

Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2016

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, 2016		
Scheduled date of filing of Quarterly Report	: June 24, 2016		
Scheduled date of payment of dividend	: —		

(1) Balance Sheets

	(Thousands of yen)	
	FY2014 (As of Mar. 31, 2015)	FY2015 (As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	277,466	249,167
Notes receivable-trade	12,949	31,209
Accounts receivable - trade	353,727	390,588
Short-term investment securities	63,176	63,192
Merchandise and finished goods	31,753	12,140
Work in process	1,947	812
Raw materials	619	1,682
Prepaid expenses	53,833	10,589
Accounts receivable - other	56	13
Other current assets	7,137	5,573
Allowance for doubtful accounts	(100)	(100)
Total current assets	802,568	764,870
Noncurrent assets		
Property, plant and equipment		
Buildings	19,359	18,963
Accumulated depreciation	(13,812)	(14,824)
Buildings, net	5,546	4,138
Tools, furniture and fixtures	117,081	86,715
Accumulated depreciation	(112,357)	(81,763)
Tools, furniture and fixtures, net	4,724	4,952
Leased assets	8,078	9,004
Accumulated depreciation	(2,224)	(3,978)
Leased assets, net	5,854	5,025
Total property, plant and equipment	16,124	14,116

	(Thousands of yen)	
	FY2014 (As of Mar. 31, 2015)	FY2015 (As of Mar. 31, 2016)
Intangible assets		
Right of trademark	345	164
Software	19,524	21,088
Telephone subscription right	5,164	5,164
Total intangible assets	25,034	26,416
Investments and other assets		
Investment securities	4,631	3,500
Lease and guarantee deposits	2,533	2,363
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	574	—
Long-term accounts receivable - other	11,206	11,206
Allowance for doubtful accounts	(1,850)	(1,850)
Total investments and other assets	20,223	18,247
Total noncurrent assets	61,382	58,781
Total assets	863,951	823,651

	(Thousands of yen)	
	FY2014 (As of Mar. 31, 2015)	FY2015 (As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	71,390	52,324
Accounts payable - other	10,870	9,410
Accrued expenses	9,255	8,965
Income taxes payable	12,499	9,694
Accrued consumption taxes	20,191	12,809
Deposits received	2,771	2,498
Unearned revenue	65,653	19,308
Lease obligations	1,701	1,924
Provision for bonuses	45,621	44,923
Provision for product warranties	12,738	11,402
Total current liabilities	252,694	173,262
Noncurrent liabilities		
Long-term unearned revenue	1,065	2,325
Lease obligations	4,593	3,526
Deferred tax liabilities	816	584
Provision for retirement benefits	2,998	2,998
Asset retirement obligations	5,289	5,005
Total noncurrent liabilities	14,762	14,440
Total liabilities	267,457	187,703
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	(687,378)	(647,924)
Total retained earnings	(687,378)	(647,924)
Treasury shares	(49)	(49)
Total shareholders' equity	596,493	635,948
Total net assets	596,493	635,948
Total liabilities and net assets	863,951	823,651

(2) Statements of Income

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales		
Net sales of finished goods	1,053,357	1,082,446
Net sales of goods	5,096	20,496
Total net sales	1,058,454	1,102,942
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	8,569	30,049
Cost of products manufactured	489,658	538,624
Amortization of software	8,421	11,308
Total	506,649	579,982
Transfer to other account	2,885	2,213
Ending finished goods	30,049	12,119
Total cost of finished goods sold	473,714	565,649
Cost of goods sold		
Beginning goods	3,492	1,704
Cost of purchased goods	3,247	12,092
Total	6,739	13,796
Ending goods	1,704	20
Total cost of goods sold	5,035	13,775
Total cost of sales	478,749	579,425
Gross profit	579,704	523,517
Selling, general and administrative expenses		
Advertising expenses	14,381	18,447
Promotion expenses	54,582	40,304
Directors' compensations	41,640	42,675
Wages and allowances	136,453	139,186
Welfare expenses	35,000	33,912
Bonuses	15,563	20,187
Provision for bonuses	18,669	18,071
Traveling and transportation expenses	20,994	20,535
Rent expenses	26,963	26,144
Depreciation	6,672	6,169
Research and development expenses	91,928	23,800
Compensations	19,056	20,381
Training expenses	32,446	37,210
Other expenses	51,159	46,096
Total Selling, general and administrative expenses	565,510	493,123
Operating income	14,194	30,393

	(Thousands of yen)	
	FY2014	FY2015
	(Apr. 1, 2014 – Mar. 31, 2015)	(Apr. 1, 2015 – Mar. 31, 2016)
Non-operating income		
Interest income	70	58
Interest on securities	32	19
Dividends income	182	—
Distribution profit	441	—
Subsidy income	—	1,577
Reversal of allowance for doubtful accounts	140	—
Commission fee	134	116
Others income	116	23
Total non-operating income	1,117	1,795
Non-operating expenses		
Interest expenses	92	91
Foreign exchange losses	303	179
Commission fee	—	114
Total non-operating expenses	396	385
Ordinary income	14,915	31,803
Extraordinary income		
Gain on sales of investment securities	—	16,932
Directors' retirement benefits long-term accounts payable gain on forgiveness of debts	1,029	—
Total extraordinary income	1,029	16,932
Extraordinary loss		
Loss on retirement of noncurrent assets	6	0
Total extraordinary losses	6	0
Income before income taxes	15,938	48,735
Income taxes-current	8,789	9,513
Income taxes-deferred	(259)	(231)
Total income taxes	8,529	9,281
Net income	7,408	39,454

Manufacturing Statement

	(Thousands of yen)	
	FY2014	FY2015
	(Apr. 1, 2014 – Mar. 31, 2015)	(Apr. 1, 2015 – Mar. 31, 2016)
Materials cost	30,670	1,773
Labor cost	297,525	282,306
Other costs	355,187	370,422
Total manufacturing cost	683,383	654,502
Beginning work in process	5,994	1,947
Total	689,377	656,450
Ending work in process	1,947	812
Transfer to other accounts	197,772	117,013
Cost of goods manufactured for the period	489,658	538,624

(3) Statements of Changes in Net Assets

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Shareholders' equity		
Capital stock		
Balance as of Mar.31, 2015	1,202,036	1,202,036
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2016	1,202,036	1,202,036
Capital surplus		
Legal capital surplus		
Balance as of Mar.31, 2015	81,886	81,886
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2016	81,886	81,886
Total capital surplus		
Balance as of Mar.31, 2015	81,886	81,886
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2016	81,886	81,886
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance as of Mar.31, 2015	(694,787)	(687,378)
Changes of items during the period		
Net income	7,408	39,454
Total changes of items during the period	7,408	39,454
Balance as of Mar.31, 2016	(687,378)	(647,924)
Total retained earnings		
Balance as of Mar.31, 2015	(694,787)	(687,378)
Changes of items during the period		
Net income	7,408	39,454
Total changes of items during the period	7,408	39,454
Balance as of Mar.31, 2016	(687,378)	(647,924)
Treasury shares		
Balance as of Mar.31, 2015	—	(49)
Changes of items during the period		
Purchase of treasury shares	(49)	—
Total changes of items during the period	(49)	—
Balance as of Mar.31, 2016	(49)	(49)
Total shareholders' equity		
Balance as of Mar.31, 2015	589,134	596,493
Changes of items during the period		
Net income	7,408	39,454
Purchase of treasury shares	(49)	—
Total changes of items during the period	7,359	39,454
Balance as of Mar.31, 2016	596,493	635,948

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Net assets		
Balance as of Mar.31, 2015	589,134	596,493
Changes of items during the period		
Net income	7,408	39,454
Purchase of treasury shares	(49)	—
Total changes of items during the period	7,359	39,454
Balance as of Mar.31, 2016	596,493	635,948

(4) Statements of Cash Flows

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Cash provided by (used in) operating activities		
Income before income taxes	15,938	48,735
Depreciation and amortization	16,149	18,509
Increase (decrease) in allowance for doubtful accounts	(140)	—
Increase (decrease) in provision for bonuses	45,621	(697)
Increase (decrease) in provision for product warranties	(1,139)	(1,336)
Interest and dividends income	(285)	(77)
Distribution profit	(441)	—
Interest expenses	92	91
Foreign exchange losses (gains)	(593)	46
Subsidy income	—	(1,577)
Loss on retirement of noncurrent assets	6	0
Loss (gain) on sales of investment securities	—	(16,932)
Directors' retirement benefits long-term accounts payable gain on forgiveness of debts	(1,029)	—
Decrease (increase) in notes and accounts receivable-trade	(74,048)	(55,121)
Decrease (increase) in inventories	(15,725)	19,685
Increase (decrease) in notes and accounts payable-trade	21,285	(18,582)
Decrease (increase) in prepaid expenses	35,309	43,818
Increase (decrease) in unearned revenue	(43,673)	(45,083)
Increase (decrease) in accrued consumption taxes	14,780	(7,381)
Decrease (increase) in other assets	(4,961)	1,263
Increase (decrease) in other liabilities	348	(1,215)
Other, net	428	—
Subtotal	7,920	(15,854)
Interest and dividends income received	285	77
Distribution received	441	—
Proceeds from subsidy income	—	1,577
Interest expenses paid	(92)	(91)
Income taxes paid	(3,801)	(13,007)
Net cash provided by (used in) operating activities	4,753	(27,298)

(Thousands of yen)

	FY2014 (Apr. 1, 2014 – Mar. 31, 2015)	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(4,315)	(3,080)
Purchase of intangible assets	(17,598)	(14,756)
Proceeds from sales of investment securities	—	18,063
Payments of loans receivable	(800)	—
Collection of loans receivable	439	399
Proceeds from collection of lease and guarantee deposits	3,042	288
Payments for lease and guarantee deposits	(1,620)	(118)
Payments for asset retirement obligations	(1,850)	—
Net cash provided by (used in) investing activities	(22,701)	795
Cash provided by (used in) financing activities		
Purchase of treasury shares	(49)	—
Repayments of lease obligations	(1,396)	(1,734)
Net cash provided by (used in) financing activities	(1,446)	(1,734)
Effect of exchange rate change on cash and cash equivalents	593	(46)
Net increase (decrease) in cash and cash equivalents	(18,800)	(28,283)
Cash and cash equivalents at beginning of period	359,444	340,643
Cash and cash equivalents at end of period	340,643	312,360