

Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2015

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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Scheduled date of Annual General Meeting of Shareholders :	June 24, 2015		
Scheduled date of filing of Quarterly Report	: June 24, 2015		
Scheduled date of payment of dividend	: —		

(1) Balance Sheets

	(Thousands of yen)	
	FY2013 (As of Mar. 31, 2014)	FY2014 (As of Mar. 31, 2015)
Assets		
Current assets		
Cash and deposits	296,293	277,466
Notes receivable-trade	30,076	12,949
Accounts receivable - trade	273,758	353,727
Short-term investment securities	63,150	63,176
Merchandise and finished goods	12,061	31,753
Work in process	5,994	1,947
Raw materials	539	619
Prepaid expenses	54,079	53,833
Accounts receivable - other	34	56
Other current assets	1,915	7,137
Allowance for doubtful accounts	(240)	(100)
Total current assets	737,663	802,568
Noncurrent assets		
Property, plant and equipment		
Buildings	23,037	19,359
Accumulated depreciation	(16,152)	(13,812)
Buildings, net	6,885	5,546
Tools, furniture and fixtures	120,528	117,081
Accumulated depreciation	(118,939)	(112,357)
Tools, furniture and fixtures, net	1,589	4,724
Leased assets	5,293	8,078
Accumulated depreciation	(794)	(2,224)
Leased assets, net	4,499	5,854
Total property, plant and equipment	12,974	16,124

	(Thousands of yen)	
	FY2013 (As of Mar. 31, 2014)	FY2014 (As of Mar. 31, 2015)
Intangible assets		
Right of trademark	527	345
Software	14,060	19,524
Telephone subscription right	5,164	5,164
Total intangible assets	19,752	25,034
Investments and other assets		
Investment securities	4,631	4,631
Lease and guarantee deposits	3,955	2,533
Membership	530	530
Long-term loans receivable from employees	—	100
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,498	2,498
Long-term prepaid expenses	35,638	574
Long-term accounts receivable - other	—	11,206
Allowance for doubtful accounts	(1,850)	(1,850)
Total investments and other assets	45,403	20,223
Total noncurrent assets	78,130	61,382
Total assets	815,794	863,951

(Thousands of yen)

	FY2013 (As of Mar. 31, 2014)	FY2014 (As of Mar. 31, 2015)
Liabilities		
Current liabilities		
Accounts payable - trade	50,822	71,390
Accounts payable - other	15,115	10,870
Accrued expenses	2,256	9,255
Income taxes payable	6,874	12,499
Accrued consumption taxes	5,411	20,191
Deposits received	3,881	2,771
Unearned revenue	60,678	65,653
Lease obligations	1,036	1,701
Provision for bonuses	—	45,621
Provision for product warranties	13,877	12,738
Asset retirement obligations	1,422	—
Total current liabilities	161,377	252,694
Noncurrent liabilities		
Long-term accounts payable-other	3,431	—
Long-term unearned revenue	49,713	1,065
Lease obligations	3,490	4,593
Deferred tax liabilities	1,075	816
Provision for retirement benefits	2,998	2,998
Asset retirement obligations	4,572	5,289
Total noncurrent liabilities	65,282	14,762
Total liabilities	226,659	267,457
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	(694,787)	(687,378)
Total retained earnings	(694,787)	(687,378)
Treasury shares	—	(49)
Total shareholders' equity	589,134	596,493
Total net assets	589,134	596,493
Total liabilities and net assets	815,794	863,951

(2) Statements of Income

(Thousands of yen)

	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)
Net sales		
Net sales of finished goods	1,266,187	1,053,357
Net sales of goods	8,964	5,096
Total net sales	1,275,151	1,058,454
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	7,522	8,569
Cost of products manufactured	686,465	489,658
Amortization of software	7,058	8,421
Total	701,046	506,649
Transfer to other account	408	2,885
Ending finished goods	8,569	30,049
Total cost of finished goods sold	692,068	473,714
Cost of goods sold		
Beginning goods	6,650	3,492
Cost of purchased goods	6,614	3,247
Total	13,264	6,739
Ending goods	3,492	1,704
Total cost of goods sold	9,772	5,035
Total cost of sales	701,840	478,749
Gross profit	573,311	579,704
Selling, general and administrative expenses		
Advertising expenses	20,276	14,381
Promotion expenses	73,555	54,582
Directors' compensations	41,595	41,640
Wages and allowances	153,254	136,453
Welfare expenses	28,341	35,000
Bonuses	10,687	15,563
Provision for bonuses	—	18,669
Traveling and transportation expenses	25,404	20,994
Rent expenses	28,772	26,963
Depreciation	9,529	6,672
Research and development expenses	41,746	91,928
Compensations	22,811	19,056
Training expenses	50,892	32,446
Other expenses	51,248	51,159
Total Selling, general and administrative expenses	558,115	565,510
Operating income	15,195	14,194

	(Thousands of yen)	
	FY2013	FY2014
	(Apr. 1, 2013 – Mar. 31, 2014)	(Apr. 1, 2014 – Mar. 31, 2015)
Non-operating income		
Interest income	101	70
Interest on securities	44	32
Dividends income	160	182
Distribution profit	—	441
Reversal of allowance for doubtful accounts	771	140
Commission fee	198	134
Others income	117	116
Total non-operating income	1,391	1,117
Non-operating expenses		
Interest expenses	61	92
Foreign exchange losses	1,200	303
Other expenses	38	—
Total non-operating expenses	1,300	396
Ordinary income	15,285	14,915
Extraordinary income		
Gain on sales of investment securities	1,655	—
Pay back of Directors' retirement benefits	9,670	—
Directors' retirement benefits long-term accounts payable gain on forgiveness of debts	—	1,029
Total extraordinary income	11,325	1,029
Extraordinary loss		
Loss on retirement of noncurrent assets	31	6
Impairment loss	1,123	—
Total extraordinary losses	1,154	6
Income before income taxes	25,456	15,938
Income taxes-current	3,780	8,789
Income taxes-deferred	(19)	(259)
Total income taxes	3,760	8,529
Net income	21,696	7,408

Manufacturing Statement

	(Thousands of yen)	
	FY2013	FY2014
	(Apr. 1, 2013 – Mar. 31, 2014)	(Apr. 1, 2014 – Mar. 31, 2015)
Materials cost	3,525	30,670
Labor cost	329,471	297,525
Other costs	521,358	355,187
Total manufacturing cost	854,355	683,383
Beginning work in process	16,553	5,994
Total	870,908	689,377
Ending work in process	5,994	1,947
Transfer to other accounts	178,448	197,772
Cost of goods manufactured for the period	686,465	489,658

(3) Statements of Changes in Net Assets

(Thousands of yen)

	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)
Shareholders' equity		
Capital stock		
Balance as of Mar.31, 2014	1,202,036	1,202,036
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2015	1,202,036	1,202,036
Capital surplus		
Legal capital surplus		
Balance as of Mar.31, 2014	81,886	81,886
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2015	81,886	81,886
Total capital surplus		
Balance as of Mar.31, 2014	81,886	81,886
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2015	81,886	81,886
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance as of Mar.31, 2014	(716,483)	(694,787)
Changes of items during the period		
Net income	21,696	7,408
Total changes of items during the period	21,696	7,408
Balance as of Mar.31, 2015	(694,787)	(687,378)
Total retained earnings		
Balance as of Mar.31, 2014	(716,483)	(694,787)
Changes of items during the period		
Net income	21,696	7,408
Total changes of items during the period	21,696	7,408
Balance as of Mar.31, 2015	(694,787)	(687,378)
Treasury shares		
Balance as of Mar.31, 2014	—	—
Changes of items during the period		
Purchase of treasury shares	—	(49)
Total changes of items during the period	—	(49)
Balance as of Mar.31, 2015	—	(49)
Total shareholders' equity		
Balance as of Mar.31, 2014	567,438	589,134
Changes of items during the period		
Net income	21,696	7,408
Purchase of treasury shares	—	(49)
Total changes of items during the period	21,696	7,359
Balance as of Mar.31, 2015	589,134	596,493

(Thousands of yen)

	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance as of Mar.31, 2014	96	—
Changes of items during the period		
Net changes of items other than shareholders' equity	(96)	—
Total changes of items during the period	(96)	—
Balance as of Mar.31, 2015	—	—
Total valuation and translation adjustments		
Balance as of Mar.31, 2014	96	—
Changes of items during the period		
Net changes of items other than shareholders' equity	(96)	—
Total changes of items during the period	(96)	—
Balance as of Mar.31, 2015	—	—
Net assets		
Balance as of Mar.31, 2014	567,535	589,134
Changes of items during the period		
Net income	21,696	7,408
Purchase of treasury shares	—	(49)
Net changes of items other than shareholders' equity	(96)	—
Total changes of items during the period	21,599	7,359
Balance as of Mar.31, 2015	589,134	596,493

(4) Statements of Cash Flows

(Thousands of yen)

	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)
Cash provided by (used in) operating activities		
Income before income taxes	25,456	15,938
Depreciation and amortization	17,201	16,149
Impairment loss	1,123	—
Increase (decrease) in allowance for doubtful accounts	(5,003)	(140)
Increase (decrease) in provision for bonuses	(46,440)	45,621
Increase (decrease) in provision for product warranties	(29,561)	(1,139)
Increase (decrease) in provision for loss on litigation	(72,320)	—
Interest and dividends income	(305)	(285)
Distribution profit	—	(441)
Interest expenses	61	92
Foreign exchange losses (gains)	(305)	(593)
Loss on retirement of noncurrent assets	31	6
Loss (gain) on sales of investment securities	(1,655)	—
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	4,232	—
Pay back of Directors' retirement benefits	(9,670)	—
Directors' retirement benefits long-term accounts payable gain on forgiveness of debts	—	(1,029)
Decrease (increase) in notes and accounts receivable-trade	115,157	(74,048)
Decrease (increase) in inventories	13,061	(15,725)
Increase (decrease) in notes and accounts payable-trade	(41,243)	21,285
Decrease (increase) in prepaid expenses	(70,445)	35,309
Increase (decrease) in unearned revenue	91,492	(43,673)
Increase (decrease) in accrued consumption taxes	(492)	14,780
Decrease (increase) in other assets	2,178	(4,961)
Increase (decrease) in other liabilities	(16,926)	348
Other, net	(18)	428
Subtotal	(24,391)	7,920
Interest and dividends income received	305	285
Distribution received	—	441
Interest expenses paid	(61)	(92)
Interest and pay back of Directors' retirement benefits	9,670	—
Income taxes paid	(3,767)	(3,801)
Net cash provided by (used in) operating activities	(18,246)	4,753

(Thousands of yen)

	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(408)	(4,315)
Purchase of intangible assets	(6,248)	(17,598)
Proceeds from sales of investment securities	9,715	—
Proceeds from sales of investments in real estates	6,980	—
Purchase of memberships	(480)	—
Payments of loans receivable	—	(800)
Collection of loans receivable	350	439
Collection of claims provable in bankruptcy, claims provable in rehabilitation	567	—
Proceeds from collection of lease and guarantee deposits	50	3,042
Payments for lease and guarantee deposits	(138)	(1,620)
Payments for asset retirement obligations	—	(1,850)
Other, net	(2)	—
Net cash provided by (used in) investing activities	10,385	(22,701)
Cash provided by (used in) financing activities		
Purchase of treasury shares	—	(49)
Repayments of lease obligations	(766)	(1,396)
Net cash provided by (used in) financing activities	(766)	(1,446)
Effect of exchange rate change on cash and cash equivalents	305	593
Net increase (decrease) in cash and cash equivalents	(8,321)	(18,800)
Cash and cash equivalents at beginning of period	367,766	359,444
Cash and cash equivalents at end of period	359,444	340,643