

2. The years stated in the text are for fiscal years, which run from April 1 through March 31 of the following year. Thus, 2010 refers to the year ended March 31, 2010

3. ¥93.04=US$1, the rate of exchange on March 31, 2010 is used.

# Notes to Consolidated Financial Statements

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

## 1. Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting standards and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Japanese yen figures less than ¥1 million (US$1 thousand) are rounded down to the nearest ¥1 million (US$1 thousand), except for per share data.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Dowa Holdings Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to US$1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. Summary of Significant Accounting Policies

### (1) Principles of Consolidation

The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 59 significant (59 in 2009) subsidiaries (together, the "Group").

Under the control or influence concept, those significant companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those 12 significant affiliate companies (9 in 2009) over which non-consolidated subsidiaries and the Group have the ability to exercise significant influence are accounted for by the equity method.

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

The net difference between the purchase price and the underlying equity in the equity of an acquired business is amortized on a straight-line basis within 20 years.

(a) Note Regarding Scope of Consolidation

(2010)

The Company acquired shares of Meltec Co., Ltd. during the year ended March 31, 2010, and included the company in the scope of consolidation. Besides this, the Company excluded DOWA F-TEC (SINGAPORE) PTE. LTD. from the scope of consolidation, following its withdrawal from the business. The results of operation of the company were included in the consolidated financial statements up to the date of withdrawal.

(2009)

The consolidated financial statements for the year ended March 31, 2009 include Akita Zinc Recycling Co., Ltd., which was a non-consolidated subsidiary in the consolidated financial statements for the year ended March 31, 2008 from the viewpoint of materiality. The Company signed an agreement to buy shares of Modern Asia Environmental Holdings Inc. and nine subsidiaries during the year ended March 31, 2009. The results of these subsidiaries were included in the consolidated financial statements from the year ended March 31, 2009.

(b) Accounting Period of Foreign Subsidiaries

In preparing the consolidated financial statements for the year ended March 31, 2010, the Company used the financial statements with an account closing date of December 31, 2009 in the cases of 12 foreign subsidiaries including Modern Asia Environmental Holdings Inc., Dowa Environmental Management Co., Ltd., and Dowa Advanced Materials (Shanghai) Co., Ltd., and other companies. For material transactions that occurred between January 1, 2010, and March 31, 2010, adjustments were made in the consolidated financial statements, as necessary.

**(2) 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.

**(3) Securities**

Securities held by the Group are classified into three categories.

Investments in equity securities issued by non-consolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain non-consolidated subsidiaries and affiliates are stated at cost by using the moving average method because the effect of application of the equity method would be immaterial.

Available-for-sale securities with market quotations are stated at fair value. Unrealized gains on these securities are stated at net of tax effect and minority interests as "unrealized gain on available-for-sale securities" on the Consolidated Statements of Changes in Equity.

Available-for-sale securities without market quotations are stated at cost, by using the moving average method except as stated in the paragraph below.

In cases where the fair value of equity securities issued by non-consolidated subsidiaries and affiliates or available-for-sale securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

**(4) Inventories**

Inventories are stated at the lower of cost or market value. The costs of the primary finished products and imported raw materials are determined by the first-in first-out (FIFO) method. The costs of other finished products and other raw materials are determined by the moving average method.

**(5) Property, Plant and Equipment**

Property, plant and equipment, including significant renewals and additions, are stated at cost. Repairs and maintenance expenses are charged to current income. Depreciation is computed by the declining-balance method based on the estimated useful lives of the respective assets. Depreciation of the landfill is computed using the production method.

The Company and domestic consolidated subsidiaries have computed the depreciation for the buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) that have newly been acquired on or after April 1, 1998, by the straight-line method.

*Additional Information (2009)*

As a result of a review of the operation status of assets that the Company and domestic consolidated subsidiaries conducted following the revision of the Corporation Tax Law, changes have been made to the number of years assigned as the useful life, commencing the year ended March 31, 2009. As a result of this change, operating loss increased by ¥2,691 million and loss before income taxes and minority interests increased by ¥2,742 million.

For those segments which recorded a profit, operating income decreased by ¥281 million in the Environmental Management & Recycling segment, ¥148 million in the Electronic Materials segment, and ¥10 million in the Heat Treatment segment, and operating income increased by ¥0 million in the Others segment. For those segments which recorded a loss, operating loss increased by ¥1,345 million in the Nonferrous Metals segment and ¥905 million in the Metal Processing segment.

**(6) Long-lived Assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable.

An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**(7) Research and Development and Intangible Assets**

Research and development expenses are charged to the Consolidated Statements of Operations as incurred.

Expenses relating to the development of internal use computer software are charged to the Consolidated Statements of Operations when incurred, except when it is determined the software contributes to the future generation of income or cost savings.

Such expenses are capitalized as an asset and are amortized using the straight-line method over their estimated useful life, which is five years.

Intangible assets other than software are amortized using the straight-line method, in accordance with the Japanese Corporate Tax Law.

**(8) Leases**

(a) Lease Assets Pertaining to Finance Leases that Deem to Transfer Ownership of the Leased Property to the Lessee

These are calculated using the same method as the depreciation method that applies to non-current assets owned by the Group.

(b) Lease Assets Pertaining to Finance Leases that do not Deem to Transfer Ownership of the Leased Property to the Lessee

These use a method of calculation that takes the lease period to be the useful life and the salvage value to be zero. Note, however, that when the lease start date of a finance lease that does not deem to transfer ownership of the leased property to the lessee is before April 1, 2008, which is the date of the adoption of this accounting method, such finance leases shall be accounted for by the method pertaining to ordinary operating lease transactions.

*The Change of Accounting Policy (2009)*

In March 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company and domestic subsidiaries applied the revised accounting standard effective April 1, 2008. In addition, the Company and domestic subsidiaries accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

The impact of these changes on total assets, net loss and segment information is immaterial.

**(9) Allowance for Doubtful Accounts**

The Group has provided the allowance for doubtful accounts by the method based on the percentage of its own historical bad debt loss against the balance of total receivables, plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

**(10) Accrued Bonuses**

Accrued bonuses to employees are provided for at the estimated amounts, which the Group is obliged to pay to employees after the year-end.

**(11) Accrued Directors' Bonuses**

Accrued bonuses to directors, including bonuses for the portion corresponding to the corporate performance-based remuneration system are provided for at the estimated amounts, which the Group is obliged to pay to directors after the year-end.

**(12) Reserve for Employees' Retirement Benefits**

Employees of the Group are entitled to lump-sum severance indemnities, which are generally determined based on the length of service, current rates of pay and certain other factors at the time of retirement.

In addition to the unfunded lump-sum severance indemnities described above, the Group has established a non-contributory funded pension plan, which covers substantially all employees.

If there is a mathematical calculation difference between the expected operational earnings from retirement assets and the actual earnings results, the difference is amortized as an operating expense on a straight-line basis over five years, usually beginning the year following the year in which the difference arises.

For any past service liability that arises as a result of revising of the retirement benefit regulations or by another cause, such amount is amortized as an operating expense on a straight-line basis over five years, usually beginning the year in which the liability arises.

**(13) Reserve for Directors' and Corporate Auditors' Retirement Benefits**

Some of the Company's subsidiaries also provide for the liability for directors' and corporate auditors' severance indemnities in an amount determined by the Company's internal regulations for such severance indemnities.

**(14) Allowance for Environmental Measures**

The Group adopted the Act Concerning Special Measures against PCB Waste, and recorded the estimate cost for the disposal of polychlorinated biphenyl waste.

**(15) Construction Contracts**

In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Company applied the new accounting standard effective April 1, 2009. The effect of this change was to increase net sales by ¥229 million (US$2,470 thousand), and operating income and income before income taxes and minority interests by ¥42 million (US$460 thousand), for the year ended March 31, 2010.

Also, the effect of this change was to increase net sales by ¥46 million (US$501 thousand), and operating income, and income before income taxes and minority interests by ¥6 million (US$67 thousand) in the Environmental Management & Recycling segment, increase net sales by ¥183 million (US$1,968 thousand), and operating income and income before income taxes and minority interests by ¥36 million (US$393 thousand) in the Heat Treatment segment for the year ended March 31, 2010.

**(16) Foreign Currency Translations**

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

The assets and liabilities of the Company's consolidated subsidiaries are valued using the fair-value method.

Assets and liabilities, and revenues and expenses of foreign subsidiaries are converted into Japanese yen at the spot exchange rates prevailing on the balance sheet date of the foreign subsidiaries in question, and translation differences are included as minority interests and foreign currency translation adjustments in equity.

**(17) Derivatives and Hedging Activities**

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange, interest and nonferrous metal rates.

Foreign exchange forward contracts, interest rate swaps and nonferrous metal forward contracts are utilized by the Group to reduce foreign currency exchange, interest and nonferrous metal rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the Consolidated Statements of Operations, and

b) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the unrealized gains or losses are recognized in income.

Forward contracts applied for forecasted (or committed) transactions are also measured at fair value, but the unrealized gains or losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

**(18) Accounting Treatment for Consumption Tax**

All transactions are recorded at net of consumption tax.

**(19) Application of the Consolidated Taxation System**

The Group applies the Consolidated Taxation System.

**(20) Net Income per Share**

Basic 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 year.

## 3. Changes of Accounting Policies

**(1) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (2009)**

In May 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements."

PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statements where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied these accounting standards effective April 1, 2008.

The impact of these changes on net income and segment information is immaterial.

**(2) Agreements for Deposit of Bullion for Consumption (2009)**

Concerning agreements for deposit of bullion for consumption, in light of the greater materiality of these transactions, commencing in the year ended March 31, 2009, the Company records agreements for deposit of bullion for consumption in order to appropriately present the Company's financial position by reporting this previously off-balance-sheet information on the consolidated balance sheets.

As a result of this change, compared with what the results would have been using the previously adopted method, "raw materials and supplies" and "other current liabilities" have both increased by ¥1,429 million and the assets in the Electronic Materials segment increased by ¥1,429 million.

## 4. Cash and Cash Equivalents

(1) Cash and cash equivalents at March 31, 2010 and 2009 consisted of:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Cash and time deposits | ¥27,390 | ¥50,824 | $294,396 |
| Time deposits with deposit terms of over three months | (275) | (142) | (2,960) |
| Cash and cash equivalents | ¥27,115 | ¥50,681 | $291,435 |

(2) The main items of assets and liabilities of Meltec Co., Ltd. and Modern Asia Environmental Holdings Inc. at the acquisition date which were newly included in the consolidated financial statements for the years ended March 31, 2010 and 2009, as applicable, were as follows:

Meltec Co., Ltd. as of December 31, 2009 (2010)

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| Current assets | ¥268 | $2,880 |
| Non-current assets | 745 | 8,011 |
| Current liabilities | 471 | 5,070 |
| Non-current liabilities | 18 | 198 |

Modern Asia Environmental Holdings Inc. as of December 31, 2008 (2009)

| | Millions of Yen |
|---|---|
| Current assets | ¥4,122 |
| Non-current assets | 3,698 |
| Current liabilities | 3,308 |
| Non-current liabilities | 670 |

## 5. Investments

Investments at March 31, 2010 and 2009 consisted of:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Investments in and advances to non-consolidated subsidiaries and affiliates | ¥26,803 | ¥24,719 | $288,081 |
| Available-for-sale securities with market quotations | 26,400 | 19,703 | 283,756 |
| Unlisted securities | 3,590 | 4,544 | 38,594 |
| Total | ¥56,794 | ¥48,968 | $610,432 |

The net unrealized gain on the available-for-sale securities with market quotations as of March 31, 2010 and 2009 was ¥12,036 million (US$129,369 thousand) and ¥6,332 million, respectively.

For the year ended March 31, 2009, impairment losses on available-for-sale securities with market quotations were recognized in the amount of ¥8,668 million. Impairment losses on available-for-sale securities without market quotations were recognized in the amount of ¥17 million.

For the year ended March 31, 2009, because recoverability could not be determined for some goodwill related to investments in equity method affiliates, an unamortized balance of ¥2,049 million was recorded as a loss on impairment within other expenses.

Available-for-sale securities that the Group sold during the years ended March 31, 2010 and 2009:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Proceeds from sales | ¥17 | ¥74 | $184 |
| Gain on sales | 6 | 20 | 74 |
| Loss on sales | (0) | 52 | (8) |

There were no available-for-sale securities maturing within five years at March 31, 2010 and 2009.

## 6. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2010 and 2009 and, as a result, recognized a loss on impairment of ¥851 million (US$9,152 thousand) and ¥240 million as other expenses for idle assets, due to a decline of market value.

## 7. Short-term Borrowings and Long-term Debt

Short-term borrowings from banks and other financial institutions were represented by short-term borrowings bearing interest at 0.63% to 2.40% (an approximate average rate of 0.79%) per annum at March 31, 2010 and 0.85% to 4.81% (an approximate average rate of 1.18%) per annum at March 31, 2009.

It is normal business custom in Japan for short-term borrowings to be rolled over each year.

At March 31, 2010 and 2009, long-term debt consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| 0.65% to 3.40% loans, principally from banks and due between 2010 and 2025: | | | |
| Collateralized | ¥ 42,023 | ¥ 51,910 | $ 451,672 |
| Unsecured | 57,002 | 66,718 | 612,661 |
| 1.21% straight bond due 2009 | – | 10,000 | – |
| 2.15% straight bond due 2010 | 7 | 14 | 75 |
| 1.01% straight bond due 2014 | 10,000 | – | 107,480 |
| Lease obligations | 1,932 | 1,007 | 20,765 |
| | 110,964 | 129,651 | 1,192,655 |
| Long-term debt, bond and lease obligations (due within one year) | 25,805 | 30,577 | 277,360 |
| Long-term debt, bond and lease obligations (due after one year) | ¥ 85,159 | ¥ 99,074 | $ 915,294 |

At March 31, 2010 and 2009, the following assets were pledged as collateral for short-term borrowings and the long-term debt of the Group:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Property, plant and equipment, less accumulated depreciation | ¥1,028 | ¥2,405 | $11,058 |
| Investments in and advances to affiliates | 5,944 | 6,513 | 63,887 |
| Investments in securities | 3,930 | 3,607 | 42,250 |

Annual maturities of long-term debt as of March 31, 2010 for the next five years and thereafter were as follows:

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| 2011 | ¥ 25,805 | $ 277,360 |
| 2012 | 23,393 | 251,435 |
| 2013 | 20,091 | 215,940 |
| 2014 | 14,053 | 151,052 |
| 2015 and thereafter | 27,620 | 296,866 |
| Total | ¥110,964 | $1,192,655 |

## 8. Contingent Liabilities

At March 31, 2010 and 2009, the Group guarantees loans incurred by non-consolidated subsidiaries and affiliates in the amount of ¥6,062 million (US$65,158 thousand) and ¥6,560 million, respectively.

The Company sold notes and accounts receivable amounts to a finance company. As part of the finance agreement, under certain circumstances, the Company has the obligation to repurchase these amounts. At March 31, 2010 and 2009, in connection with this structured finance agreement and the maximum repurchase commitment, the Company's exposure was ¥453 million (US$4,872 thousand) and ¥570 million, respectively.

## 9. Equity

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Companies Act"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as

(1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) having the term of service of the directors prescribed as one year rather than the two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 10. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' tax and enterprise tax, which in the aggregate resulted in normal statutory tax rates of approximately 40.0% for 2010 and 2009, respectively.

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

At March 31, 2010 and 2009, the significant components of deferred tax assets and liabilities were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Deferred tax assets | | | |
| Consolidated subsidiaries' deficit | ¥ 16,007 | ¥ 18,784 | $ 172,051 |
| Reserve for employees' retirement benefits | 4,760 | 5,015 | 51,170 |
| Unrealized earnings | 3,118 | 2,464 | 33,517 |
| Loss on impairment of property, plant and equipment | 1,700 | 1,457 | 18,280 |
| Accrued bonus | 1,022 | 1,010 | 10,992 |
| Loss on disposals of property, plant and equipment | 800 | 791 | 8,600 |
| Loss on valuation of investment securities | 665 | 363 | 7,151 |
| Excess depreciation | 603 | 686 | 6,486 |
| Accrued enterprise tax | 291 | 107 | 3,138 |
| Reserve for directors' and corporate auditors' retirement benefits | 277 | 325 | 2,982 |
| Deferred loss on derivatives under hedge accounting | 268 | 1,415 | 2,884 |
| Allowance for doubtful accounts | 184 | 111 | 1,983 |
| Loss on valuation of inventories | 153 | 677 | 1,652 |
| Others | 2,617 | 2,829 | 28,136 |
| Total | 32,473 | 36,041 | 349,031 |
| Valuation allowance | (14,584) | (15,098) | (156,757) |
| Deferred tax assets | ¥ 17,889 | ¥ 20,942 | $ 192,273 |
| Deferred tax liabilities | | | |
| Unrealized gain on available-for-sale securities | (4,684) | (2,535) | (50,351) |
| Unrealized gain on land | (924) | (924) | (9,939) |
| Deferred gain on derivatives under hedge accounting | (427) | – | (4,595) |
| Special depreciation reserve | (11) | (21) | (122) |
| Provision for loss of foreign investments | (0) | (0) | (2) |
| Others | (312) | (702) | (3,359) |
| Total deferred tax liabilities | (6,361) | (4,184) | (68,371) |
| Net deferred tax assets | ¥ 11,527 | ¥ 16,757 | $ 123,902 |

(Note) The components of net deferred tax assets (liabilities) for the years ended March 31, 2010 and 2009 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Deferred tax assets, current | ¥ 4,602 | ¥ 2,678 | $ 49,468 |
| Deferred tax assets, non-current | 8,140 | 15,325 | 87,495 |
| Deferred tax liabilities, current | (2) | (2) | (21) |
| Deferred tax liabilities, non-current | (1,213) | (1,243) | (13,040) |

For the years ended March 31, 2010 and 2009, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

| | 2010 | 2009 |
|---|---|---|
| Statutory tax rate | 40.0 % | (40.0)% |
| Non-taxable items including dividend income | (5.5) | (0.7) |
| Equity in earnings of affiliates | (0.5) | 2.5 |
| Tax credits | (0.2) | (0.1) |
| Valuation allowance | 3.9 | 27.1 |
| Non-deductible items including entertainment expenses | 2.7 | 0.4 |
| Inhabitants' tax | 0.9 | 0.3 |
| Others | 3.3 | 1.9 |
| Effective income tax rate | 44.6 % | (8.6)% |

## 11. Research and Development Expenses

Research and development expenses for the years ended March 31, 2010 and 2009 were ¥3,829 million (US$41,154 thousand) and ¥4,421 million, respectively.

## 12. Leases

As discussed in Note 2. (8), the Company accounts for leases which existed at March 31, 2008 and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Pro forma information of such leases existing at March 31, 2008, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, on an "as if capitalized" basis for the years ended March 31, 2010 and 2009 is as follows:

Acquisition cost, accumulated depreciation, and net book value at March 31, 2010 and 2009, if capitalized, are summarized as follows:

| | Millions of Yen | | | | | | Thousands of U.S. Dollars (Note 1) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | | 2009 | | | 2010 | | |
| | Machinery and equipment | Others | Total | Machinery and equipment | Others | Total | Machinery and equipment | Others | Total |
| Acquisition cost | ¥1,941 | ¥467 | ¥2,408 | ¥2,156 | ¥609 | ¥2,765 | $20,867 | $5,023 | $25,891 |
| Accumulated depreciation | 1,462 | 273 | 1,735 | 1,394 | 318 | 1,712 | 15,714 | 2,938 | 18,652 |
| Net book value | ¥ 479 | ¥194 | ¥ 673 | ¥ 761 | ¥291 | ¥1,052 | $ 5,152 | $2,085 | $ 7,238 |

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Lease rental expenses for the year | ¥374 | ¥458 | $4,030 |
| Depreciation expense | ¥374 | ¥458 | $4,030 |

The amounts of outstanding future lease payments under finance lease due at March 31, 2010 and 2009, including the portion of interest thereon, are summarized as follows:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Future lease payments | | | |
| Within one year | ¥310 | ¥ 389 | $3,332 |
| Over one year | 363 | 662 | 3,905 |
| Total | ¥673 | ¥1,052 | $7,238 |

The amounts of outstanding future lease receivables payments under noncancellable operating leases due at March 31, 2010 and 2009 are summarized as follows:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Operating leases (lessee) | | | |
| Within one year | ¥125 | ¥ 84 | $1,350 |
| Over one year | 219 | 261 | 2,356 |
| Total | ¥344 | ¥345 | $3,707 |

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Operating leases (lessor) | | | |
| Within one year | ¥ 35 | ¥ 35 | $ 384 |
| Over one year | 177 | 209 | 1,908 |
| Total | ¥213 | ¥244 | $2,292 |

## 13. Employees' Retirement Benefit Plan

The Group has a defined retirement benefit plan covering substantially all employees.

The reserve for employees' retirement benefits for the years ended March 31, 2010 and 2009 is analyzed as follows:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Projected benefit obligations | ¥(14,154) | ¥(14,704) | $(152,129) |
| Plan assets | 1,883 | 2,136 | 20,240 |
| Unfunded retirement obligations | (12,270) | (12,567) | (131,889) |
| Unrecognized actuarial differences | 306 | 50 | 3,292 |
| Unrecognized prior service cost | – | (71) | – |
| Reserves for employees' retirement benefits | ¥(11,964) | ¥(12,588) | $(128,596) |

Net pension expenses related to the retirement benefits for the years ended March 31, 2010 and 2009 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Service cost | ¥1,042 | ¥1,395 | $11,110 |
| Interest cost | 243 | 239 | 2,616 |
| Expected return on plan assets | (15) | (16) | (166) |
| Amortization of actuarial differences | (29) | (28) | (313) |
| Amortization of prior service cost | (71) | 28 | (768) |
| Other pension expenses | 860 | 405 | 9,248 |
| Net pension expenses | ¥2,030 | ¥2,023 | $21,727 |

Assumptions used in the calculation of the above information were as follows:

| | 2010 | 2009 |
|---|---|---|
| Discount rate | Principally 2.5% | Principally 2.5% |
| Expected rate of return on plan assets | Principally 1.25% | Principally 1.25% |
| Method of attributing the projected benefits to periods of service | Straight-line basis | Straight-line basis |
| Amortization period of prior service cost | Five years | Five years |
| Recognition period of actuarial differences | Five years | Five years |

## 14. Loss on Valuation of Inventories

The Group recorded the following loss on valuation of inventories held for ordinary sales purposes due to impairment reflecting a drop in profitability for the years ended March 31, 2010 and 2009:

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| Cost of sales | ¥681 | ¥3,496 | $7,322 |

## 15. Equity Warrants

Equity warrants which the Company had for the years ended March 31, 2010 and 2009 were as follows:

| | | Number of shares to be issued | | | | |
|---|---|---|---|---|---|---|
| Item | Class of stocks to be issued | March 31, 2009 | Increase | Decrease | March 31, 2010 | Balance sheet (2010) (Millions of Yen) |
| Equity warrants | Common stock | 15,188,998 | – | 15,188,998 | – | – |
| Total | | 15,188,998 | – | 15,188,998 | – | – |

The number of shares to be issued as of March 31, 2009 is based on the assumption of when the share warrant exercise will be carried out.

As of March 31, 2009, the number of shares to be issued upon the exercise of equity warrants is estimated to be less than 15,188,998 shares.

All the equity warrants issued in 2006 expired as of January 29, 2010 upon the expiration of the exercise period.

## 16. Financial Instruments

*Additional Information (2010)*

In March 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

### 1. Status of Financial Instruments

(1) Policy on financial instruments

The Group manages its funds using short-term deposits and bond repurchase agreements.

Financial instruments used for financing are mainly bank loans and other instruments including corporate bonds and Electronic Commercial Paper ("Electronic CP"), based on the Group's policy of diversifying the financing methods, sources and maturities, etc.

Derivatives are used to avoid the market fluctuation risks of interest on borrowings and the sale and purchase prices of inventories, etc. only within the range of the hedged items, and the Group's policy is not to use derivatives for speculative purposes.

(2) Nature, extent of risks and risk management for financial instruments

Notes and accounts receivable, which are operating receivables, are exposed to customer credit risk. The Group manages the credit risk for receivables by monitoring the payment terms and balances for each customer.

Listed securities, which are among the equity instruments in investments in securities, are exposed to the risks of market price fluctuations. The Group has a system to periodically monitor and assess the fair values of listed securities, although the securities are held neither for pure investment purposes nor short-term trading purposes.

Payment terms of notes and accounts payable, which are operating debt, are mostly less than one year.

Borrowings are exposed to liquidity risk and interest rate risk. In order to mitigate these risks, the Group uses multiple financial institutions and staggers redemption dates of loans. With regard to a portion of long-term debt, the Group uses interest rate swaps as hedging instruments to avoid fluctuation risks of interest rates. The Group periodically compiles cash flow plans and its performance, and the status of financing is reported at the management meeting for the monthly close.

In addition to interest rate swaps, the Group enters into derivative financial instruments, namely, foreign exchange forward contracts and nonferrous metal forward contracts. The former is used to avoid risks of foreign exchange fluctuations associated with the sale of finished products and purchase of inventories (mainly imported raw materials), which are denominated in foreign currencies. The latter is used to avoid fluctuation risks in market prices for raw materials and finished goods that are influenced by nonferrous metal rates.

The monthly meetings are held for derivative transactions, with attendance of directors who are in charge of hedge transactions and the head of each business division. At the meetings, the implementation policies for hedge transactions are determined, the execution of derivative transactions are managed and reported, and hedge effectiveness is evaluated. In accordance with the policies, each derivative transaction is executed based on the internal guidelines which regulate the credit limit amount and procedures of transactions and reporting. The evaluation of hedge effectiveness is omitted for interest rate swaps, as the swaps qualify for hedge accounting and meet specific matching criteria for interest rate swaps. The Group has a policy to diversify transactions through multiple counterparties with high credit standings in order to mitigate credit risk.

(3) Supplementary explanation to fair values of financial instruments

Fair values of financial instruments are based on a quoted price in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Such techniques include variable factors and the results of valuation may differ depending on prerequisites. The contracted amounts related to derivatives, mentioned in "17. Derivatives," in and if themselves should not be considered indicative of the market risks associated with the derivatives.

**2. Fair Value of Financial Instruments**

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values as of March 31, 2010, as well as their differences between the balance sheet amounts and the fair values. Financial instruments whose fair value is deemed extremely difficult to assess are not included. (Please refer to "Note 2" below).

| | Millions of Yen | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Unrealized gain/loss | Carrying amount | Fair value | Unrealized gain/loss |
| (1) Cash and time deposits | ¥ 27,390 | ¥ 27,390 | ¥ – | $ 294,396 | $ 294,396 | $ – |
| (2) Notes and accounts receivable (*1) | 50,954 | 50,954 | – | 547,665 | 547,665 | – |
| (3) Investments in securities (*2) | 42,491 | 40,160 | (2,331) | 456,701 | 431,645 | (25,056) |
| Total Assets | 120,837 | 118,505 | (2,331) | 1,298,764 | 1,273,707 | (25,056) |
| (1) Notes and accounts payable (*3) | 28,712 | 28,712 | – | 308,607 | 308,607 | – |
| (2) Short-term borrowings | 40,338 | 40,338 | – | 433,560 | 433,560 | – |
| (3) Long-term debt (including repayment due within one year) (*4) | 99,025 | 100,559 | 1,533 | 1,064,334 | 1,080,818 | 16,484 |
| Total Liabilities | 168,077 | 169,610 | 1,533 | 1,806,502 | 1,822,987 | 16,484 |
| Derivatives (*5) | (368) | (368) | – | (3,963) | (3,963) | – |

(*1) Assets (2): Notes and accounts receivable stated above are obtained by subtracting advances paid of ¥209 million (US$2,255 thousand), accounts receivable-other of ¥3,299 million (US$35,467 thousand), and loans of ¥1,523 million (US$16,377 thousand) from the amount of notes and accounts receivable of ¥55,988 million (US$601,766 thousand) presented in the Consolidated Balance Sheets.

(*2) Assets (3): Investments in securities stated above are obtained by subtracting financial instruments whose fair values are deemed extremely difficult to assess of ¥13,932 million (US$149,752 thousand) and long-term loans of ¥370 million (US$3,978 thousand) from the sum of investments in securities of ¥29,991 million (US$322,350 thousand) and investments in and advances to non-consolidated subsidiaries and affiliates of ¥26,803 million (US$288,081 thousand) presented in the Consolidated Balance Sheets.

(*3) Liabilities (1): Notes and accounts payable stated above are obtained by subtracting accounts payable—other of ¥3,559 million (US$38,256 thousand) and deposits received of ¥432 million (US$4,650 thousand) from notes and accounts payable of ¥32,704 million (US$351,514 thousand) presented in the Consolidated Balance Sheets.

(*4) Liabilities (3): Long-term debt stated above is obtained by subtracting bonds payable of ¥10,007 million (US$107,555 thousand) and lease obligations of ¥1,931 million (US$20,765 thousand) from the sum of current maturities of long-term debt of ¥25,805 million (US$277,360 thousand) and long-term debt of ¥85,159 million (US$915,294 thousand) presented in the Consolidated Balance Sheets.

(*5) Derivative transactions stated above are stated net of assets and liabilities.

(Note 1) Fair value measurement of fair value of financial instruments, and matters regarding securities and derivatives

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable

The fair value of these accounts approximates their book value because of their short maturities. Thus, the book value is used as fair value.

(3) Investments in securities

The fair value of equity instruments is measured by the market prices at the stock exchanges.

Liabilities

(1) Notes and accounts payable and (2) Short-term borrowings

The fair value of these accounts approximates their book value because of their short maturities. Thus, the book value is used as fair value.

(3) Long-term debt (including repayment due within one year)

The fair value of long-term debt is measured at present value calculated by discounting the total amount of principle and interest by using an assumed interest rate for similar new borrowings.

Derivatives

Please refer to the note "17. Derivatives."

(Note 2) Financial instruments whose fair value are deemed extremely difficult to measure

| Classification | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| Unlisted securities and others (Carrying amount) | ¥ 13,932 | $ 149,752 |

These financial instruments are not included in "Assets (3) Investments in securities," as they have no quoted market prices and it is deemed extremely difficult to measure their fair values.

(Note 3) Maturity analysis for financial assets with contractual maturities

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and time deposits | ¥ 14,275 | ¥ – | ¥ – | ¥ – |
| Notes and accounts receivable | 50,954 | – | – | – |
| Total | ¥ 65,230 | ¥ – | ¥ – | ¥ – |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and time deposits | $153,433 | $ – | $ – | $ – |
| Notes and accounts receivable | 547,665 | – | – | – |
| Total | $701,099 | $ – | $ – | $ – |

(Note 4) Maturity analysis for long-term debt

See note 7.

## 17. Derivatives

The Group had the following derivative contracts outstanding at March 31, 2010 and 2009:

(1) Derivative Transactions to which Hedge Accounting is not Applied

Currency-related transactions (2010)

Transactions not conducted on the open market

| | Millions of Yen | | | | Thousands of U.S. Dollars (Note 1) | | | |
|---|---|---|---|---|---|---|---|---|
| Type | Contract Amount | Over One Year | Fair Value | Unrealized Gain/Loss | Contract Amount | Over One Year | Fair Value | Unrealized Gain/Loss |
| Forward Exchange Contract Transactions | | | | | | | | |
| Selling | | | | | | | | |
| U.S.$ | ¥18,056 | – | ¥(460) | ¥(460) | $194,076 | – | $(4,953) | $(4,953) |
| Buying | | | | | | | | |
| U.S.$ | 30 | – | 0 | 0 | 322 | – | 7 | 7 |
| Total | ¥ – | – | ¥ – | ¥(460) | $ – | – | $ – | $(4,946) |

Commodity related (2010)

Transactions not conducted on the open market

| | Millions of Yen | | | | Thousands of U.S. Dollars (Note 1) | | | |
|---|---|---|---|---|---|---|---|---|
| Type | Contract Amount | Over One Year | Fair Value | Unrealized Gain/Loss | Contract Amount | Over One Year | Fair Value | Unrealized Gain/Loss |
| Nonferrous Metal Forward Contracts | | | | | | | | |
| Selling | | | | | | | | |
| Gold | ¥ 384 | – | ¥ (10) | ¥ (10) | $ 4,127 | – | $ (110) | $ (110) |
| Silver | 3,848 | – | (158) | (158) | 41,365 | – | (1,706) | (1,706) |
| Zinc | 483 | – | (13) | (13) | 5,198 | – | (147) | (147) |
| Copper | 2,191 | – | (17) | (17) | 23,550 | – | (188) | (188) |
| Nickel | 433 | – | (109) | (109) | 4,660 | – | (1,181) | (1,181) |
| Total | ¥ – | – | ¥ – | ¥(310) | $ – | – | $ – | $(3,334) |

Currency-related transactions (2009)

Transactions not conducted on the open market

| | Millions of Yen | | | |
|---|---|---|---|---|
| Type | Contract Amount | Over One Year | Fair Value | Unrealized Gain/Loss |
| Forward Exchange Contract Transactions | | | | |
| Selling | | | | |
| U.S.$ | ¥288 | – | ¥295 | ¥(6) |
| Total | ¥288 | – | ¥295 | ¥(6) |

Commodity related (2009)

Transactions not conducted on the open market

| Type | Millions of Yen Contract Amount | Over One Year | Fair Value | Unrealized Gain/Loss |
|---|---|---|---|---|
| Nonferrous Metal Forward Contracts | | | | |
| Buying | | | | |
| Zinc | ¥ 246 | – | ¥ 265 | ¥ 18 |
| Selling | | | | |
| Gold | 262 | – | 260 | 1 |
| Silver | 185 | – | 203 | (17) |
| Zinc | 2,050 | – | 2,533 | (482) |
| Copper | 1,523 | – | 1,600 | (76) |
| Total | ¥ – | – | ¥ – | ¥(556) |

(2) Derivative Transactions to which Hedge Accounting is Applied

Currency-related transactions (2010)

Transactions not conducted on the open market

| Treatment | Type | Hedged item | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Contract Amount | Over One Year | Fair Value | Contract Amount | Over One Year | Fair Value |
| Method for translation | Forward Exchange Contract Transactions | Inventory | | | | | | |
| | Selling | | | | | | | |
| | U.S.$ | | ¥523 | – | ¥(18) | $5,625 | – | $(203) |
| Total | | | ¥ – | – | ¥ – | $ – | – | $ – |

Commodity related (2010)

Transactions not conducted on the open market

| Treatment | Type | Hedged item | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Contract Amount | Over One Year | Fair Value | Contract Amount | Over One Year | Fair Value |
| Standard treatment | Nonferrous Metal Forward Contracts | Inventory | | | | | | |
| | Selling | | | | | | | |
| | Gold | | ¥3,726 | – | ¥ (107) | $40,054 | – | $ (1,150) |
| | Silver | | 1,824 | – | (254) | 19,614 | – | (2,730) |
| | Zinc | | 3,560 | – | (219) | 38,270 | – | (2,363) |
| | Copper | | 775 | – | (289) | 8,333 | – | (3,116) |
| | Buying | | | | | | | |
| | Gold | | 475 | – | 23 | 5,106 | – | 248 |
| | Silver | | 1,220 | – | 88 | 13,121 | – | 956 |
| | Zinc | | 274 | – | 25 | 2,955 | – | 276 |
| | Copper | | 7,210 | – | 1,145 | 77,503 | – | 12,312 |
| Total | | | ¥ – | – | ¥ – | $ – | – | $ – |

(Notes) 1. Fair value was calculated by quotations obtained from the commodity futures market and the exchange futures market as of March 31, 2010 and 2009.
2. Derivative transactions to which hedge accounting is applied are excluded from disclosure for the year ended March 31, 2010.

## 18. Subsequent Event

The following appropriation of retained earnings at March 31, 2010 was approved at the Board of Directors' meeting held May 13, 2010:

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| Year-end cash dividends, 2010 ¥10 (US$0.1) per share | ¥3,005 | $32,302 |

## 19. Segment Information

The classification of businesses for the segment information by business type is based on the classification adopted by the internal management system.

(1) Environmental Management & Recycling ... Waste treatment, soil remediation, metal recycling, and freight transport
(2) Nonferrous Metals ... Production and sale of copper, zinc, lead, gold, and silver
(3) Electronic Materials ... Magnetic materials, semiconductor materials, inorganic materials, chemical products
(4) Metal Processing ... Copper strips, brass strips, copper alloy strips, brass bars, and precision processed products
(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 business and others

Segment information by business type as of March 31, 2010 and 2009 is summarized as follows:

| | Millions of Yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2010 | Environmental Management & Recycling | Nonferrous Metals | Electronic Materials | Metal Processing | Heat Treatment | Others | Total | Eliminations | Consolidated |
| I Net sales: | | | | | | | | | |
| Outside customers | ¥45,078 | ¥137,129 | ¥48,705 | ¥60,384 | ¥13,489 | ¥2,675 | ¥307,462 | ¥ – | ¥307,462 |
| Intersegment | 19,818 | 18,469 | 1,524 | 30 | 0 | 7,288 | 47,131 | (47,131) | – |
| Total | 64,897 | 155,599 | 50,229 | 60,415 | 13,489 | 9,963 | 354,594 | (47,131) | 307,462 |
| Operating expenses | 62,794 | 152,591 | 45,416 | 57,126 | 13,342 | 9,827 | 341,099 | (47,338) | 293,760 |
| Operating income | ¥ 2,103 | ¥ 3,008 | ¥ 4,812 | ¥ 3,288 | ¥ 146 | ¥ 136 | ¥ 13,495 | ¥ 206 | ¥ 13,701 |
| II Assets, depreciation and capital expenditures: | | | | | | | | | |
| Assets | ¥60,440 | ¥109,749 | ¥29,618 | ¥48,917 | ¥21,100 | ¥5,577 | ¥275,404 | ¥ 55,316 | ¥330,720 |
| Depreciation | 4,711 | 7,102 | 2,105 | 3,205 | 1,578 | 186 | 18,888 | 388 | 19,276 |
| Capital expenditures | 2,693 | 5,602 | 785 | 667 | 597 | 26 | 10,371 | 391 | 10,763 |

| | Millions of Yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | Environmental Management & Recycling | Nonferrous Metals | Electronic Materials | Metal Processing | Heat Treatment | Others | Total | Eliminations | Consolidated |
| I Net sales: | | | | | | | | | |
| Outside customers | ¥45,208 | ¥154,918 | ¥49,010 | ¥71,208 | ¥22,942 | ¥ 3,598 | ¥346,885 | ¥ – | ¥346,885 |
| Intersegment | 24,492 | 18,718 | 1,800 | 12 | – | 11,094 | 56,119 | (56,119) | – |
| Total | 69,701 | 173,636 | 50,811 | 71,220 | 22,942 | 14,692 | 403,004 | (56,119) | 346,885 |
| Operating expenses | 64,795 | 187,751 | 47,056 | 76,992 | 21,326 | 14,294 | 412,215 | (56,832) | 355,383 |
| Operating income (loss) | ¥ 4,905 | ¥ (14,114) | ¥ 3,755 | ¥ (5,771) | ¥ 1,616 | ¥ 397 | ¥ (9,211) | ¥ 713 | ¥ (8,497) |
| II Assets, depreciation and capital expenditures: | | | | | | | | | |
| Assets | ¥53,827 | ¥101,191 | ¥28,849 | ¥41,451 | ¥23,373 | ¥ 7,264 | ¥255,958 | ¥ 87,250 | ¥343,208 |
| Depreciation | 2,827 | 7,479 | 2,310 | 3,794 | 1,612 | 176 | 18,201 | 411 | 18,612 |
| Capital expenditures | 6,649 | 9,409 | 1,935 | 2,756 | 2,598 | 230 | 23,579 | 633 | 24,213 |

| 2010 | Thousands of U.S. Dollars (Note 1) Environmental Management & Recycling | Nonferrous Metals | Electronic Materials | Metal Processing | Heat Treatment | Others | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Ⅰ Net sales: | | | | | | | | | |
| Outside customers | $484,506 | $1,473,881 | $523,484 | $649,018 | $144,984 | $ 28,753 | $3,304,629 | $ – | $3,304,629 |
| Intersegment | 213,012 | 198,512 | 16,383 | 328 | 2 | 78,338 | 506,577 | (506,577) | – |
| Total | 697,519 | 1,672,393 | 539,867 | 649,346 | 144,986 | 107,092 | 3,811,206 | (506,577) | 3,304,629 |
| Operating expenses | 674,914 | 1,640,061 | 488,144 | 614,004 | 143,410 | 105,621 | 3,666,158 | (508,796) | 3,157,361 |
| Operating income | $ 22,604 | $ 32,332 | $ 51,723 | $ 35,342 | $ 1,575 | $ 1,471 | $ 145,048 | $ 2,219 | $ 147,267 |
| Ⅱ Assets, depreciation and capital expenditures: | | | | | | | | | |
| Assets | $649,623 | $1,179,592 | $318,338 | $525,772 | $226,792 | $ 59,942 | $2,960,061 | $ 594,549 | $3,554,610 |
| Depreciation | 50,635 | 76,333 | 22,628 | 34,447 | 16,962 | 2,004 | 203,010 | 4,179 | 207,190 |
| Capital expenditures | 28,944 | 60,211 | 8,443 | 7,173 | 6,419 | 281 | 111,474 | 4,206 | 115,681 |

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

Information on overseas sales is not disclosed pursuant to regulations in Japan on consolidated financial statements, since the aggregate overseas sales of the Group were less than 10% of consolidated net sales.

¥93.04=US$1, the rate of exchange on March 31, 2010 is used.

Deloitte.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dowa Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Dowa Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2010, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dowa Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2010

# Global Network

As of March 31, 2010

## Overseas Subsidiaries and Offices

### U.S.A.

**❶ Dowa International Corporation**
70 Lexington Avenue,
New York, NY 10017-6503, U.S.A.

**❷ Dowa THT America, Inc.**
2130 South Woodland Circle,
Bowling Green, OH 43402, U.S.A.

**❸ Nippon PGM America Inc.**
500 Richards Run, Burlington, NJ 08016, U.S.A.

### Canada

**4 Dowa Metals & Mining Co., Ltd. Vancouver Office**
Suite 1845, 701 West Georgia Street,
P.O. Box 10116, Pacific Centre, Vancouver, B.C. V7Y 1C6, Canada

### Mexico

**5 Dowa Metals & Mining Co., Ltd. Mexico Office**
Galileo 20, Oficina 504, Col. Polanco,
Chapultepec, C.P. 11560, México, D.F., México

**❻ Minera Tizapa, S.A. de C.V.**
Calzada Manuel Gómez Morín #44
Col. Torreón Residencial
C.P. 27268, Torreón, Coahulia, México

### Bolivia

**7 Dowa Metals & Mining Co., Ltd. Bolivia Office**
Edificio Taurus, Piso 1-OF 101
Calle 19, No. 8079 Calacoto, La Paz, Bolivia

### Germany

**❽ Dowa HD Europe GmbH**
Ostendstrasse 196, D-90482, Nurnberg, Germany

### Singapore

**❾ TEC**
(Technochem Environmental Complex Pte. Ltd.)
23 Tuas Avenue 11, Singapore 639086, Singapore

### Indonesia

**❿ PPLi**
(PT. Prasadha Pamunah Limbah Industri)
Jl. Raya-Narogong Desa Nambo, PO Box 18-Cileungsi,
Bogor 16820, Indonesia

### Taiwan

**11 Dowa Eco-System Co., Ltd. Taiwan Office**
7F-2, No. 41, Nanking West Rd.,
Taipei 10352, Taiwan

### India

**⓬ Hightemp Furnaces Ltd.**
1-C, 2nd Phase, Peenya Industrial Area,
Post Box No. 5809, Bangalore 560-058, India

### China

**13 Shanghai Office**
Shanghai B-1201, Far East International Plaza,
No. 317, Xianxia Road, Shanghai, China

**⓮ Dowa Advanced Materials Shanghai Co., Ltd.**
8-7 Rongxiang Road, Songjiang
Export Processing Zone, Shanghai, China

**⓯ Dowa Environmental Management Co., Ltd.**
28 Sanzhen Road, Suzhou New District, Suzhou, Jiangsu, China

### Thailand

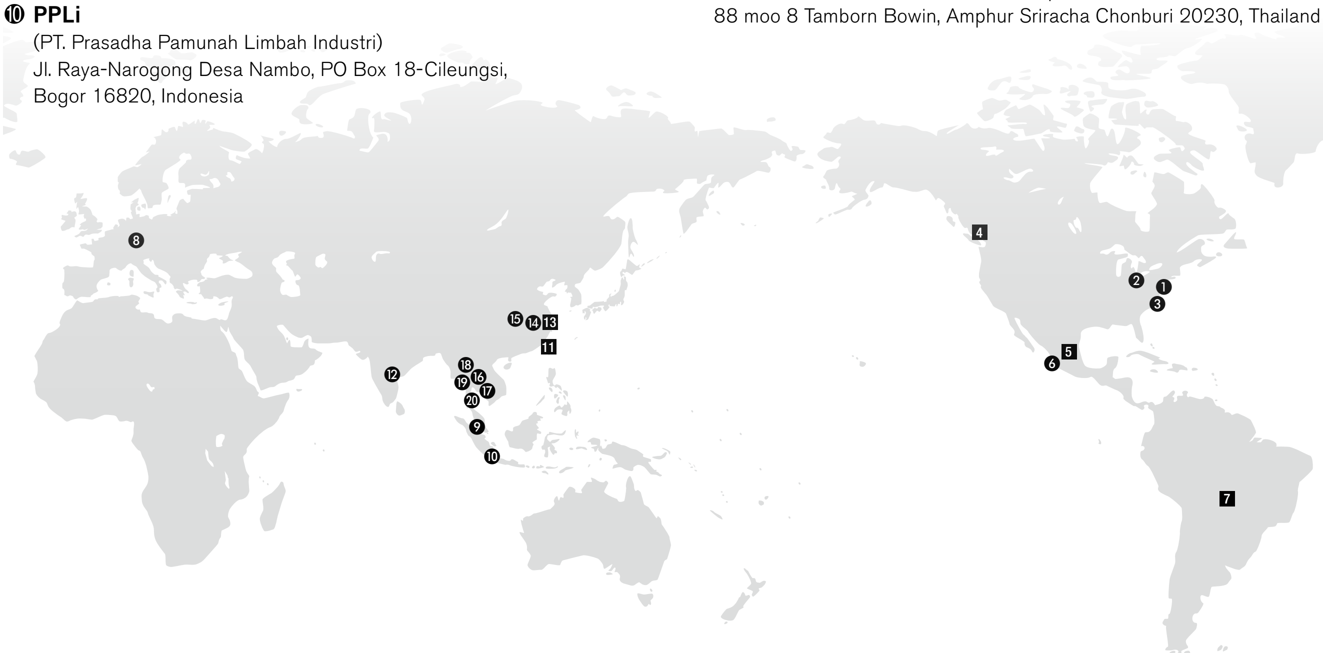
**⓰ Dowa Metaltech (Thailand) Co., Ltd.**
Gateway City Industrial Estate (in export-processing zone),
Chachoengsao Province, Thailand

**⓱ Dowa Thermotech (Thailand) Co., Ltd.**
Eastern Seaboard Industrial Estate, Rayong Province, Thailand

**⓲ MAEH**
(Modern Asia Environmental Holdings Inc.)
Central City Tower 1, 25th Floor. 589/142
Bangna-Trad (k.m. 3) Road, Kwang Bangna,
Khet Bangna, Bangkok 10260, Thailand

**⓳ BPEC**
(Bangpoo Environmental Complex Ltd.)
966 moo 2 Soi 3, Bangpoo Industrial Estate, Sukhumvit Rd, Bangpoo
Mai, Muang Samutprakarn, Samutprakarn 10280, Thailand

**⓴ ESBEC**
(Eastern Seaboard Environmental Complex Co., Ltd.)
88 moo 8 Tamborn Bowin, Amphur Sriracha Chonburi 20230, Thailand



# Subsidiaries and Affiliates

| Name<br>59 Consolidated Subsidiaries and 12 affiliates accounted for by the equity method | Issued Share Capital (Millions of Yen) | Percentage Owned Directly or Indirectly by the Company (%)[*1] | Principal Business |
|---|---|---|---|
| **Environmental Management & Recycling** | | | |
| Dowa Eco-System Co., Ltd. | 1,000 | 100 | Waste treatment, soil remediation and recycling |
| Eco-System Hanaoka Co., Ltd. | 300 | 100 | Soil remediation and waste treatment |
| Eco-System Recycling Co., Ltd. | 300 | 100 | Recovery of precious and nonferrous metals |
| Act-B Recycling Co., Ltd. | 200 | 55 | Recovery of discarded household appliances, personal computers and other items |
| Eco-Recycle Co., Ltd. | 150 | 59 | Recovery of discarded household appliances, personal computers and other items |
| Green Fill Kosaka Co., Ltd. | 100 | 100 | Waste treatment |
| Eco-System Okayama Co., Ltd. | 100 | 100 | Industrial waste treatment; recovery of ferrous and nonferrous metals |
| Eco-System Sanyo Co., Ltd. | 100 | 100 | Waste treatment and resources recycling |
| E&E Solutions Inc. | 100 | 100 | Comprehensive technological consulting in environmental management and energy |
| Geotechnos Co., Ltd. | 100 | 100 | Soil surveys and remediation projects, environmental consulting, etc. |
| Eco-System Chiba Co., Ltd. | 90 | 100 | Industrial waste treatment |
| Meltec Co., Ltd. | 90 | 100 | Melting and recycling of incinerated ash, manufacture and sale of artificial aggregate |
| Eco-System Akita Co., Ltd. | 50 | 100 | Waste treatment and resources recycling |
| Eco-System Kosaka Co., Ltd. | 50 | 100 | Industrial waste treatment; recovery of ferrous and nonferrous metals |
| Eco-System Japan Co., Ltd. | 30 | 100 | Operation of waste and resources recycling; collection and transportation of industrial waste |
| Dowa-Tsuun Co., Ltd. | 20 | 100 | Vehicle transportation, forwarding and warehousing |
| Dowa Environmental Management Co., Ltd. | USD 6.0[*4] | 90 | Treatment and recycling of industrial waste |
| Modern Asia Environmental Holdings Inc. | USD 16.4[*4] | 100 | Holdings company |
| Eastern Seaboard Environmental Complex Co., Ltd. | THB 100.0[*5] | 100 | Final treatment of harmless wastes |
| Bangpoo Environmental Complex Ltd. | THB 80.0[*5] | 100 | Incineration of harmless wastes |
| Technochem Environmental Complex Pte. Ltd. | SGD 3.5[*6] | 100 | Incineration of harmful wastes |
| PT. Prasadha Pamunah Limbah Industri | IDR 49,578.2[*7] | 95 | Final treatment of harmful and harmless wastes |
| **Nonferrous Metals** | | | |
| Dowa Metals & Mining Co., Ltd. | 1,000 | 100 | Manufacturing and sales of nonferrous, precious and rare metals |
| Akita Zinc Co., Ltd. | 5,000 | 81 | Refining of zinc; manufacturing of sulfuric acid |
| Kosaka Smelting & Refining Co., Ltd. | 4,700 | 100 | Smelting and refining of copper and lead; recovery of precious metals |
| Akita Zinc Solutions Co., Ltd. | 375 | 84 | Processing of zinc alloy, zinc wire and other products |
| Nippon PGM Co., Ltd. | 300 | 60 | Recovery of platinum group metals from disposable catalysts |
| Zinc Excel Co., Ltd. | 200 | 85 | Sales of zinc, cadmium, zinc alloy, zinc wire and other products |
| Akita Rare Metals Co., Ltd. | 20 | 100 | Recovery of indium and other products |
| **Electronic Materials** | | | |
| Dowa Electronics Materials Co., Ltd. | 1,000 | 100 | Manufacturing and sales of semiconductors, and electronic and magnetic materials |
| Dowa Hightech Co., Ltd. (Chemical) | 450 | 100 | Manufacturing of metal compounds, chemical and other products |
| Dowa Semiconductor Akita Co., Ltd. | 300 | 100 | Manufacturing of high-purity metal materials, compound semiconductor wafers and light-emitting diodes |
| Dowa IP Creation Co., Ltd. | 300 | 70 | Manufacturing of iron and carrier powders |
| Dowa F-Tec Co., Ltd. | 300 | 100 | Manufacturing of ferrite powders |
| Dowa Electronics Materials Okayama Co., Ltd. | 100 | 100 | Manufacturing of metal powders, copper powders and other materials |
| **Metal Processing** | | | |
| Dowa Metaltech Co., Ltd. | 1,000 | 100 | Metal and plating processing |
| Dowa Metanix Co., Ltd. | 500 | 90 | Manufacturing and sales of nickel, copper and other alloys, and electronics parts |
| Dowa Hightech Co., Ltd. (Electroplating) | 450 | 100 | Plating of electronics parts and strips |
| Dowa Metal Co., Ltd. | 400 | 100 | Manufacturing of copper strip and other products |
| Hoei Shoji Co., Ltd. | 110 | 100 | Processing and sales of copper strip, aluminum and other products |
| Dowa Power Device Co., Ltd. | 100 | 100 | Metal-ceramic substrates manufacturing |
| New Nippon Brass Co., Ltd. | 100 | 100 | Manufacturing and sales of various types of brass bar and forged products |
| Dowa Advanced Materials (Shanghai) Co., Ltd. | USD 2.5[*4] | 100 | Processing and sales of copper strip products |
| **Heat Treatment** | | | |
| Dowa Thermotech Co., Ltd. | 1,000 | 100 | Heat treatment processing |
| Dowa Thermoengineering Co., Ltd. | 100 | 100 | Design, manufacturing, maintenance and improvement of various heat treatment equipment; various heat treatment processing; various plating; surface improvement |
| CEMM Co., Ltd. | 55 | 100 | Various heat treatment processing; various plating; design and manufacturing of various heat treatment equipment |
| Dowa THT America, Inc. | USD 5.0[*4] | 100 | Various heat treatment processing; various plating on consignment |
| **Others** | | | |
| Dowa Management Service Co., Ltd. | 850 | 100 | Outsourcing of general indirect business services |
| Dowa Techno Engineering Co., Ltd. | 400 | 100 | Plant construction |
| Dowa Kohsan Co., Ltd. | 305 | 100 | Outsourcing and management of golf courses and real estate, brokerage |
| Akita Kouei Co., Ltd. | 95 | 100 | General civil engineering projects; construction products; power business; maintenance of various plants; drilling; vehicle servicing |
| Yowa Kouei Co., Ltd. | 20 | 100 | Civil engineering and construction projects; real-estate transactions |
| Dowa Technology Co., Ltd. | 10 | 100 | Technological development support; outsourcing of analysis and evaluation services |
| Dowa Techno-Research Co., Ltd. | 10 | 100 | Environmental measurement |
| Six other companies | – | – | – |
| **12 Affiliates Accounted for by the Equity Method** | | | |
| Kowa Seiko Co., Ltd. | 1,000 | 50 | Industrial waste treatment, recovery of ferrous and nonferrous materials |
| Okayama Rinko Co., Ltd. | 98 | 33 | Warehousing; other business activities |
| Akagi Kouyu Co., Ltd. | 99 | 20 | Waste treatment |
| Cariboo Copper Corp. | CAD 91.0[*8] | 25 | Mining and sales of products from mines |
| Onahama Smelting & Refining Co., Ltd. | 7,000 | 32 | Copper smelting and refining, general and industrial waste treatment |
| Acids Co., Ltd. | 150 | 50 | Sale of sulfuric acid and others |
| Minera Tizapa, S.A. de C.V. [*3] | MXN 21.1[*9] | 39 | Prospecting, development, mining and ore preparation |
| Kyoto Elex Co., Ltd. | 80 | 50 | Manufacturing and sales of pastes |
| Dowa Olin Metal Corporation | 480 | 50 | Manufacturing, marketing and sales of special copper alloy strips |
| Japan Copper Casting Co., Ltd. | 200 | 30 | Various types of copper production |
| Fujita Kanko Inc. [*2] | 12,081 | 31 | Lodging and hotel management; real estate agent |
| Nippon AN-FO Manufacturing Co., Ltd. | 91 | 29 | Production and marketing of industrial explosives |

* 1. The figures for the percentage owned by the Company include indirect ownership by the Company.
* 2. The shares of this company are listed on the Tokyo Stock Exchange and the Osaka Securities Exchange.
* 3. Common stock includes revaluation adjustments under inflation accounting.
* 4. USD: Millions of U.S. Dollars
* 5. THB: Millions of Thai Baht
* 6. SGD: Millions of Singapore Dollars
* 7. IDR: Millions of Indonesian Rupiah
* 8. CAD: Millions Canadian Dollars
* 9. MXN: Millions of Mexican Pesos

# Corporate History

As of March 31, 2010

**1884** The Japanese government sells the Kosaka mine to Fujita Gumi, which was established by Dowa's founder, Denzaburo Fujita.

**1898** Fujita Gumi begins using a dry-refining method for refining *kuroko* (complex sulfide ores) at the Kosaka mine.

**1899** Fujita Gumi begins land drainage and reclamation work in Kojima Bay, Okayama Prefecture.

**1902** Fujita Gumi begins using a revolutionary method for processing *kuroko*, thereby restoring the commercial viability of the Kosaka mine.

**1912** Production of electrolytic zinc is begun at the Kosaka mine.

**1915** Fujita Gumi acquires the Hanaoka mine.

**1916** Fujita Gumi acquires the Yanahara mine.

**1919** Fujita Gumi establishes the Toyosaki Plant (currently Dowa Metal Co., Ltd.)

**1937** Fujita Gumi and Fujita Mining Co., Ltd. merge to create Fujita Gumi Co., Ltd.

**1945** Corporate name is changed to Dowa Mining Co., Ltd.

**1953** Okayama Works is established.

**1957** Dowa Mining absorbs Fujita Kogyo Co., Ltd.

**1967** Kosaka Plant is completely equipped with flash furnaces.

**1971** Akita Zinc Co., Ltd. is established.

**1976** Kosaka Plant begins producing indium.

**1983** Okayama Works completes and begins operating a facility for manufacturing metal powders used in 8mm videotape.

**1986** Hanaoka and Kosaka mining operations are transferred from the parent company to two newly established subsidiaries—Hanaoka Mining Co., Ltd. and Uchinotai Mining Co., Ltd., respectively.

**1989** New York-based Dowa International Corporation is established.
Kosaka Plant is separated from the parent company in the form of a subsidiary—Kosaka Smelting & Refining Co., Ltd.

**1990** Dowa Mining absorbs Dowa Kosan Co., Ltd.

**1991** Dowa Mining absorbs Tokyo Heat Treating Co., Ltd.

**1992** Mexico-based Minera Tizapa, S.A. de C.V. is established.
Shiojiri Works (currently Dowa Power Device Co., Ltd.) is completed.

**1994** Kyushu Branch is established.
Minera Tizapa, S.A. de C.V. starts operations.

**1997** Dowa THT America, Inc. is established.

**1998** Okayama Clean Works (currently Eco-System Sanyo Co., Ltd.) starts operation of new incinerator for industrial waste.

**1999** Eco-Recycle Co., Ltd. is established.

**2000** Dowa acquires Nippon Purle Limited.

**2001** Dowa acquires E&E Solutions Inc.
Recycle Systems Japan Co., Ltd. is made a subsidiary.

**2002** Shanghai office in China is established.
Akita Zinc Solutions Co., Ltd. is established.

**2003** Zinc Excel Co., Ltd. and Acids Co., Ltd. are established.
Dowa Environmental Management Co., Ltd. is established.

**2004** Dowa Techno-Research Co., Ltd. is established.
Landfill site “Green Fill Kosaka” starts operations.

**2006** Dowa acquires Act-B Recycling Co., Ltd.
Dowa relocates Head Office to Akihabara, Tokyo.
Dowa acquires CEMM Co., Ltd.
Dowa adopts a holding company system.
Dowa Mining changes its name to Dowa Holdings Co., Ltd.
Dowa Mining's five business divisions are spun off to become core operating companies.
Dowa Metaltech (Thailand) Co., Ltd. is established in Thailand.

**2007** Tokuyama-Dowa Power Materials Co., Ltd. is established.
Dowa Thermotech (Thailand) Co., Ltd. is established in Thailand.
Dowa Eco-System Co., Ltd. Taiwan office is established.
Auto Recycle Akita Co., Ltd. is established.
Dowa acquires Yamaha Metanix Corporation (now Dowa Metanix Co., Ltd.) and Yamaha-Olin Metal Corporation (now Dowa Olin Metal Corporation).
Dowa HD Europe GmbH is established.

**2008** Akita Zinc Recycling Co., Ltd. is established.
Commercial operations start at new smelting facility of Kosaka Smelting & Refining Co., Ltd.

**2009** Dowa acquires Modern Asia Environmental Holdings Inc. (MAEH)
Construction completed of new incinerator at Eco-System Chiba Co., Ltd.
Dowa acquires Meltec Co., Ltd.

**2010** Tianjin Dowa Green Angel Summit Recycling Co., Ltd. is agreed on establishment.

# Corporate Data

As of March 31, 2010

The data indicated below is for Dowa Holdings Co., Ltd.

**Founded:**
September 18, 1884

**Incorporated:**
March 11, 1937

**Authorized Shares:**
1,000,000,000 shares

**Shares Issued:**
309,946,031 shares

**Common Stock:**
¥36,437 million

**Stock Listing:**
Common stock is listed on the Tokyo, Nagoya and Fukuoka stock exchanges and the Osaka and Sapporo securities exchanges.

**Number of Shareholders:**
19,525

**Principal Shareholders:**

| | Percentage of Outstanding Shares (%) |
|---|---|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 8.22 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 5.81 |
| Fujita Kanko Inc. | 4.64 |
| JFE Steel Corporation | 3.63 |
| Dowa Holdings Co., Ltd. | 3.03 |
| Mizuho Corporate Bank, Ltd. | 2.51 |
| Resona Bank, Ltd. | 2.36 |
| Nippon Life Insurance Company | 1.66 |
| JUNIPER | 1.60 |
| Aioi Insurance Co., Ltd. | 1.49 |

The data indicated below is for Dowa Holdings Co., Ltd. and consolidated subsidiaries.

**Main Businesses:**
Environmental services & recycling, Nonferrous metal smelting and refining, Electrical & electronic materials, Metal production and fabrication, and Heat treatment

**Employees:**
4,325

**Major Domestic Operations:**

Domestic Works
Akita, Iwate, Tochigi, Gunma, Saitama, Chiba, Tokyo, Kanagawa, Nagano, Shizuoka, Aichi, Shiga, Okayama, Kumamoto

Domestic Branches
Tokyo, Chiba, Shizuoka, Aichi, Osaka, Okayama, Fukuoka

Laboratories & Development Groups
Environmental Protection Laboratory (Akita, Tokyo), Dowa Eco-System Co., Ltd.
Metallurgical Laboratory (Akita), Dowa Metals & Mining Co., Ltd.
Semiconductor Materials Laboratory (Akita), Electronics Materials Laboratory (Saitama), Advanced Fine Materials Laboratory (Okayama), Dowa Electronics Materials Co., Ltd.
Technology Center (Saitama, Shizuoka), Dowa Metaltech Co., Ltd.
GRD Center (Aichi), Dowa Thermotech Co., Ltd.

# DOWA HOLDINGS CO., LTD.

14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo 101-0021, Japan

URL http://www.dowa.co.jp/


DOWA HOLDINGS CO., LTD. Annual Report 2010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