

Consolidated Financial Statements

Year Ended December 31, 2023

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

December 31, 2023

(Millions of Yen)

ASSETS		LIABILITIES	
CURRENT ASSETS	713,220	CURRENT LIABILITIES	468,316
Cash and cash equivalents	101,880	Notes and Accounts payable-trade	70,096
Notes receivable-trade	2,779	Short-term borrowings	22,498
Accounts receivable-trade	132,572	Borrowing precious metals	262,185
Inventories	379,115	Current portion of long-term debt	24,720
Lending precious metals	55,148	Accounts payable-other	39,250
Consumption taxes receivable	16,646	Income taxes payable	2,842
Income taxes receivable	7,547	Contractual liabilities	4,898
Accounts receivable-other	4,405	Deposit	31,685
Advance payments-trade	6,851	Provision for bonuses	1,623
Other	6,681	Other	8,517
Allowance for doubtful accounts	△409		
NONCURRENT ASSETS	182,776		
PROPERTY, PLANT AND EQUIPMENT	99,002	LONG-TERM LIABILITIES	22,370
Buildings and structures	34,571	Long-term debt	10,063
Machinery and equipment	26,474	Asset retirement obligations	1,596
Land	15,655	Liability for retirement benefits	1,115
Construction in progress	14,796	Lease liabilities	2,921
Lease assets	2,753	Deferred tax liabilities	5,128
Other	4,751	Other	1,545
		TOTAL LIABILITIES	490,687
INTANGIBLE FIXED ASSETS	12,869	EQUITY	
Software	4,466	SHAREHOLDERS' EQUITY	365,692
Software in progress	1,608	Common stock	500
Customer related assets	2,361	Capital surplus	9,719
Other	4,433	Retained earnings	363,337
		Treasury stock	△7,864
INVESTMENTS AND OTHER ASSETS	70,903		
Investment securities	5,295	ACCUMULATED OTHER COMPREHENSIVE INCOME	39,573
Shares of associated companies	32,146	Unrealized gain on available-for-sale securities	1,934
Investments in associated affiliates	3,526	Foreign currency translation adjustments	30,987
Other	29,937	Defined retirement benefit plans	6,651
Allowance for doubtful accounts	△2	NON-CONTROLLING INTERESTS	43
		TOTAL EQUITY	405,308
TOTAL ASSETS	895,996	TOTAL LIABILITIES and EQUITY	895,996

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

Consolidated Statement of Income

Year Ended December 31, 2023

(Millions of Yen)

Net sales		611,128
Cost of sales		543,443
Gross profit		67,685
Selling, general and administrative expenses		35,714
Operating income		31,971
Non-operating income		
Interest income and dividends	453	
Royalty	187	
Rent income	1,172	
Equity in earnings/losses of associated companies	4,761	
Other	921	7,496
Non-operating expenses		
Interest expenses	1,374	
Loss on foreign exchange-net	411	
Loss on valuation of derivatives	3,227	
Finance expenses	2,482	
Other	145	7,639
Ordinary income		31,828
Extraordinary income		
Gain on sales of non-current assets	4	
Gains and losses on equity fluctuations	486	
Other	30	522
Extraordinary losses		
Loss on sales and retirement of non-current assets	291	
Impairment losses	52	344
Income before income taxes		32,005
Income taxes-Current	6,213	
Refund of income taxes for prior periods	△6,479	
Income taxes-Deferred	9,554	9,338
Net income		22,667
Net income attributable to non-controlling interests		△16
Net income attributable to owners of parent		22,683

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

Consolidated Statement of Changes in Equity

Year Ended December 31, 2023

(Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2023	500	9,719	341,009	△7,864	343,364
Changes in the year					
Dividends of surplus	—	—	△355	—	△355
Net income attributable to owners of parent	—	—	22,683	—	22,683
Net changes of items other than shareholders' equity	—	—	—	—	—
Net changes in the year	—	—	22,328	—	22,328
Balance as of December 31, 2023	500	9,719	363,337	△7,864	365,692

	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, 2023	1,313	22,130	2,218	25,661	57	369,083
Changes in the year						
Dividends of surplus	—	—	—	—	—	△355
Net income attributable to owners of parent	—	—	—	—	—	22,683
Net changes of items other than shareholders' equity	621	8,856	4,432	13,911	△13	13,898
Net changes in the year	621	8,856	4,432	13,911	△13	36,226
Balance as of December 31, 2023	1,934	30,987	6,651	39,573	43	405,308

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 39 companies

Names of principal subsidiaries

Tanaka Kikinzoku Kogyo K.K., Tanaka Denshi Kogyo K.K., EEJA Ltd., Tanaka Kikinzoku Jewelry K.K., Metalor Technologies International SA, Metalor Technologies SA, Metalor Technologies USA Corporation

2. Scope of the equity method

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

Affiliates 9 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) From the current consolidated fiscal year, the fiscal year-end was changed from March 31 to December 31 for TANAKA Holdings and its consolidated subsidiaries that previously had their fiscal year-ends in March excluding one company, TANAKA KIKINZOKU (INDIA) Private Limited, and the consolidated fiscal year-end was also changed from March 31 to December 31. Accordingly, in the current consolidated fiscal year, which is a transitional period, consolidated financial results cover an irregular nine-month period from April 1, 2023 through December 31, 2023. Note that financial results for companies that previously had their fiscal year-ends in December cover a 12-month period and their results are incorporated in the consolidated financial statements.

The fiscal year-end of TANAKA KIKINZOKU (INDIA) Private Limited is March 31, and its provisional financial results as of the consolidated fiscal year-end were used in preparation of the consolidated financial statements.

4. Significant accounting principles

(1) Valuation standards and methodology for material assets

① Securities

Other securities

Items other than shares, etc. ... Fair market value (with any unrealized gains or losses being without market value 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 ... Cost determined by the moving average method value

② Derivatives ... Fair market value

③ Inventories

Raw materials/ ... Cost determined by the periodic average method, with balance products in progress/ sheet values reflecting write-downs for decreased profitability finished products

- | | |
|----------------------------------|---|
| 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

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.

Customer related assets is amortized over nine to fourteen years.

③ Lease assets

(a) Lease assets relating to finance ... Straight-line method with estimated useful lives equal to lease terms, zero residual value.
lease transactions that do not 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 ... In order to provide for payment of retirement benefits for to 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.

② Accounting 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.

(5) Income and expenses

① Precious 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.

② Sale of industrial products

The company manufactures and sells industrial products that use precious metals. Income is recognized at the time when the products are handed over to customers, but for some customers, 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.

③ Provision 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.

④ Precious 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.

[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	...	99,002 million yen
Inventories	...	379,115 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 81,081 million yen.

2. Accumulated depreciation of property, ... 182,436 million yen
plant and equipment
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 ... 22 million yen

[Consolidated statements of changes in equity]

1. Number of shares as of December 31, 2023
Common stock 67,138 thousand
A class stock 30,299 thousand
2. Number of treasury stocks as of December 31, 2023
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 19, 2023 Board meeting	Common stock	Retained earnings	¥133 million	¥4.50	March 31, 2023	June 30, 2023
June 19, 2023 Board meeting	A class stock	Retained earnings	¥133 million	¥4.50	March 31, 2023	June 30, 2023
November 20, 2023 Board meeting	Common stock	Retained earnings	¥44 million	¥1.50	September 30, 2023	November 24, 2023
November 20, 2023 Board meeting	A class stock	Retained earnings	¥44 million	¥1.50	September 30, 2023	November 24, 2023

(2) Dividends for which the record date came during the year ended December 31, 2023, 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
March 18, 2024 Board meeting	Common stock	Retained earnings	¥162 million	¥5.50	December 31, 2023	March 29, 2024
March 18, 2024 Board meeting	A class stock	Retained earnings	¥162 million	¥5.50	December 31, 2023	March 29, 2024

[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 December 31, 2023 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	101,880	101,880	—
(2) Notes and accounts receivable-trade	135,352		
Allowance for doubtful accounts*1	△409		
Net amount	134,943	134,943	—
(3) Investment securities	3,474	3,474	—
(4) Shares of associated companies	9,522	13,522	4,000
(5) Notes and Accounts payable-trade	△70,096	△70,096	—
(6) Short-term borrowings	△22,498	△22,498	—
(7) Deposit	△31,685	△31,685	—

(8) Long-term debt to be repaid within one year	△24,720	△24,720	—
(9) Long-term debt	△10,063	△9,963	100
(10) Derivatives ^{*2}	△157	△157	—

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) Long-term debt to be repaid within one year

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

(9) 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.

(10) 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 ¥1,706 million, and shares of associated companies of ¥22,624 million, and investments in associated companies of ¥3,526 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	...	¥6,838.23
2. Net income per share	...	¥382.75

[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 (amortized five years from the time of accrual) thereof will be adjusted. The maximum amount of additional payment is 25.729 million US dollars (equivalent to 3,619 million yen).

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

[Other Notes]

Contingent Liabilities

Metalor Technologies SA is being required by the Spanish tax authorities to return the refund 16.577 million euros (equivalent to 2,604 million yen) in value-added taxes in previous fiscal years, as well as pay interest and penalties in relation to the refund. Metalor Technologies has filed an objection to the decision of the tax authorities.

The TANAKA Group is convinced that there have been absolutely no violations of laws and regulations and has not made any additional provision in the current consolidated fiscal year.