



Consolidated Financial Statements

Year Ended March 31, 2015

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, 2015

(Millions of Yen)

ASSETS		LIABILITIES	
CURRENT ASSETS	388,589	CURRENT LIABILITIES	253,026
Cash and cash equivalents	19,354	Accounts payable-trade	14,888
Notes and accounts receivable-trade	60,079	Short-term borrowings	14,663
Inventories	210,293	Borrowing precious metals	193,959
Lending precious metals	85,941	Current portion of bonds	1,942
Consumption taxes receivable	6,794	Current portion of long-term debt	2,125
Accounts receivable	2,932	Income taxes payable	2,999
Other	3,473	Deposit	13,751
Allowance for doubtful accounts	△281	Provision for bonuses	1,840
		Other	6,855
NONCURRENT ASSETS	65,951		
PROPERTY, PLANT AND EQUIPMENT	38,072	LONG-TERM LIABILITIES	15,082
Buildings and structures	15,374	Bonds payable	8,250
Machinery and equipment	7,929	Long-term debt	2,620
Land	12,475	Liability for retirement benefits	150
Other	2,292	Asset retirement obligations	1,083
		Other	2,979
INTANGIBLE FIXED ASSETS	3,511	TOTAL LIABILITIES	268,109
Software	2,521	EQUITY	
Software in progress	243	SHAREHOLDERS' EQUITY	178,587
Other	746	Common stock	500
		Capital surplus	11,135
INVESTMENTS AND OTHER ASSETS	24,368	Retained earnings	174,817
Investment securities	2,984	Treasury stock	△7,864
Investments in associated companies	16,765	ACCUMULATED OTHER COMPREHENSIVE INCOME	6,555
Asset for retirement benefits	2,810	Unrealized gain on available-for-sale securities	1,520
Other	1,940	Foreign currency translation adjustments	5,876
Allowance for doubtful accounts	△132	Defined retirement benefit plans	△841
		Minority interests	1,287
TOTAL ASSETS	454,541	TOTAL EQUITY	186,431
		TOTAL LIABILITIES and EQUITY	454,541

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

Consolidated Statement of Income

Year Ended March 31, 2015

(Millions of Yen)

Net sales		856,448
Cost of sales		818,933
Gross profit		37,515
Selling, general and administrative expenses		25,949
Operating income		11,566
Non-operating income		
Interest income and dividends	151	
Gain on foreign exchange-net	1,867	
Royalty	406	
Other	1,704	4,130
Non-operating expenses		
Interest expenses	360	
Equity in earnings of associated companies	532	
Other	445	1,338
Ordinary income		14,358
Extraordinary income		
Gain on sales of fixed assets	31	
Gain on sales of shares of subsidiaries and associates	73	105
Extraordinary losses		
Loss on sales and retirement of non-current assets	676	
Impairment loss	43	
Loss on revaluation of investments in securities	6	727
Income before income taxes		13,735
Income taxes-Current	4,539	
Income taxes-Deferred	149	4,688
Net income before minority interests		9,047
Minority interests in earnings of subsidiaries		57
Net income		8,989

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

Consolidated Statement of Changes in Equity

Year Ended March 31, 2015

(Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2014	500	11,135	165,286	Δ7,864	169,057
Cumulative effects of changes in accounting policies	—	—	629	—	629
Restarted balance at beginning of the year	500	11,135	165,916	Δ7,864	169,687
Changes in the year					
Dividends of surplus	—	—	Δ88	—	Δ88
Net income	—	—	8,989	—	8,989
Net changes of items other than shareholders' equity	—	—	—	—	—
Net changes in the year	—	—	8,900	—	8,900
Balance as of March 31, 2015	500	11,135	174,817	Δ7,864	178,587

	Accumulated other comprehensive income				Minority 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, 2014	1,222	2,454	Δ2,022	1,654	1,235	171,947
Cumulative effects of changes in accounting policies	—	—	—	—	7	637
Restarted balance at beginning of the year	1,222	2,454	Δ2,022	1,654	1,243	172,584
Changes in the year						
Dividends of surplus	—	—	—	—	—	Δ88
Net income	—	—	—	—	—	8,989
Net changes of items other than shareholders' equity	297	3,422	1,181	4,901	44	4,946
Net changes in the year	297	3,422	1,181	4,901	44	13,846
Balance as of March 31, 2015	1,520	5,876	Δ841	6,555	1,287	186,431

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 20 companies

Names of principal subsidiaries

Tanaka Kikinzoku Kogyo K.K., Tanaka Kikinzoku Hanbai K.K., Tanaka Kikinzoku International K.K.,
Tanaka Denshi Kogyo K.K., Electroplating Engineers of Japan Ltd., Tanaka Kikinzoku Jewelry K.K.,
Tanaka Kikinzoku Business Service K.K.

(2) Name of non-consolidated subsidiary

EEJA America Inc.

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

Heesung 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. Significant accounting principles

(1) Valuation standards and methodology for material assets

①Securities

Held-to-maturity ... Amortized cost method
debt securities (straight line method)

Other securities

Securities with a readily ... Fair market value based on the quoted market price at the fiscal
determinable market value 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)

Securities with no readily ... Cost determined by the moving average method
determinable market value

②Derivatives ... 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 |
| Supplies | ... Last purchase price method |
- (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 building fixtures) |
| Machinery and equipment | ... 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 |
- 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 (excluding lease assets)
- | | |
|--|--|
| Intangible 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. |
- ③ Lease assets
- | | |
|---|---|
| Financial lease transactions that do not transfer ownership | ... Straight-line method with estimated useful lives equal to lease terms, zero residual value. |
|---|---|
- (3) Basis of material allowances
- ① Allowance for doubtful accounts
- ... The Company and consolidated subsidiaries provide 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 of suspected bad debt or other 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) 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 remeasured at market value.

Hedging methods, items and policies

Hedging methods ... Interest rate swaps

Hedging items ... Interest expense or income of borrowings with variable interest rates

Hedging policies ... The Company and consolidated subsidiaries hedge interest rate risk for certain transactions based on internal rules.

Hedging evaluation ... For interest rate swaps for which special treatment is applied, evaluation of effectiveness is not conducted.

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.

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

[Changes in accounting policies]

Application of accounting standard regarding retirement benefit

From the fiscal year starting April 1, 2014, the company fully adopted “Accounting standard for retirement benefit” (Accounting Standard Board of Japan (ASBJ) Statement No.26, May 17, 2012) and “Guideline for Accounting standard for retirement benefit” (ASBJ Guideline No.25, March 26, 2015). The company changed its calculating method for attribution period of retirement benefit from the straight-line method to the benefit formula basis method. At the same time, the method for determination of discount rate, which was formerly based on estimate remaining service years of employees, was changed to the method based on single weighted average discount rates reflecting the estimated period and amount of benefit payment in the future.

In accordance with the transitional measure stipulated in the article 37 of “Accounting standard for retirement benefit,” the effect of the changes is recognized as cumulative effects of changes in accounting policies at the beginning of the fiscal year starting April 1, 2014.

As a result, liability for retirement benefit and retained earnings on the consolidated balance sheet have decreased by ¥991 million and ¥629 million respectively. The effect on operating income, ordinary income, income before income taxes and net income is immaterial.

[Consolidated balance sheet]

1. Accumulated depreciation of property, plant and equipment ... ¥89,569 million

2. Warranty liabilities

Contingent liabilities for guarantees and items of a similar nature of housing loans of employees from financial institutions

... ¥146 million

[Consolidated statements of changes in equity]

1. Number of shares as of March 31, 2015

Common stock 67,138 thousand

A class stock 30,299 thousand

2. Number of treasury stocks as of March 31, 2015

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 16, 2014 Board meeting	Common stock	Retained earnings	¥22 million	¥0.75	March 31, 2014	June 30, 2014
June 16, 2014 Board meeting	A class stock	Retained earnings	¥22 million	¥0.75	March 31, 2014	June 30, 2014
November 17, 2014 Board meeting	Common stock	Retained earnings	¥22 million	¥0.75	September 30, 2014	November 27, 2014
November 17, 2014 Board meeting	A class stock	Retained earnings	¥22 million	¥0.75	September 30, 2014	November 27, 2014

(2) Dividends for which the record date came during the year ended March 31, 2015, 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 10, 2015 Board meeting	Common stock	Retained earnings	¥66 million	¥2.25	March 31, 2015	June 29, 2015
June 10, 2015 Board meeting	A class stock	Retained earnings	¥66 million	¥2.25	March 31, 2015	June 29, 2015

[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 system 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, 2015 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	19,354	19,354	—
(2) Notes and accounts receivable-trade	60,079	60,079	—
(3) Investment securities	2,964	2,964	—
(4) Investments in associated companies	3,037	3,837	800
(5) Accounts payable-trade	△14,888	△14,888	—
(6) Short-term borrowings	△14,663	△14,663	—
(7) Deposit	△13,751	△13,751	—
(8) Bonds payable	△10,192	△10,205	△13
(9) Long-term debt	△4,745	△4,753	△8
(10) Derivatives (net)	79	79	—

Note: Items marked with △ are liabilities

(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) Investments in 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

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

(8) Bonds payable, (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.

The current portions that mature in less than one year of bonds payable (¥1,942 million) and of long-term debt (¥2,125 million) are included in the amounts respectively.

(10) Derivatives

The fair value of derivatives are based on valuations offered by financial institutions.

(Note 2) Unlisted securities of ¥19 million and investments in associated companies of ¥13,728 million are not included in the table due to the difficulty of estimating cash flow.

[Per share information]

1. Equity per share	...	¥3,124.02
2. Net income per share	...	¥151.68