

Non-consolidated Financial Statements
for the First Three Months of the Fiscal Year Ending March 31, 2017

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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 | |
| Contact: Shinichi Eguchi, Director, Administration | Telephone: +81-(0)-45-624-8111 |

(1) Balance Sheets

(Thousands of yen)

| | FY2015 selected data (As of Mar. 31, 2016) | 1Q of FY2016 (As of Jun. 30, 2016) |
|---|---|---------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 249,167 | 272,314 |
| Notes and accounts receivable - trade | 421,798 | 280,727 |
| Short-term investment securities | 63,192 | 63,192 |
| Merchandise and finished goods | 12,140 | 13,960 |
| Work in process | 812 | 28,612 |
| Raw materials | 1,682 | 1,445 |
| Prepaid expenses | 10,589 | 47,397 |
| Other current assets | 5,587 | 7,908 |
| Allowance for doubtful accounts | (100) | (100) |
| Total current assets | 764,870 | 715,459 |
| Noncurrent assets | | |
| Property, plant and equipment | 14,116 | 16,406 |
| Intangible assets | 26,416 | 25,163 |
| Investments and other assets | | |
| Investment securities | 3,500 | 3,500 |
| Long-term prepaid expenses | — | 51,631 |
| Other investments and other assets | 16,597 | 16,683 |
| Allowance for doubtful accounts | (1,850) | (1,850) |
| Total investments and other assets | 18,247 | 69,964 |
| Total noncurrent assets | 58,781 | 111,533 |
| Total assets | 823,651 | 826,993 |

(Thousands of yen)

| | FY2015 selected data (As of Mar. 31, 2016) | 1Q of FY2016 (As of Jun. 30, 2016) |
|---|---|---------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 52,324 | 26,966 |
| Income taxes payable | 9,694 | 2,781 |
| Unearned revenue | 19,308 | 71,232 |
| Provision for bonuses | 44,923 | 21,600 |
| Provision for product warranties | 11,402 | 10,201 |
| Other current liabilities | 35,608 | 44,176 |
| Total current liabilities | 173,262 | 176,959 |
| Noncurrent liabilities | | |
| Long-term unearned revenue | 2,325 | 73,889 |
| Provision for retirement benefits | 2,998 | 2,998 |
| Other long-term liabilities | 9,116 | 8,644 |
| Total noncurrent liabilities | 14,440 | 85,533 |
| Total liabilities | 187,703 | 262,492 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,202,036 | 1,202,036 |
| Capital surplus | 81,886 | 81,886 |
| Retained earnings | (647,924) | (719,330) |
| Treasury shares | (49) | (91) |
| Total shareholders' equity | 635,948 | 564,500 |
| Total net assets | 635,948 | 564,500 |
| Total liabilities and net assets | 823,651 | 826,993 |

(2) Statements of Income

(Thousands of yen)

| | 1Q of FY2015 (Apr. 1, 2015 – Jun. 30, 2015) | 1Q of FY2016 (Apr. 1, 2016 – Jun. 30, 2016) |
|------------------------------|--|--|
| Net sales | 185,591 | 128,813 |
| Cost of sales | 76,562 | 65,179 |
| Gross profit | 109,029 | 63,634 |
| SG&A expenses | 127,101 | 133,453 |
| Operating loss | (18,072) | (69,819) |
| Non-operating income | | |
| Interest income | 6 | 0 |
| Commission fee | 27 | 27 |
| Other | 0 | 2 |
| Total non-operating income | 33 | 30 |
| Non-operating expenses | | |
| Interest expenses | 22 | 19 |
| Foreign exchange losses | 25 | 627 |
| Total non-operating expenses | 47 | 646 |
| Ordinary loss | (18,086) | (70,435) |
| Net loss before income taxes | (18,086) | (70,435) |
| Income taxes –current | 984 | 984 |
| Income taxes-deferred | (19) | (13) |
| Total income taxes | 965 | 971 |
| Net loss | (19,051) | (71,406) |