TANAKA

Consolidated Financial Statements

Year Ended March 31, 2022

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

March 31, 2022

(Millions of Yen)

ASSETS		LIABILITIES	
CURRENT ASSETS	640,143	CURRENT LIABILITIES	428,138
Cash and cash equivalents	74,466	Notes and Accounts payable-trade	46,004
Notes receivable-trade	3,583	Short-term borrowings	48,924
Accounts receivable-trade	114,403	Borrowing precious metals	238,074
Inventories	341,152	Current portion of bonds	625
Lending precious metals	66,537	Current portion of long-term debt	8,432
Consumption taxes receivable	15,626	Lease liabilities	553
Accounts receivable-other	4,671	Accounts payable-other	27,308
Advance payments-trade	10,059	Income taxes payable	7,994
Other	10,142	Contractual liabilities	5,787
Allowance for doubtful accounts	△500	Deposit	30,050
		Provision for bonuses	4,207
NONCURRENT ASSETS	154,473	Other	10,176
PROPERTY, PLANT AND EQUIPMENT	85,885	LONG-TERM LIABILITIES	44,062
Buildings and structures	31,668	Long-term debt	36,194
Machinery and equipment	25,171	Asset retirement obligations	1,325
Land	14,882	Liability for retirement benefits	1,057
Construction in progress	8,963	Lease liabilities	2,395
Lease assets	2,533	Deferred tax liabilities	1,459
Other	2,665	Other	1,629
		TOTAL LIABILITIES	472,200
INTANGIBLE FIXED ASSETS	10,683	**EQUITY**	
Software	4,258	SHAREHOLDERS' EQUITY	308,283
Software in progress	1,304	Common stock	500
Customer related assets	4,916	Capital surplus	9,719
Other	203	Retained earnings	305,928
		Treasury stock	△7,864
INVESTMENTS AND OTHER ASSETS	57,904		
Investment securities	3,396	ACCUMULATED OTHER COMPREHENSIVE INCOME	14,066
Shares of associated companies	24,383	Unrealized gain on available-for-sale securities	1,198
Investments in associated affiliates	3,074	Foreign currency translation adjustments	11,079
Other	27,050	Defined retirement benefit plans	1,788
Allowance for doubtful accounts	△2	Non-controlling interests	66
		TOTAL EQUITY	322,416
TOTAL ASSETS	794,617	**TOTAL LIABILITIES and EQUITY**	794,617

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

Consolidated Statement of Income

Year Ended March 31, 2022

(Millions of Yen)

Net sales		787,728
Cost of sales		704,769
Gross profit		82,959
Selling, general and administrative expenses		42,314
Operating income		40,644
Non-operating income		
Interest income and dividends	224	
Royalty	408	
Rent income	2,932	
Equity in earnings/losses of associated companies	8,401	
Other	4,520	16,487
Non-operating expenses		
Interest expenses	771	
Loss on foreign exchange-net	1,161	
Other	1,494	3,427
Ordinary income		53,704
Extraordinary income		
Gain on sales of non-current assets	35	
Other	22	58
Extraordinary losses		
Loss on sales and retirement of non-current assets	121	
Impairment losses	45	
Other	234	401
Income before income taxes		53,360
Income taxes-Current	18,532	
Income taxes-Deferred	△2,903	15,629
Net income		37,731
Net income attributable to non-controlling interests		△26
Net income attributable to owners of parent		37,757

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

Consolidated Statement of Changes in Equity

Year Ended March 31, 2022

(Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2021	500	9,719	268,588	△7,864	270,942
Cumulative effects of changes in accounting policies	—	—	△61	—	△61
Balance at beginning of year after reflecting changes in accounting policies	500	9,719	268,526	△7,864	270,881
Changes in the year					
Dividends of surplus	—	—	△355	—	△355
Net income attributable to owners of parent	—	—	37,757	—	37,757
Net changes of items other than shareholders' equity	—	—	—	—	—
Net changes in the year	—	—	37,401	—	37,401
Balance as of March 31, 2022	500	9,719	305,928	△7,864	308,283

	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, 2021	1,174	1,548	△649	2,073	82	273,099
Cumulative effects of changes in accounting policies	—	—	—	—	—	△61
Balance at beginning of year after reflecting changes in accounting policies	1,174	1,548	△649	2,073	82	273,038
Changes in the year						
Dividends of surplus	—	—	—	—	—	△355
Net income attributable to owners of parent	—	—	—	—	—	37,757
Net changes of items other than shareholders' equity	24	9,530	2,438	11,993	△16	11,976
Net changes in the year	24	9,530	2,438	11,993	△16	49,378
Balance as of March 31, 2022	1,198	11,079	1,788	14,066	66	322,416

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, Metalor Technologies (Japan) Corporation was being liquidated on the fiscal year-end.

   (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., NPGM KOREA 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) Excluding companies being liquidated on the fiscal year-end, the following consolidated subsidiaries have fiscal year-ends that are different from the consolidated fiscal year-end.

   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

   Items other than shares, etc. without market value … Fair market value (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)

Shares, etc. without market value	… Cost determined by the moving average method
② Derivatives	… Fair market value
③Inventories	
Raw materials/ products in progress/ finished products	… Cost determined by the periodic average method, with balance sheet values reflecting write-downs for decreased profitability
Merchandise	… Cost determined by the specific identification method, with balance sheet values reflecting write-downs for decreased profitability
Supplies (base stock of bullion)	Cost determined by the periodic average method, with balance sheet values reflecting write-downs for decreased profitability
Supplies	… Last purchase price method

(2) Depreciation methods for material depreciable assets

① Property, plant and equipment (excluding leased assets)

Buildings and structures (Except for facilities attached to buildings and structures and assets acquired by foreign consolidated subsidiaries)	… Declining-balance method (Except for buildings acquired after April 1,1998, which apply the straight-line method, excluding building fixtures)
Facilities attached to buildings and structures (Except for assets acquired by foreign consolidated subsidiaries)	… Declining-balance method (Except for Facilities attached to buildings and structures acquired after April 1,2016, which apply the straight-line method)
Machinery and equipment (Except for assets acquired by foreign consolidated subsidiaries)	… Depreciation of machinery and equipment of the domestic subsidiary is substantially calculated by the straight-line 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
②Intangible assets (excluding lease assets)	… Straight-line method 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 amortized over nine to fourteen years.
③ Lease assets	
(a) Lease assets relating to finance lease transactions that do not transfer ownership	… Straight-line method with estimated useful lives equal to lease terms, zero residual value.
(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

①Allowance 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.
②Bonuses to employees	… Bonuses to employees are accrued at the year-end to which such bonuses are attributable.
③Bonuses 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.
④Allowance 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

①Significant 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 befit 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.

(5) Income and expenses

①Precious metal bullion commission

The company offers a service to buy and sell various types and quantities of precious metal bullions with trading companies and other sources based on orders from customers. In such transactions, commission or equivalent consideration are recognized as income. The income is recognized at the time when this service is provided to customers.

②Sale of industrial products

The company manufactures and sells industrial products that use precious metals. Income i s recognized at the time when the products are handed over to customers, but for some c ustomers, income is recognized at the time when the products are consumed by customers based on contracts such as those for supplier managed inventory (SMI) transaction.

③Provision of precious metal recovery and refining services

The company offers a service to recover and refine scraps containing precious metals received by customers. In such transactions, recovery and refining fees are recognized as income. Income is recognized at the time when this service is provided to customers.

④Precious metal accumulation service fees

Various types of fees are recognized as income in the precious metal accumulation service for individual customers. Income is recognized at the time when this service is provided to customers.

For all the transactions stated above, the payment terms have due dates that usually arrive within short periods and any important financial elements are not included in contracts.

[Changes in Accounting Policies]

1. Application of the Accounting Standard for Revenue Recognition and other standards

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards were applied since the start of the fiscal year under review. When control of the promised asset or service was transferred to the customer, the amount that is expected to be received in consideration of the asset or service was recognized as income.

The following are the main changes arising from the application of the Accounting Standard for Revenue Recognition and other standards.

(1) Recognition of income related to agent transactions

For transactions where the company provides products to a customer in the role of an agent, the total amount that is received from the customer was recognized as income in the past. This has changed to a method that recognizes as income the net amount after deducting the amount being paid to suppliers from the amount being received from the customer.

(2) Timing for recognition of income from sale of precious metal bullion and industrial products

For the sale of precious metal bullion and industrial products to customers, income was recognized based on shipment in the past. This has changed to the time when products are handed over to customers. For some customers, though, similar to the past, income is recognized at the time when the products are consumed by customers based on contracts such as those for SMI transaction.

Regarding the application of the Accounting Standard for Revenue Recognition and other standards, the company follows the progressive handling stated in the exception clause of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application of the new accounting policies before the start of the fiscal year in review was added or subtracted from the retained earnings at the start of the fiscal year in review and the new accounting policies were applied based on the balance as of the start of the fiscal year in review.

As a result, net sales and cost of sales for the fiscal year under review decreased by 883.609 billion yen. In addition, the beginning balance of retained earnings in the Consolidated Statement of Changes in Equity decreased by 61 million yen.

Due to application of the Accounting Standard for Revenue Recognition and other standards, the “Other” item under “Current Liabilities” in the Consolidated Balance Sheet of the previous fiscal year has been shown as “Contractual liabilities” and “Other” starting from the fiscal year under review.

2. Application of the Accounting Standard for Fair Value Measurement and other standards

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards were applied since the start of the fiscal year under review. The company follows the progressive handling stated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019) and will apply the accounting policies stated in the Accounting Standard for Fair Value Measurement and other standards in the future.

There is no effect on the consolidated financial statements of the fiscal year under review arising from this change.

[Income Recognition]

The basic information for understanding income is stated in “Income and expenses” under “Significant accounting principles” of Basis of Presentation of Consolidated Financial Statements.

[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	…	85,885 million yen
Inventories	…	341,152 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. In case 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 108,159 million yen.

2. Accumulated depreciation of property, plant and equipment … ¥154,721 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 … ¥34 million

〔Consolidated statements of changes in equity〕

1. Number of shares as of March 31, 2022

Common stock	67,138 thousand
A class stock	30,299 thousand

2. Number of treasury stocks as of March 31, 2022

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 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
November 15, 2021 Board meeting	Common stock	Retained earnings	¥44 million	¥1.50	September 30, 2021	November 17, 2021
November 15, 2021 Board meeting	A class stock	Retained earnings	¥44 million	¥1.50	September 30, 2020	November 17, 2021

(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 17, 2022 Board meeting	Common stock	Retained earnings	¥133 million	¥4.50	March 31, 2022	June 30, 2022
June 17, 2022 Board meeting	A class stock	Retained earnings	¥133 million	¥4.50	March 31, 2022	June 30, 2022

〔Financial instruments〕

1. Policy for financial instruments

The group has 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.

The 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, 2022 are as follows. Shares without market value are excluded from the table (ref. Note 2).

（Millions of yen）

	Carrying amount	Fair value	Difference
(1) Cash and cash equivalents	74,466	74,466	—
(2) Notes and accounts receivable-trade	117,986		
Allowance for doubtful accounts[*1]	△500		
Net amount	117,486	117,486	—
(3) Investment securities	2,528	2,528	—
(4) Shares of associated companies	6,415	14,641	8,226
(5) Notes and Accounts payable-trade	△46,004	△46,004	—
(6) Short-term borrowings	△48,924	△48,924	—
(7) Deposit	△30,050	△30,050	—
(8) Bonds payable to be redeemed within one year	△625	△625	—
(9) Long-term debt to be repaid within one year	△8,432	△8,432	—
(10) Long-term debt	△36,194	△36,580	△386
(11) Derivatives[*2]	4,356	4,356	—

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 amount.

(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) 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.

(11) 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 ¥752 million, and shares of associated companies of ¥17,968 million, and investments in associated companies of ¥3,074 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 … ¥5,439. 16
2. Net income per share … ¥637.10

〔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.