



Consolidated Financial Statements

Year Ended March 31, 2018

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, 2018

(Millions of Yen)

ASSETS		LIABILITIES	
CURRENT ASSETS	458,572	CURRENT LIABILITIES	281,443
Cash and cash equivalents	66,806	Accounts payable-trade	37,367
Notes and accounts receivable-trade	83,767	Short-term borrowings	17,679
Inventories	228,958	Borrowing precious metals	177,759
Lending precious metals	57,977	Current portion of bonds	4,625
Consumption taxes receivable	7,247	Current portion of long-term debt	6,995
Accounts receivable-other	5,947	Accounts payable-other	7,187
Other	8,491	Income taxes payable	4,313
Allowance for doubtful accounts	△625	Deposit	11,936
		Provision for bonuses	2,052
NONCURRENT ASSETS	107,623	Other	11,525
PROPERTY, PLANT AND EQUIPMENT	68,811		
Buildings and structures	23,150	LONG-TERM LIABILITIES	74,808
Machinery and equipment	19,050	Bonds payable	4,375
Land	13,905	Long-term debt	54,818
Construction in progress	9,387	Asset retirement obligations	1,050
Other	3,317	Deferred tax liabilities	6,894
		Liability for retirement benefits	2,236
INTANGIBLE FIXED ASSETS	13,471	Other	5,433
Software	2,038	TOTAL LIABILITIES	356,251
Software in progress	1,199		
Goodwill	3,804	EQUITY	
Customer related assets	5,604	SHAREHOLDERS' EQUITY	198,929
Other	824	Common stock	500
		Capital surplus	9,719
INVESTMENTS AND OTHER ASSETS	25,340	Retained earnings	196,574
Investment securities	3,063	Treasury stock	△7,864
Shares of associated companies	15,104	ACCUMULATED OTHER COMPREHENSIVE INCOME	10,814
Investments in associated affiliates	1,234	Unrealized gain on available-for-sale securities	1,331
Other	5,965	Foreign currency translation adjustments	10,104
Allowance for doubtful accounts	△27	Defined retirement benefit plans	△620
		Non-controlling interests	199
TOTAL ASSETS	566,196	TOTAL EQUITY	209,944
		TOTAL LIABILITIES and EQUITY	566,196

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

Consolidated Statement of Income

Year Ended March 31, 2018

(Millions of Yen)

Net sales		976,613
Cost of sales		919,931
Gross profit		56,681
Selling, general and administrative expenses		39,530
Operating income		17,150
Non-operating income		
Interest income and dividends	203	
Royalty	197	
Rent income	512	
Gain on foreign exchange-net	1,560	
Equity in earnings/losses of associated companies	1,340	
Other	811	4,624
Non-operating expenses		
Interest expenses	763	
Commitment fee	99	
Loss on valuation of derivatives	1,678	
Other	153	2,695
Ordinary income		19,080
Extraordinary losses		
Loss on sales and retirement of non-current assets	211	
Impairment loss	81	
Business structure expenses	747	1,041
Income before income taxes		18,039
Income taxes-Current	5,868	
Income taxes-Deferred	△1,508	4,359
Net income		13,679
Net income attributable to non-controlling interests		287
Net income attributable to owners of parent		13,391

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

Consolidated Statement of Changes in Equity

Year Ended March 31, 2018

(Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	500	11,135	183,272	Δ7,864	187,043
Cumulative impact from correction of errors	—	—	—	—	—
Balance at beginning of year after retrospective adjustment	500	11,135	183,272	Δ7,864	187,043
Changes in the year					
Dividends of surplus	—	—	Δ88	—	Δ88
Net income attributable to owners of parent	—	—	13,391	—	13,391
Change in equity in parent company relating to transactions with non-controlling shareholders	—	Δ1,415	—	—	Δ1,415
Net changes of items other than shareholders' equity	—	—	—	—	—
Net changes in the year	—	Δ1,415	13,302	—	11,886
Balance as of March 31, 2018	500	9,719	196,574	Δ7,864	198,929

	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, 2017	1,374	10,507	Δ4,746	7,135	1,523	195,702
Cumulative impact from correction of errors	—	Δ2,300	2,300	—	—	—
Balance at beginning of year after retrospective adjustment	1,374	8,207	Δ2,446	7,135	1,523	195,702
Changes in the year						
Dividends of surplus	—	—	—	—	—	Δ88
Net income attributable to owners of parent	—	—	—	—	—	13,391
Change in equity in parent company relating to transactions with non-controlling shareholders	—	—	—	—	—	Δ1,415
Net changes of items other than shareholders' equity	Δ43	1,896	1,825	3,679	Δ1,323	2,355
Net changes in the year	Δ43	1,896	1,825	3,679	Δ1,323	14,242
Balance as of March 31, 2017	1,331	10,104	Δ620	10,814	199	209,944

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 46 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

(2) Name of non-consolidated subsidiary

TANAKA America Inc., 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 2 company

Affiliates 7 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

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)

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

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

- | | |
|-------------|---|
| Merchandise | ... Cost determined by the specific identification 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 (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 amortised over nine to fourteen 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) 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.

- 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.
 - Hedging methods, items and policies
 - Hedging methods ... Interest rate swaps
 - Hedging items ... Interest expense of borrowings with variable interest rates
 - Hedging policies ... Interest rate risks for certain transactions are subject to hedging based on internal rules.
 - Hedging evaluation ... For interest rate swaps for which special treatment is applied, evaluation of effectiveness is not conducted.
 - 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]

Errors in the consolidated corrected breakdown for the previous consolidated fiscal year were discovered during the current consolidated fiscal year, and accordingly, the errors were corrected. The impact of correcting the error is reflected in the book value of net assets at the beginning of the current fiscal year. As a result, the adjusted cumulative balance at the beginning of the year relating to retirement benefits reported in the consolidated statement of changes in shareholders' equity increased by 2,300 million yen and the translation adjustment account was reduced by the same amount.

[Consolidated balance sheet]

1. Accumulated depreciation of property, plant and equipment	...	¥123,335 million
2. Warranty liabilities		
Contingent liabilities for guarantees and items of a similar nature of housing loans of employees from financial institutions		
Housing loans of employees	...	¥82 million

[Consolidated Statement of Income]

During the consolidated fiscal year under review, 747 million yen in business reorganization expenses were reported as expenses relating to reorganization of the electro-technics business in some subsidiaries.

[Consolidated statements of changes in equity]

1. Number of shares as of March 31, 2018		
Common stock	67,138 thousand	
A class stock	30,299 thousand	
2. Number of treasury stocks as of March 31, 2018		
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 12, 2017 Board meeting	Common stock	Retained earnings	¥22 million	¥0.75	March 31, 2017	June 26, 2017
June 12, 2017 Board meeting	A class stock	Retained earnings	¥22 million	¥0.75	March 31, 2017	June 26, 2017
November 20, 2017 Board meeting	Common stock	Retained earnings	¥22 million	¥0.75	September 30, 2017	November 28, 2017
November 20, 2017 Board meeting	A class stock	Retained earnings	¥22 million	¥0.75	September 30, 2017	November 28, 2017

(2) Dividends for which the record date came during the year ended March 31, 2018, 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 15, 2018 Board meeting	Common stock	Retained earnings	¥44 million	¥1.50	March 31, 2018	June 28, 2018
June 15, 2018 Board meeting	A class stock	Retained earnings	¥44 million	¥1.50	March 31, 2018	June 28, 2018

[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, 2018 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	66,806	66,806	—
(2) Notes and accounts receivable-trade	83,767	83,767	—
Allowance for doubtful accounts*1	△625	△625	—
Net amount	83,142	83,142	—
(3) Investment securities	2,800	2,800	—
(4) Shares of associated companies	3,126	7,603	4,477
(5) Accounts payable-trade	△37,367	△37,367	—
(6) Short-term borrowings	△17,679	△17,679	—
(7) Deposit	△11,936	△11,936	—
(8) Bonds payable	△9,000	△8,999	0
(9) Long-term debt	△61,814	△61,697	116
(10) Derivatives*2	△3,178	△3,178	—

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

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 (¥4,625 million) and of long-term debt (¥6,995 million) are included in the amounts respectively.

(10) Derivatives

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

(Note 2) Unlisted securities of ¥14 million, investments in partnerships of ¥249 million and investments in associated companies of ¥11,977 million are not included in the table due to the difficulty of estimating cash flow.

[Per share information]

1. Equity per share	...	¥3,539.12
2. Net income per share	...	¥225.96

[Business Combinations]

Finalization of provisional handling relating to business combinations

In the previous fiscal year, the company implemented provisional accounting handling regarding the distribution of acquired assets relating to Metalor Technologies International SA, which the company acquired in the previous consolidated fiscal year, and that handling was finalized during the fiscal year under review.

In the previous consolidated fiscal year, goodwill was provisionally calculated to be 4,025 million yen. Goodwill has been increased by 678 million yen, while intangible fixed assets were decreased by 914 million yen and deferred tax liability as were decreased by 310 million yen.