

**Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2017**

Company name:	Zuken Elmic, Inc.	Listing:	TSE Second(2nd) Section
Stock code:	4770	URL:	<a href="http://www.elwsc.co.jp/">http://www.elwsc.co.jp/</a>
President:	Joe Asakura		
Contact:	Shinichi Eguchi, Director, Administration	Telephone:	+81-(0)-45-624-8111
Scheduled date of Annual General Meeting of Shareholders :	June 27, 2017		
Scheduled date of filing of Quarterly Report	: June 27, 2017		
Scheduled date of payment of dividend	: —		

**(1) Balance Sheets**

	(Thousands of yen)	
	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	249,167	290,257
Notes receivable-trade	31,209	13,754
Electronically recorded monetary claims - operating	—	8,787
Accounts receivable - trade	390,588	332,829
Short-term investment securities	63,192	—
Merchandise and finished goods	12,140	6,782
Work in process	812	14,071
Raw materials	1,682	1,070
Prepaid expenses	10,589	38,796
Accounts receivable - other	13	7,771
Other current assets	5,573	2,159
Allowance for doubtful accounts	(100)	(100)
<b>Total current assets</b>	<b>764,870</b>	<b>716,182</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings	18,963	18,963
Accumulated depreciation	(14,824)	(15,750)
Buildings, net	4,138	3,212
Tools, furniture and fixtures	86,715	62,348
Accumulated depreciation	(81,763)	(57,051)
Tools, furniture and fixtures, net	4,952	5,296
Leased assets	9,004	9,419
Accumulated depreciation	(3,978)	(5,827)
Leased assets, net	5,025	3,591
<b>Total property, plant and equipment</b>	<b>14,116</b>	<b>12,100</b>

	(Thousands of yen)	
	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)
Intangible assets		
Right of trademark	164	44
Software	21,088	15,283
Telephone subscription right	5,164	5,164
Total intangible assets	26,418	20,492
Investments and other assets		
Investment securities	3,500	3,500
Lease and guarantee deposits	2,363	2,221
Membership	530	530
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,498	2,498
Long-term prepaid expenses	—	29,697
Long-term accounts receivable - other	11,206	—
Allowance for doubtful accounts	(1,850)	(1,850)
Total investments and other assets	18,247	36,597
Total noncurrent assets	58,781	69,190
Total assets	823,651	785,373

	(Thousands of yen)	
	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	52,324	48,642
Accounts payable - other	9,410	8,090
Accrued expenses	8,965	6,706
Income taxes payable	9,694	3,181
Accrued consumption taxes	12,809	6,078
Deposits received	2,498	2,455
Unearned revenue	19,308	60,233
Lease obligations	1,924	2,041
Provision for bonuses	44,923	34,578
Provision for product warranties	11,402	9,047
<b>Total current liabilities</b>	<b>173,262</b>	<b>181,056</b>
<b>Noncurrent liabilities</b>		
Long-term unearned revenue	2,325	41,497
Lease obligations	3,526	1,883
Deferred tax liabilities	584	527
Provision for retirement benefits	2,998	2,729
Asset retirement obligations	5,005	5,114
<b>Total noncurrent liabilities</b>	<b>14,440</b>	<b>51,753</b>
<b>Total liabilities</b>	<b>187,703</b>	<b>232,809</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,202,036	500,000
<b>Capital surplus</b>		
Legal capital surplus	81,886	81,886
Other capital surplus	—	54,111
<b>Total capital surplus</b>	<b>81,886</b>	<b>135,998</b>
<b>Retained earnings</b>		
<b>Other retained earnings</b>		
Retained earnings brought forward	(647,924)	(83,343)
<b>Total retained earnings</b>	<b>(647,924)</b>	<b>(83,343)</b>
Treasury shares	(49)	(91)
<b>Total shareholders' equity</b>	<b>635,948</b>	<b>552,563</b>
<b>Total net assets</b>	<b>635,948</b>	<b>552,563</b>
<b>Total liabilities and net assets</b>	<b>823,651</b>	<b>785,373</b>

**(2) Statements of Income**

(Thousands of yen)

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales		
Net sales of finished goods	1,082,446	882,133
Net sales of goods	20,496	2,068
Total net sales	1,102,942	884,201
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	30,049	12,119
Cost of products manufactured	538,624	386,669
Amortization of software	11,308	8,638
Total	579,982	407,426
Transfer to other account	2,213	—
Ending finished goods	12,119	6,782
Total cost of finished goods sold	565,649	400,644
Cost of goods sold		
Beginning goods	1,704	20
Cost of purchased goods	12,092	1,257
Total	13,796	1,278
Ending goods	20	0
Total cost of goods sold	13,775	1,278
Total cost of sales	579,425	401,923
Gross profit	523,517	482,278
Selling, general and administrative expenses		
Advertising expenses	18,447	11,306
Promotion expenses	40,304	36,900
Directors' compensations	42,675	42,285
Wages and allowances	139,186	135,751
Welfare expenses	33,912	31,469
Bonuses	20,187	15,331
Provision for bonuses	18,071	17,746
Traveling and transportation expenses	20,535	21,857
Rent expenses	26,144	25,698
Depreciation	6,169	6,903
Research and development expenses	23,800	43,286
Compensations	20,381	19,912
Training expenses	37,210	20,352
Other expenses	46,096	39,791
Total Selling, general and administrative expenses	493,123	468,592
Operating profit	30,393	13,685

	(Thousands of yen)	
	FY2015	FY2016
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Non-operating income		
Interest income	58	8
Interest on securities	19	0
Subsidy income	1,577	—
Commission fee	116	108
Others income	23	13
Total non-operating income	1,795	130
Non-operating expenses		
Interest expenses	91	70
Foreign exchange losses	179	694
Commission fee	114	8
Total non-operating expenses	385	773
Ordinary profit (loss)	31,803	13,042
Extraordinary income		
Gain on sales of investment securities	16,932	319
Total extraordinary income	16,932	319
Extraordinary loss		
Loss on retirement of noncurrent assets	0	101
Special retirement expenses	—	3,570
Loss on litigation	—	89,154
Total extraordinary losses	0	92,825
Profit (loss) before income taxes	48,735	(79,462)
Income taxes-current	9,513	3,937
Income taxes-deferred	(231)	(56)
Total income taxes	9,281	3,880
Net profit (loss)	39,454	(83,343)

### Manufacturing Statement

	(Thousands of yen)	
	FY2015	FY2016
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Materials cost	1,773	7,504
Labor cost	282,306	217,643
Other costs	370,422	280,064
Total manufacturing cost	654,502	505,213
Beginning work in process	1,947	812
Total	656,450	506,026
Ending work in process	812	14,071
Transfer to other accounts	117,013	105,284
Cost of goods manufactured for the period	538,624	386,669

**(3) Statements of Changes in Net Assets**

(Thousands of yen)

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Shareholders' equity		
Capital stock		
Balance as of Mar.31, 2016	1,202,036	1,202,036
Changes of items during the period		
Transfer to other capital surplus from capital stock	—	(702,036)
Total changes of items during the period	—	(702,036)
Balance as of Mar.31, 2017	1,202,036	500,000
Capital surplus		
Legal capital surplus		
Balance as of Mar.31, 2016	81,886	81,886
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2017	81,886	81,886
Other capital surplus		
Balance as of Mar.31, 2016	—	—
Changes of items during the period		
Transfer to other capital surplus from capital stock	—	702,036
Deficit disposition	—	(647,924)
Total changes of items during the period	—	54,111
Balance as of Mar.31, 2017	—	54,111
Total capital surplus		
Balance as of Mar.31, 2016	81,886	81,886
Changes of items during the period		
Transfer to other capital surplus from capital stock	—	702,036
Deficit disposition	—	(647,924)
Total changes of items during the period	—	54,111
Balance as of Mar.31, 2017	81,886	135,998
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance as of Mar.31, 2016	(687,378)	(647,924)
Changes of items during the period		
Deficit disposition	—	647,924
Net profit (loss)	39,454	(83,343)
Total changes of items during the period	39,454	564,581
Balance as of Mar.31, 2017	(647,924)	(83,343)
Total retained earnings		
Balance as of Mar.31, 2016	(687,378)	(647,924)
Changes of items during the period		
Deficit disposition	—	647,924
Net profit (loss)	39,454	(83,343)
Total changes of items during the period	39,454	564,581
Balance as of Mar.31, 2017	(647,924)	(83,343)

(Thousands of yen)

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Treasury shares		
Balance as of Mar.31, 2016	(49)	(49)
Changes of items during the period		
Purchase of treasury shares	—	(41)
Total changes of items during the period	—	(41)
Balance as of Mar.31, 2017	(49)	(91)
Total shareholders' equity		
Balance as of Mar.31, 2016	596,493	635,948
Changes of items during the period		
Transfer to other capital surplus from capital stock	—	—
Deficit disposition	—	—
Net profit (loss)	39,454	(83,343)
Purchase of treasury shares	—	(41)
Total changes of items during the period	39,454	(83,384)
Balance as of Mar.31, 2017	635,948	552,563
Net assets		
Balance as of Mar.31, 2016	596,493	635,948
Changes of items during the period		
Transfer to other capital surplus from capital stock	—	—
Deficit disposition	—	—
Net profit (loss)	39,454	(83,343)
Purchase of treasury shares	—	(41)
Total changes of items during the period	39,454	(83,384)
Balance as of Mar.31, 2017	635,948	552,563

**(4) Statements of Cash Flows**

(Thousands of yen)

	FY2015 (Apr. 1, 2015 – Mar. 31, 2016)	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)
Cash provided by (used in) operating activities		
Profit (loss) before income taxes	48,735	(79,462)
Depreciation and amortization	18,509	16,583
Increase (decrease) in provision for bonuses	(697)	(10,345)
Increase (decrease) in provision for retirement benefits	—	(269)
Increase (decrease) in provision for product warranties	(1,336)	(2,354)
Interest and dividends income	(77)	(8)
Interest expenses	91	70
Foreign exchange losses (gains)	46	6
Subsidy income	(1,577)	—
Loss on retirement of noncurrent assets	0	101
Loss (gain) on sales of investment securities	(16,932)	(319)
Loss on litigation	—	89,154
Extra retirement payment	—	3,570
Decrease (increase) in notes and accounts receivable-trade	(55,121)	66,427
Decrease (increase) in inventories	19,685	(7,290)
Increase (decrease) in notes and accounts payable-trade	(18,582)	(3,682)
Decrease (increase) in prepaid expenses	43,818	(57,904)
Increase (decrease) in unearned revenue	(45,083)	80,096
Increase (decrease) in accrued consumption taxes	(7,381)	(6,731)
Decrease (increase) in other assets	1,263	(4,456)
Increase (decrease) in other liabilities	(1,215)	(4,047)
Subtotal	(15,854)	79,135
Interest and dividends income received	77	8
Proceeds from subsidy income	1,577	—
Interest expenses paid	(91)	(70)
Extra retirement payments	—	(3,570)
Payments for loss on litigation	—	(77,947)
Income taxes paid	(13,007)	(9,989)
Net cash provided by (used in) operating activities	(27,298)	(12,433)
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(3,080)	(3,580)
Purchase of intangible assets	(14,756)	(4,748)
Proceeds from sales of investment securities	18,063	320
Collection of loans receivable	399	100
Proceeds from collection of lease and guarantee deposits	288	281
Payments for lease and guarantee deposits	(118)	(139)
Net cash provided by (used in) investing activities	795	(7,766)



(Thousands of yen)

	FY2015	FY2016
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Cash provided by (used in) financing activities		
Purchase of treasury shares	—	(41)
Repayments of lease obligations	(1,734)	(1,854)
Net cash provided by (used in) financing activities	(1,734)	(1,895)
Effect of exchange rate change on cash and cash equivalents	(46)	(6)
Net increase (decrease) in cash and cash equivalents	(28,283)	(22,102)
Cash and cash equivalents at beginning of period	340,643	312,360
Cash and cash equivalents at end of period	312,360	290,257