

Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2014

Company name:	Zuken Elmic, Inc.	Listing:	TSE Mothers Market
Stock code:	4770	URL:	http://www.elwsc.co.jp/
President:	Joe Asakura		
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Scheduled date of Annual General Meeting of Shareholders :	June 25, 2014		
Scheduled date of filing of Quarterly Report	: June 25, 2014		
Scheduled date of payment of dividend	: —		

(1) Balance Sheets

	(Thousands of yen)	
	FY2012 (As of Mar. 31, 2013)	FY2013 (As of Mar. 31, 2014)
Assets		
Current assets		
Cash and deposits	304,650	296,293
Notes receivable-trade	45,941	30,076
Accounts receivable - trade	373,050	273,758
Short-term investment securities	63,115	63,150
Merchandise and finished goods	14,172	12,061
Work in process	16,553	5,994
Raw materials	930	539
Prepaid expenses	19,272	54,079
Accounts receivable - other	2,936	34
Other current assets	1,554	1,915
Allowance for doubtful accounts	(443)	(240)
Total current assets	841,735	737,663
Noncurrent assets		
Property, plant and equipment		
Buildings	23,447	23,037
Accumulated depreciation	(14,191)	(16,152)
Buildings, net	9,256	6,885
Tools, furniture and fixtures	126,704	120,528
Accumulated depreciation	(124,015)	(118,939)
Tools, furniture and fixtures, net	2,688	1,589
Leased assets	—	5,293
Accumulated depreciation	—	(794)
Leased assets, net	—	4,499
Total property, plant and equipment	11,945	12,974

	(Thousands of yen)	
	FY2012 (As of Mar. 31, 2013)	FY2013 (As of Mar. 31, 2014)
Intangible assets		
Right of trademark	709	527
Software	19,551	14,060
Telephone subscription right	5,164	5,164
Total intangible assets	25,425	19,752
Investments and other assets		
Investment securities	13,010	4,631
Real estate for investment	7,780	—
Lease and guarantee deposits	3,867	3,955
Membership	50	530
Long-term prepaid expenses	—	35,638
Claims provable in bankruptcy, claims provable in rehabilitation and other	7,298	2,498
Allowance for doubtful accounts	(6,649)	(1,850)
Total investments and other assets	25,356	45,403
Total noncurrent assets	62,726	78,130
Total assets	904,461	815,794

	(Thousands of yen)	
	FY2012 (As of Mar. 31, 2013)	FY2013 (As of Mar. 31, 2014)
Liabilities		
Current liabilities		
Accounts payable - trade	90,866	50,822
Accounts payable - other	19,605	15,115
Accrued expenses	10,484	2,256
Income taxes payable	6,982	6,874
Accrued consumption taxes	5,904	5,411
Deposits received	8,098	3,881
Unearned revenue	18,634	60,678
Lease obligations	—	1,036
Provision for bonuses	46,440	—
Provision for product warranties	43,439	13,877
Provision for loss on litigation	72,320	—
Asset retirement obligations	—	1,422
Other	800	—
Total current liabilities	323,576	161,377
Noncurrent liabilities		
Long-term accounts payable-other	3,431	3,431
Guarantee deposited	190	—
Long-term unearned revenue	264	49,713
Lease obligations	—	3,490
Deferred tax liabilities	1,149	1,075
Provision for retirement benefits	2,998	2,998
Asset retirement obligations	5,316	4,572
Total noncurrent liabilities	13,349	65,282
Total liabilities	336,926	226,659
Net assets		
Shareholders' equity		
Capital stock	1,202,036	1,202,036
Capital surplus		
Legal capital surplus	81,886	81,886
Total capital surplus	81,886	81,886
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(716,483)	(694,787)
Total retained earnings	(716,483)	(694,787)
Total shareholders' equity	567,438	589,134
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	96	—
Total valuation and translation adjustments	96	—
Total net assets	567,535	589,134
Total liabilities and net assets	904,461	815,794

(2) Statements of Income

(Thousands of yen)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)
Net sales		
Net sales of finished goods	1,459,780	1,266,187
Net sales of goods	50,001	8,964
Total net sales	1,509,782	1,275,151
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	9,812	7,522
Cost of products manufactured	891,679	686,465
Amortization of software	8,363	7,058
Total	909,854	701,046
Transfer to other account	—	408
Ending finished goods	7,522	8,569
Total cost of finished goods sold	902,332	692,068
Cost of goods sold		
Beginning goods	—	6,650
Cost of purchased goods	44,103	6,614
Total	44,103	13,264
Ending goods	6,650	3,492
Total cost of goods sold	37,453	9,772
Total cost of sales	939,786	701,840
Gross profit	569,996	573,311
Selling, general and administrative expenses		
Advertising expenses	16,817	20,276
Promotion expenses	89,333	73,555
Directors' compensations	42,465	41,595
Wages and allowances	153,128	153,254
Welfare expenses	30,096	28,341
Bonuses	15,403	10,687
Provision for bonuses	17,401	—
Traveling and transportation expenses	23,540	25,404
Rent expenses	29,193	28,772
Depreciation	9,177	9,529
Research and development expenses	66,541	41,746
Compensations	27,684	22,811
Training expenses	46,944	50,892
Other expenses	50,234	51,248
Total Selling, general and administrative expenses	617,962	558,115
Operating income (loss)	(47,965)	15,195

	(Thousands of yen)	
	FY2012	FY2013
	(Apr. 1, 2012 – Mar. 31, 2013)	(Apr. 1, 2013 – Mar. 31, 2014)
Non-operating income		
Interest income	107	101
Interest on securities	57	44
Dividends income	300	160
Subsidy income	1,833	—
Reversal of allowance for doubtful accounts	70	771
Interest on refund	723	—
Commission fee	208	198
Others income	1,801	117
Total non-operating income	5,102	1,391
Non-operating expenses		
Interest expenses	—	61
Foreign exchange losses	2,230	1,200
Other expenses	1,329	38
Total non-operating expenses	3,559	1,300
Ordinary income (loss)	(46,423)	15,285
Extraordinary income		
Gain on sales of investment securities	—	1,655
Pay back of Directors' retirement benefits	—	9,670
Gain on sales of real estate for investment	2,981	—
Total extraordinary income	2,981	11,325
Extraordinary loss		
Loss on retirement of noncurrent assets	0	31
Impairment loss	4,321	1,123
Provision for loss on litigation	72,320	—
Total extraordinary losses	76,641	1,154
Income (loss) before income taxes	(120,083)	25,456
Income taxes-current	3,780	3,780
Income taxes-deferred	(110)	(19)
Total income taxes	3,669	3,760
Net income (loss)	(123,752)	21,696

Manufacturing Statement

	(Thousands of yen)	
	FY2012	FY2013
	(Apr. 1, 2012 – Mar. 31, 2013)	(Apr. 1, 2013 – Mar. 31, 2014)
Materials cost	8,314	3,525
Labor cost	381,914	329,471
Other costs	692,650	521,358
Total manufacturing cost	1,082,878	854,355
Beginning work in process	39,346	16,553
Total	1,122,225	870,908
Ending work in process	16,553	5,994
Transfer to other accounts	213,992	178,448
Cost of goods manufactured for the period	891,679	686,465

(3) Statements of Changes in Net Assets

(Thousands of yen)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)
Shareholders' equity		
Capital stock		
Balance as of Mar.31, 2013	1,202,036	1,202,036
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2014	1,202,036	1,202,036
Capital surplus		
Legal capital surplus		
Balance as of Mar.31, 2013	81,886	81,886
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2014	81,886	81,886
Total capital surplus		
Balance as of Mar.31, 2013	81,886	81,886
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2014	81,886	81,886
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance as of Mar.31, 2013	(592,731)	(716,483)
Changes of items during the period		
Net income (loss)	(123,752)	21,696
Total changes of items during the period	(123,752)	21,696
Balance as of Mar.31, 2014	(716,483)	(694,787)
Total retained earnings		
Balance as of Mar.31, 2013	(592,731)	(716,483)
Changes of items during the period		
Net income (loss)	(123,752)	21,696
Total changes of items during the period	(123,752)	21,696
Balance as of Mar.31, 2014	(716,483)	(694,787)
Total shareholders' equity		
Balance as of Mar.31, 2013	691,191	567,438
Changes of items during the period		
Net income (loss)	(123,752)	21,696
Total changes of items during the period	(123,752)	21,696
Balance as of Mar.31, 2014	567,438	589,134

(Thousands of yen)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance as of Mar.31, 2013	(550)	96
Changes of items during the period		
Net changes of items other than shareholders' equity	646	(96)
Total changes of items during the period	646	(96)
Balance as of Mar.31, 2014	96	—
Total valuation and translation adjustments		
Balance as of Mar.31, 2013	(550)	96
Changes of items during the period		
Net changes of items other than shareholders' equity	646	(96)
Total changes of items during the period	646	(96)
Balance as of Mar.31, 2014	96	—
Net assets		
Balance as of Mar.31, 2013	690,641	567,535
Changes of items during the period		
Net income (loss)	(123,752)	21,696
Net changes of items other than shareholders' equity	646	(96)
Total changes of items during the period	(123,106)	21,599
Balance as of Mar.31, 2014	567,535	589,134

(4) Statements of Cash Flows

(Thousands of yen)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)
Cash provided by (used in) operating activities		
Income (loss) before income taxes	(120,083)	25,456
Depreciation and amortization	21,711	17,201
Impairment loss	4,321	1,123
Increase (decrease) in allowance for doubtful accounts	(70)	(5,003)
Increase (decrease) in provision for bonuses	(4,330)	(46,440)
Increase (decrease) in provision for product warranties	(10,130)	(29,561)
Increase (decrease) in provision for loss on litigation	72,320	(72,320)
Interest expenses	—	61
Interest and dividends income	(465)	(305)
Pay back of Directors' retirement benefits	—	(9,670)
Foreign exchange losses (gains)	(408)	(305)
Loss on retirement of noncurrent assets	0	31
Loss (gain) on sales of real estate for investment	(2,981)	—
Loss (gain) on sales of investment securities	—	(1,655)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	—	4,232
Decrease (increase) in notes and accounts receivable-trade	37,731	115,157
Decrease (increase) in inventories	19,112	13,061
Increase (decrease) in notes and accounts payable-trade	3,910	(41,243)
Decrease (increase) in prepaid expenses	32,661	(70,445)
Increase (decrease) in unearned revenue	(43,668)	91,492
Increase (decrease) in accrued consumption taxes	(19,889)	(492)
Decrease (increase) in other assets	(2,378)	2,178
Increase (decrease) in other liabilities	(6,563)	(16,926)
Other, net	(410)	(18)
Subtotal	(19,611)	(24,391)
Interest and dividends income received	465	305
Interest expenses paid	—	(61)
Interest and pay back of Directors' retirement benefits	—	9,670
Income taxes paid	(3,329)	(3,767)
Net cash provided by (used in) operating activities	(22,474)	(18,246)

(Thousands of yen)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(540)	(408)
Purchase of intangible assets	(7,714)	(6,248)
Proceeds from sales of investment securities	—	9,715
Proceeds from sales of investments in real estates	59,325	6,980
Purchase of memberships	—	(480)
Collection of loans receivable	197	350
Collection of claims provable in bankruptcy, claims provable in rehabilitation	—	567
Proceeds from collection of lease and guarantee deposits	165	50
Payments for lease and guarantee deposits	(247)	(138)
Other, net	579	(2)
Net cash provided by (used in) investing activities	51,765	10,385
Cash provided by (used in) financing activities		
Repayments of lease obligations	—	(766)
Net cash provided by (used in) financing activities	—	(766)
Effect of exchange rate change on cash and cash equivalents	408	305
Net increase (decrease) in cash and cash equivalents	29,698	(8,321)
Cash and cash equivalents at beginning of period	338,067	367,766
Cash and cash equivalents at end of period	367,766	359,444