

# ***Consolidated Financial Statements***

Year Ended March 31, 2021

This English translation of the financial statements is prepared for reference purposes only and qualified in its entirety by the original Japanese version. In case of any discrepancy between this translation and the original version, the latter shall prevail.

# Consolidated Balance Sheet

Year Ended March 31, 2021

(Millions of Yen)

ASSETS		LIABILITIES	
CURRENT ASSETS	576,685	CURRENT LIABILITIES	386,015
Cash and cash equivalents	66,810	Notes and Accounts payable-trade	53,964
Notes and accounts receivable-trade	113,972	Short-term borrowings	42,109
Inventories	289,266	Borrowing precious metals	213,500
Lending precious metals	65,992	Current portion of bonds	1,250
Consumption taxes receivable	14,241	Current portion of long-term debt	7,852
Accounts receivable-other	4,253	Lease liabilities	519
Advance payments-trade	17,195	Accounts payable-other	17,306
Other	5,442	Income taxes payable	15,346
Allowance for doubtful accounts	△516	Deposit	20,749
		Provision for bonuses	3,871
		Other	9,544
NONCURRENT ASSETS	132,482		
PROPERTY, PLANT AND EQUIPMENT	79,930		
Buildings and structures	29,079	LONG-TERM LIABILITIES	50,025
Machinery and equipment	20,536	Bonds payable	625
Land	14,439	Long-term debt	39,782
Construction in progress	11,190	Asset retirement obligations	1,280
Lease assets	1,927	Liability for retirement benefits	2,614
Other	2,756	Lease liabilities	1,478
		Deferred tax liabilities	1,513
INTANGIBLE FIXED ASSETS	11,234	Other	2,730
Software	2,215	<b>TOTAL LIABILITIES</b>	436,040
Software in progress	2,904	<b>EQUITY</b>	
Goodwill	1,143	SHAREHOLDERS' EQUITY	270,942
Customer related assets	4,760	Common stock	500
Other	211	Capital surplus	9,719
		Retained earnings	268,588
INVESTMENTS AND OTHER ASSETS	41,317	Treasury stock	△7,864
Investment securities	3,138	ACCUMULATED OTHER COMPREHENSIVE INCOME	2,073
Shares of associated companies	18,691	Unrealized gain on available-for-sale securities	1,174
Investments in associated affiliates	2,378	Foreign currency translation adjustments	1,548
Other	17,111	Defined retirement benefit plans	△649
Allowance for doubtful accounts	△3	Non-controlling interests	82
		<b>TOTAL EQUITY</b>	273,099
<b>TOTAL ASSETS</b>	709,140	<b>TOTAL LIABILITIES and EQUITY</b>	709,140

Note: Amounts of less than one million yen have been omitted.

# Consolidated Statement of Income

Year Ended March 31, 2021

(Millions of Yen)

Net sales		1,425,617
Cost of sales		1,339,732
<b>Gross profit</b>		85,884
Selling, general and administrative expenses		37,657
<b>Operating income</b>		48,226
Non-operating income		
Interest income and dividends	251	
Royalty	196	
Rent income	2,386	
Equity in earnings/losses of associated companies	5,405	
Other	2,566	10,806
Non-operating expenses		
Interest expenses	600	
Commitment fee	17	
Loss on foreign exchange-net	1,035	
Other	1,577	3,230
<b>Ordinary income</b>		55,802
Extraordinary income		
Gain on sales of non-current assets	15	
Other	95	111
Extraordinary losses		
Loss on sales and retirement of non-current assets	247	
impairment losses	98	
Other	72	418
<b>Income before income taxes</b>		55,495
Income taxes-Current	19,232	
Income taxes-Deferred	△3,284	15,947
<b>Net income</b>		39,547
Net income attributable to non-controlling interests		△49
<b>Net income attributable to owners of parent</b>		39,597

Note: Amounts of less than one million yen have been omitted.

# Consolidated Statement of Changes in Equity

Year Ended March 31, 2021

(Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2020	500	9,719	236,803	△7,864	239,158
Cumulative effect of error correction	—	—	△7,635	—	△7,635
Balance at beginning of year after error correction	500	9,719	229,168	△7,864	231,523
Changes in the year					
Dividends of surplus	—	—	△177	—	△177
Net income attributable to owners of parent	—	—	39,597	—	39,597
Net changes of items other than shareholders' equity	—	—	—	—	—
Net changes in the year	—	—	39,419	—	39,419
Balance as of March 31, 2021	500	9,719	268,588	△7,864	270,942

	Accumulated other comprehensive income				Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2020	513	2,346	△2,601	259	132	239,550
Cumulative effect of error correction	—	—	—	—	—	△7,635
Balance at beginning of year after error correction	513	2,346	△2,601	259	132	231,914
Changes in the year						
Dividends of surplus	—	—	—	—	—	△177
Net income attributable to owners of parent	—	—	—	—	—	39,597
Net changes of items other than shareholders' equity	660	△798	1,951	1,814	△49	1,764
Net changes in the year	660	△798	1,951	1,814	△49	41,184
Balance as of March 31, 2021	1,174	1,548	△649	2,073	82	273,099

Note: Amounts of less than one million yen have been omitted.

[Basis of Presentation of Consolidated Financial Statements]

1. Scope of consolidation

(1) Consolidated subsidiaries 40 companies

Names of principal subsidiaries

Tanaka Kikinzoku Kogyo K.K., Tanaka Denshi Kogyo K.K., Electroplating Engineers of Japan Ltd., Tanaka Kikinzoku Jewelry K.K., Metalor Technologies International SA, Metalor Technologies SA, Metalor Technologies USA Corporation

Of these, TANAKA Kikinzoku International (Malaysia) Sdn. Bhd., Metalor Finance (Curacao) N.V., and Metalor Technologies (Deutschland) GmbH were liquidated and thus removed from consolidated subsidiaries. Metalor Electrotechnics (USA) Corp. was also removed from consolidated subsidiaries as it was merged into Metalor Technologies USA Corp.

(2) Name of non-consolidated subsidiary

EEJA(SHANGHAI) CO., LTD.

The assets, net sales, net income and retained earnings of the non-consolidated subsidiary are small, and the aggregate effect on the consolidated financial statements is immaterial.

2. Scope of the equity method

(1) Subsidiaries and affiliates accounted for by the equity method

Non-consolidated subsidiary 1 company

Affiliates 8 companies

Names of principal subsidiaries and affiliates accounted for by the equity method

LT Metal Ltd., Furuya Metals Co., Ltd.

(2) Name of affiliate not accounted for by the equity method

Gimel Trading Co., Ltd.

The contributions to consolidated net income/loss, consolidated retained earnings and other consolidated financial statements of affiliate not accounted for by the equity method are negligible and immaterial in the aggregate.

### 3. Matters Related to Fiscal Years of Consolidated Subsidiaries

- (1) The following consolidated subsidiaries have fiscal year-ends that are different from the consolidated fiscal year-end.

December 31: 27 companies

Names of main companies

Metalor Technologies International SA

Metalor Technologies SA

Metalor Technologies USA Corporation

TANAKA KIKINZOKU (NINGBO) Co., Ltd.

TANAKA KIKINZOKU (CHENGDU) Co., Ltd.

TANAKA ELECTRONICS (HANGZHOU) Co., Ltd.

TANAKA KIKINZOKU INTERNATIONAL (SHANGHAI) Co., Ltd.

Consolidated financial statements are prepared using financial statements of consolidated subsidiaries as of the end of their fiscal year.

Note that necessary adjustment for consolidation is made regarding material transactions that occur between December 31 and the consolidated fiscal year-end.

### 4. Significant accounting principles

- (1) Valuation standards and methodology for material assets

① Securities

Other securities

Securities with readily determinable market value	... Fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method)
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Securities with no readily determinable market value	... Cost determined by the moving average method
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② Derivatives ... Fair market value

③ Inventories

Raw materials/ products in progress/ finished products	... Cost determined by the periodic average method, with balance sheet values reflecting write-downs for decreased profitability
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Merchandise	... Cost determined by the specific identification method, with balance sheet values reflecting write-downs for decreased profitability
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Supplies (base stock of bullion)	Cost determined by the periodic average method, with balance sheet values reflecting write-downs for decreased profitability
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Supplies	... Last purchase price method
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(2) Depreciation methods for material depreciable assets

① Property, plant and equipment (excluding leased assets)

Buildings and structures ... Declining-balance method (Except for buildings acquired after April 1,1998, which apply the straight-line method, excluding buildings and structures and building fixtures) assets acquired by foreign consolidated subsidiaries)

Facilities attached to buildings ... Declining-balance method (Except for Facilities attached to and structures buildings and structures acquired after April 1,2016, which (Except for assets acquired by apply the straight-line method) foreign consolidated subsidiaries)

Machinery and equipment ... Depreciation of machinery and equipment of the domestic (Except for assets acquired by subsidiary is substantially calculated by the straight-line foreign consolidated subsidiaries) method and of other subsidiaries principally by the declining balance method based upon the estimated economic useful life.

Others ... Declining-balance method (Whereas straight-line method is applied to assets acquired by foreign consolidated subsidiaries)

The range of useful lives is as follows.

Buildings and structures ... 2 to 60 years

Machinery and equipment ... 2 to 10 years

② Intangible assets ... Straight-line method

(excluding lease assets) Software used in-house is depreciated over its estimated useful life (five years) based on the straight-line method.

Goodwill is amortized using the straight-line method over five years.

Customer related assets is amortised over nine to fourteen years.

③ Lease assets

(a) Lease assets relating to finance ... Straight-line method with estimated useful lives equal to lease lease transactions that do not terms, zero residual value. transfer ownership

(b) Lease assets other than those in (a) Some overseas consolidated subsidiaries prepare financial statements in accordance with International Financial Reporting Standards (IFRS). Under IFRS 16, in principle, lessees recognize all leases as assets and liabilities on the balance sheet, and lease assets recognized as assets are subject to straight-line depreciation.

(3) Recognitions of allowances

- ① Allowance for doubtful accounts ... Allowance for doubtful accounts is provided for possible credit losses stemming from monetary receivables. Estimates of irrecoverable amounts are based on historical loan-loss ratios for general receivables, and on a consideration of feasibly recoverable amounts in individual cases for specific dubious accounts.
- ② Bonuses to employees ... Bonuses to employees are accrued at the year-end to which such bonuses are attributable.
- ③ Bonuses to Directors and Audit & Supervisory Board Members ... Bonuses to Directors and Audit & Supervisory Board Members are accrued at the year-end to which such bonuses are attributable.
- ④ Allowance for retirement benefits to Directors and Audit & Supervisory Board Members ... In order to provide for payment of retirement benefits for Directors and Audit & Supervisory Board Members, necessary amount is recorded based on rules on retirement benefits (in-house rules).

(4) Other significant accounting principles

① Significant hedging transactions

Hedging accounting ... Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not premeasured at market value. Also, some consolidated subsidiaries use fair value hedging for precious metal bullion price swaps.

Hedging methods, items and policies

Hedging methods ... Interest rate swaps  
Precious metal bullion price swaps

Hedging items ... Interest expense of borrowings with variable interest rates  
Precious metal bullion inventories subject to effects from price fluctuations

Hedging policies ... Interest rate risks for certain transactions are subject to hedging based on internal rules.  
Also, precious metal bullion price swaps are used to avoid the risks of precious metal bullion price fluctuations.

Hedging evaluation ... For interest rate swaps for which special treatment is applied, evaluation of effectiveness is not conducted.  
In addition, precious metal bullion price swaps are managed each month such that the hedge targets and the hedge transaction volume match, and at the end of the fiscal year, effectiveness is confirmed by verifying whether the expected profit or loss and cash flow were achieved.



## ②Accounting for retirement benefit

In order to prepare retirement benefits for employees, assets/liability for retirement benefit is recognized as net amount of pension benefit obligations and pension assets based on the estimate at the end of fiscal year. The company adopted benefit formula basis method to impute pension benefit obligations.

Prior service cost is amortized on a straight-line method within the average remaining service years (15 years). Actuarial gains and losses is amortized on a straight-line method within the average remaining service years (15 years) from the next fiscal year of recognition. Actuarial gains and losses are recognized within accumulated other comprehensive income after adjusting for tax effect.

## ③Accounting for consumption tax ... Booked exclusive of consumption taxes

### [Correction of Errors]

In the fiscal year under review, it was found that the inventory valuation methodology adopted from the time of the establishment of TANAKA Kikinzoku Kogyo K.K., a subsidiary, to the previous fiscal year did not appropriately reflect the actual economic conditions and accordingly, the errors were corrected. The effect of the correction of errors is reflected in the balance of retained earnings at the beginning of the year for the fiscal year under review.

As a result, the beginning balance of retained earnings in the Consolidated Statement of Changes in Equity for the consolidated fiscal year under review decreased by 7,635 million yen.

### [Changes in Presentation Method]

#### (Application of Accounting Standard for Disclosure of Accounting Estimates)

The company adopts the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020), starting from the consolidated financial statements as of the end of the fiscal year under review, and presents notes on accounting estimates.

### [Accounting Estimates]

Items whose amounts were recognized in the consolidated financial statements for the fiscal year under review based on accounting estimates and that may have a material impact on the consolidated financial statements for the following fiscal year are as follows:

Property, Plant and Equipment ... 79,930 million yen

Inventories ... 289,266 million yen

(Property, plant and equipment)

When there are indications of impairment of property, plant and equipment, if the fair value of such an asset or asset group exceeds the total undiscounted future cash flows expected from the asset or the asset group, the company writes down the fair value to the recoverable value and posts the decreased amount as an impairment loss.

The company conducts careful examinations when identifying indications of impairment of property, plant and equipment and determining the recognition of impairment and measuring the impairment loss. However, if a change has occurred to the conditions and assumptions on which the estimated impairment loss is based due to a change in business plans or market environments, such a change may affect the

determination on the recognition of impairment and measurement of the impairment loss.

## (Inventories)

Inventories include precious metal bullion and coins, reserves of precious metals, products in progress, and supplies. Of these, precious metal bullion and coins are platinum, gold, silver, iridium, rhodium, palladium, ruthenium, osmium, and tantalum for sales to customers, and they are assessed at cost determined by the periodic average method for each asset type. If the year-end value assessed at cost determined by the periodic average method exceeds the market value at the end of the fiscal year, the company recognizes the decline in profitability and writes down the assessed value.

## [Consolidated Balance Sheet]

1. Precious metals stored by Metalor Technologies International SA, a Group foreign consolidated subsidiary, and its subsidiaries for customers are not included in inventories in the consolidated financial statements because ownerships and risks thereof are attributable to customers.

The market value of precious metals stored by Group foreign consolidated subsidiaries for customers as of the end of their fiscal year was 48,041 million yen.

- |    |   |                  |
|----|---|------------------|
| 2. | Accumulated depreciation of property, plant and equipment   | ¥144,896 million |
| 3. | Warranty liabilities  |                  |
|    | Contingent liabilities for guarantees and items of a similar nature of housing loans of employees from financial institutions |                  |
|    | Housing loans of employees  | ¥16 million      |

## [Consolidated statements of changes in equity]

- |   |                 |
|---|-----------------|
| 1. Number of shares as of March 31, 2021          |                 |
| Common stock                                      | 67,138 thousand |
| A class stock                                     | 30,299 thousand |
| 2. Number of treasury stocks as of March 31, 2021 |                 |
| Common stock                                      | 37,506 thousand |
| A class stock                                     | 666 thousand    |

### 3. Dividends

#### (1) Dividend paid

Resolution	Class	Source of dividend	Total dividends paid	Dividend per share	Record date	Effective date
June 15, 2020 Board meeting	Common stock	Retained earnings	¥44 million	¥1.50	March 31, 2020	June 29, 2020
June 15, 2020 Board meeting	A class stock	Retained earnings	¥44 million	¥1.50	March 31, 2020	June 29, 2020
November 24, 2020 Board meeting	Common stock	Retained earnings	¥44 million	¥1.50	September 30, 2020	November 26, 2020
November 24, 2020 Board meeting	A class stock	Retained earnings	¥44 million	¥1.50	September 30, 2020	November 26, 2020

#### (2) Dividends for which the record date came during the year ended March 31, 2021, but for which the effective date will come in the following fiscal year

Resolution	Class	Source of dividend	Total dividend paid	Dividend per share	Record date	Effective date
June 18, 2021 Board meeting	Common stock	Retained earnings	¥133 million	¥4.50	March 31, 2021	June 29, 2021
June 18, 2021 Board meeting	A class stock	Retained earnings	¥133 million	¥4.50	March 31, 2021	June 29, 2021

#### [Financial instruments]

##### 1. Policy for financial instruments

Our group have contractual commitment lines with major banks in order to secure sufficient liquidity, and use a cash management service covering the company and domestic subsidiaries to achieve integral cash control.

Our group uses financial instruments, mainly short-term and long-term loans and bond, and uses interest rate swap arrangements in order to hedge the risk of changes in variable interest rates on certain long-term loans payable, and also to hedge the risk of market rate changes on those long-term loans payable that have fixed interest rates.

Marketable securities are monitored for changes in market values, and the financial condition of the security issuers is examined every six months.

## 2. Fair value of financial instruments

The carrying amounts of financial instruments on the consolidated balance sheets, their fair values, and the differences between them as of March 31, 2021 are as follows. Financial instruments for which fair value cannot be reliably determined are excluded from the table (ref. Note 2).

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and cash equivalents	66,810	66,810	—
(2) Notes and accounts receivable-trade	113,972		
Allowance for doubtful accounts*1	△516		
Net amount	113,456	113,456	—
(3) Investment securities	2,568	2,568	—
(4) Shares of associated companies	4,702	9,968	5,265
(5) Notes and Accounts payable-trade	△53,964	△53,964	—
(6) Short-term borrowings	△42,109	△42,109	—
(7) Deposit	△20,749	△20,749	—
(8) Bonds payable to be redeemed within one year	△1,250	△1,250	—
(9) Long-term debt to be repaid within one year	△7,852	△7,852	—
(10) Bonds payable	△625	△627	△2
(11) Long-term debt	△39,782	△41,464	△1,682
(12) Derivatives*2	△1,668	△1,668	—

Note: Items marked with △ are liabilities

\*1 Allowance for doubtful accounts recorded for accounts receivable-trade has been deducted.

\*2 Receivable and payables incurred by derivative transactions are presented in net.

### (Note 1) Valuation method

#### (1) Cash and cash equivalents (2) Notes and accounts receivable-trade

The fair values of these items approximate fair value because of their short maturities.

#### (3) Investment securities, (4) Shares of associated companies

The fair values of these items are measured at the quoted market prices on the respective securities exchanges.

#### (5) Accounts payable-trade, (6) Short-term borrowings, (7) Deposit, (8) Bonds payable to be redeemed within one year, (9) Long-term debt to be repaid within one year

The fair values of these items approximate fair value because of their short maturities.

#### (10) Bonds payable, (11) Long-term debt

The fair values of these items are determined by discounting the cash flows with the assumed interest rate applicable if newly borrowed.

#### (12) Derivatives

The fair value of derivatives and currency swap are based on valuations offered by financial

institutions.

(Note 2) Unlisted securities of ¥114 million on the balance sheet, investments in partnerships of ¥455 million, and shares of associated companies of ¥13,988 million, and investments in associated companies of ¥2,378 million are not included in (3) Investment securities and (4) Shares of associated companies due to the lack of market prices and the inability of estimating future cash flows, which makes determination of market value extremely difficult.

[Per share information]

1. Equity per share	...	¥4,606.74
2. Net income per share	...	¥668.15

[Business Combinations]

Additional payment under share transfer agreement

The share transfer agreement entered into by the Group in September 2016 to acquire shares of Metalor technologies International SA provides that additional payments shall be due in the case of occurrence of certain subsequent events. In the case of an additional payment of the acquisition price, the acquisition costs will be revised as if the additional amount were paid at the time of acquisition, and the amount of goodwill and the amount of amortization thereof will be adjusted.

There was no additional goodwill acquired in the fiscal year under review.