

# ***Consolidated Financial Statements***

Year Ended March 31, 2020

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, 2020

(Millions of Yen)

ASSETS		LIABILITIES	
CURRENT ASSETS	524,831	CURRENT LIABILITIES	342,157
Cash and cash equivalents	71,931	Notes and Accounts payable-trade	48,047
Notes and accounts receivable-trade	93,168	Short-term borrowings	32,347
Inventories	268,554	Borrowing precious metals	194,437
Lending precious metals	60,687	Current portion of bonds	1,250
Consumption taxes receivable	9,263	Current portion of long-term debt	7,634
Accounts receivable-other	3,483	Lease liabilities	565
Advance payments-trade	12,915	Accounts payable-other	24,848
Other	5,615	Income taxes payable	6,086
Allowance for doubtful accounts	△788	Deposit	16,486
		Provision for bonuses	3,108
		Other	7,346
NONCURRENT ASSETS	110,830		
PROPERTY, PLANT AND EQUIPMENT	73,016		
Buildings and structures	27,053	LONG-TERM LIABILITIES	53,954
Machinery and equipment	22,134	Bonds payable	1,875
Land	14,090	Long-term debt	41,929
Construction in progress	4,339	Asset retirement obligations	1,186
Lease assets	2,113	Liability for retirement benefits	3,236
Other	3,285	Lease liabilities	1,598
		Deferred tax liabilities	220
INTANGIBLE FIXED ASSETS	10,515	Other	3,908
Software	2,585	<b>TOTAL LIABILITIES</b>	396,112
Software in progress	649	<b>EQUITY</b>	
Goodwill	2,287	SHAREHOLDERS' EQUITY	239,158
Customer related assets	4,779	Common stock	500
Other	212	Capital surplus	9,719
		Retained earnings	236,803
INVESTMENTS AND OTHER ASSETS	27,299	Treasury stock	△7,864
Investment securities	2,383	ACCUMULATED OTHER COMPREHENSIVE INCOME	259
Shares of associated companies	15,649	Unrealized gain on available-for-sale securities	513
Investments in associated affiliates	1,253	Foreign currency translation adjustments	2,346
Other	8,075	Defined retirement benefit plans	△2,601
Allowance for doubtful accounts	△13	Non-controlling interests	132
		<b>TOTAL EQUITY</b>	239,550
<b>TOTAL ASSETS</b>	635,662	<b>TOTAL LIABILITIES and EQUITY</b>	635,662

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

# Consolidated Statement of Income

Year Ended March 31, 2020

(Millions of Yen)

Net sales		1,149,604
Cost of sales		1,089,357
<b>Gross profit</b>		60,246
Selling, general and administrative expenses		38,820
<b>Operating income</b>		21,426
Non-operating income		
Interest income and dividends	215	
Royalty	169	
Rent income	1,342	
Equity in earnings/losses of associated companies	1,604	
Other	1,282	4,614
Non-operating expenses		
Interest expenses	678	
Commitment fee	17	
Loss on foreign exchange-net	160	
Other	711	1,567
<b>Ordinary income</b>		24,473
Extraordinary income		
Gain on sales of non-current assets	189	
Other	58	249
Extraordinary losses		
Loss on sales and retirement of non-current assets	175	
impairment losses	263	
Other	42	482
<b>Income before income taxes</b>		24,240
Income taxes-Current	8,199	
Income taxes-Deferred	△2,029	6,169
<b>Net income</b>		18,071
Net income attributable to non-controlling interests		△42
<b>Net income attributable to owners of parent</b>		18,113

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

# Consolidated Statement of Changes in Equity

Year Ended March 31, 2020

(Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2019	500	9,719	219,782	△7,864	222,137
Cumulative effects of changes in accounting policies	—	—	△39	—	△39
Cumulative effect of error correction	—	—	△875	—	△875
Balance at beginning of year after retrospective adjustment	500	9,719	218,867	△7,864	221,222
Changes in the year					
Dividends of surplus	—	—	△177	—	△177
Net income attributable to owners of parent	—	—	18,113	—	18,113
Net changes of items other than shareholders' equity	—	—	—	—	—
Net changes in the year	—	—	17,936	—	17,936
Balance as of March 31, 2019	500	9,719	236,803	△7,864	239,158

	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, 2018	1,038	4,134	△1,067	4,105	167	226,410
Cumulative effects of changes in accounting policies	—	—	—	—	—	△39
Cumulative effect of error correction	—	—	—	—	—	△875
Balance at beginning of year after retrospective adjustment	1,038	4,134	△1,067	4,105	167	225,495
Changes in the year						
Dividends of surplus	—	—	—	—	—	△177
Net income attributable to owners of parent	—	—	—	—	—	18,113
Net changes of items other than shareholders' equity	△524	△1,787	△1,534	△3,845	△35	△3,881
Net changes in the year	△524	△1,787	△1,534	△3,845	△35	14,054
Balance as of March 31, 2019	513	2,346	△2,601	259	132	239,550

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 44 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 (India) Pvt. Ltd. was established during the consolidated fiscal year under review, and accordingly is included among consolidated subsidiaries as of the fiscal year under review. TANAKA Kikinzoku (Hangzhou) Co., Ltd. was liquidated and was removed from consolidated subsidiaries.

(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 7 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: 30 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	... 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), and as stated in Changes in Accounting Policies, IFRS 16 Leases was applied starting in the fiscal year under review. 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

### [Changes in Accounting Policies]

#### 1. Application of IFRS 16 Leases to overseas subsidiaries

IFRS 16 Leases has been applied to some overseas consolidated subsidiaries since the start of the fiscal year under review.

With the application of IFRS 16, a method of recognizing the cumulative effects of application of this standard on the initial date of application was adopted, a permissible provisional measure.

As a result, Lease Assets under Property, Plant and Equipment increased by 1,554 million yen, Lease Obligations under Current Liabilities increased by 513 million yen, and Lease Liabilities under Long-term Liabilities increased by 1,093 million yen on the Balance Sheet. Also, 465 million yen in land use rights that were previously included in Other under Intangible Fixed Assets are reported as Lease Assets under Property, Plant and Equipment as of the fiscal year under review. The impact on these changes on the Consolidated Statement of Income for the fiscal year under review is de minimis.

### [Correction of Errors]

In the fiscal year under review, errors in consolidation adjustment entries for the previous fiscal year were discovered and the errors were corrected. The effect of the correction of errors is reflected in the book value of retained earnings at the beginning of the consolidated 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 875 million yen.

### [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 75,025 million yen.

2. Accumulated depreciation of property, ... ¥137,775 million  
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 ... ¥49 million

[Consolidated statements of changes in equity]

1. Number of shares as of March 31, 2019

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

2. Number of treasury stocks as of March 31, 2019

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 14, 2019 Board meeting	Common stock	Retained earnings	¥44 million	¥1.50	March 31, 2019	June 27, 2019
June 14, 2019 Board meeting	A class stock	Retained earnings	¥44 million	¥1.50	March 31, 2019	June 27, 2019
November 18, 2019 Board meeting	Common stock	Retained earnings	¥44 million	¥1.50	September 30, 2019	November 21, 2019
November 18, 2019 Board meeting	A class stock	Retained earnings	¥44 million	¥1.50	September 30, 2019	November 21, 2019

(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, 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

[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, 2020 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	71,931	71,931	—
(2) Notes and accounts receivable-trade	93,168		
△788			
Allowance for doubtful accounts*1	92,380		
Net amount	92,380	92,380	—
(3) Investment securities	1,833	1,833	—
(4) Shares of associated companies	3,652	6,683	3,031
(5) Notes and Accounts payable-trade	△48,047	△48,047	—
(6) Short-term borrowings	△32,347	△32,347	—
(7) Deposit	△16,486	△16,486	—
(8) Bonds payable to be redeemed within one year	△1,250	△1,250	—
(9) Long-term debt to be repaid within one year	△7,634	△7,634	—
(10) Bonds payable	△1,875	1,881	△6
(11) Long-term debt	△41,929	△43,675	△1,745
(12) Derivatives*2	△2,376	△2,376	—

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 ¥435 million, and shares of associated companies of ¥11,997 million, and investments in associated companies of ¥1,253 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	...	¥4,039.81
2. Net income per share	...	¥305.64

[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.

During the fiscal year under review, an additional payment of the acquisition price of 690 million yen was made. As a result, goodwill increased by 276 million yen and amortization of goodwill reported in the Consolidated Statement of Income increased by 414 million yen as of the end of the fiscal year under review.