

Non-consolidated Financial Statements
for the First Nine Months of the Fiscal Year Ending March 31, 2019

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|--|--|
| Company name: Zuken Elmic, Inc. | Listing: TSE Second(2nd) Section |
| Stock code: 4770 | URL: http://www.elwsc.co.jp/ |
| President: Joe Asakura | |
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(1) Balance Sheets

(Thousands of yen)

| | FY2017 selected data (As of Mar. 31, 2018) | 3Q of FY 2018 (As of Dec. 31, 2018) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 381,833 | 434,648 |
| Notes and accounts receivable - trade | 279,845 | 195,251 |
| Merchandise and finished goods | 4,839 | 3,958 |
| Work in process | 2,787 | 10,193 |
| Raw materials | 560 | 202 |
| Prepaid expenses | 36,197 | 25,434 |
| Other current assets | 1,828 | 13,475 |
| Allowance for doubtful accounts | (100) | (100) |
| Total current assets | 707,792 | 683,065 |
| Noncurrent assets | | |
| Property, plant and equipment | 7,654 | 13,251 |
| Intangible assets | 30,436 | 24,384 |
| Investments and other assets | | |
| Investment securities | 3,500 | 3,500 |
| Long-term prepaid expenses | 480 | — |
| Deferred tax assets | 21,809 | 27,770 |
| Other investments and other assets | 5,087 | 5,087 |
| Allowance for doubtful accounts | (1,850) | (1,850) |
| Total investments and other assets | 29,027 | 34,507 |
| Total noncurrent assets | 67,117 | 72,144 |
| Total assets | 774,909 | 755,209 |

| | (Thousands of yen) | |
|---|---|--|
| | FY2017 selected data (As of Mar. 31, 2018) | 3Q of FY 2018 (As of Dec. 31, 2018) |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 30,682 | 33,299 |
| Income taxes payable | 11,950 | 2,973 |
| Unearned revenue | 53,944 | 49,121 |
| Provision for bonuses | 35,944 | 18,285 |
| Provision for product warranties | 7,940 | 16,364 |
| Provision for loss on order received | — | 335 |
| Other current liabilities | 29,933 | 43,836 |
| Total current liabilities | 170,396 | 164,215 |
| Noncurrent liabilities | | |
| Long-term unearned revenue | 1,776 | 508 |
| Provision for retirement benefits | 2,729 | 2,729 |
| Other long-term liabilities | 8,552 | 13,517 |
| Total noncurrent liabilities | 13,058 | 16,756 |
| Total liabilities | 183,454 | 180,971 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 500,000 | 500,000 |
| Capital surplus | 135,998 | 135,998 |
| Retained earnings | (44,452) | (61,669) |
| Treasury shares | (91) | (91) |
| Total shareholders' equity | 591,454 | 574,237 |
| Total net assets | 591,454 | 574,237 |
| Total liabilities and net assets | 774,909 | 755,209 |

(2) Statements of Income
(For the Nine-month Period)

(Thousands of yen)

| | 3Q of FY2017 (Apr. 1, 2017 – Dec. 31, 2017) | 3Q of FY2018 (Apr. 1, 2018 – Dec. 31, 2018) |
|--|--|--|
| Net sales | 554,328 | 586,015 |
| Cost of sales | 282,663 | 308,131 |
| Gross profit | 271,665 | 277,883 |
| Selling, general and administrative expenses | 298,604 | 298,148 |
| Operating profit (loss) | (26,938) | (20,264) |
| Non-operating income | | |
| Interest income | 3 | 6 |
| Commission fee | 112 | 92 |
| Foreign exchange gains | 3 | 68 |
| Other | 29 | 5 |
| Total non-operating income | 149 | 172 |
| Non-operating expenses | | |
| Interest expenses | 55 | 132 |
| Total non-operating expenses | 55 | 132 |
| Ordinary profit (loss) | (26,844) | (20,224) |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | 58 | — |
| Total extraordinary losses | 58 | — |
| Profit (loss) before income taxes | (26,903) | (20,224) |
| Income taxes –current | 2,953 | 2,952 |
| Income taxes-deferred | (139) | (5,960) |
| Total income taxes | 2,814 | (3,007) |
| Net profit (loss) | (29,717) | (17,217) |