

**Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2018**

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 26, 2018		
Scheduled date of filing of Quarterly Report	: June 26, 2018		
Scheduled date of payment of dividend	: —		

**(1) Balance Sheets**

	(Thousands of yen)	
	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	290,257	381,833
Notes receivable-trade	13,754	23,581
Electronically recorded monetary claims - operating	8,787	5,970
Accounts receivable - trade	332,829	250,293
Merchandise and finished goods	6,782	4,839
Work in process	14,071	2,787
Raw materials	1,070	560
Prepaid expenses	38,796	36,197
Accounts receivable - other	7,771	647
Other current assets	2,159	1,180
Allowance for doubtful accounts	(100)	(100)
<b>Total current assets</b>	716,182	707,792
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings	18,963	18,398
Accumulated depreciation	(15,750)	(16,448)
Buildings, net	3,212	1,949
Tools, furniture and fixtures	62,348	57,046
Accumulated depreciation	(57,051)	(53,532)
Tools, furniture and fixtures, net	5,296	3,514
Leased assets	9,419	10,013
Accumulated depreciation	(5,827)	(7,823)
Leased assets, net	3,591	2,189
<b>Total property, plant and equipment</b>	12,100	7,654

	(Thousands of yen)	
	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
Intangible assets		
Right of trademark	44	—
Software	15,283	20,732
Software in progress	—	1,459
Leased assets	—	3,079
Telephone subscription right	5,164	5,164
Total intangible assets	20,492	30,436
Investments and other assets		
Investment securities	3,500	3,500
Lease and guarantee deposits	2,221	2,059
Membership	530	530
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,498	2,498
Long-term prepaid expenses	29,697	480
Deferred tax assets	—	21,809
Allowance for doubtful accounts	(1,850)	(1,850)
Total investments and other assets	36,597	29,027
Total noncurrent assets	69,190	67,117
Total assets	785,373	774,909

	(Thousands of yen)	
	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	48,642	30,682
Accounts payable - other	8,090	10,447
Accrued expenses	6,706	6,967
Income taxes payable	3,181	11,950
Accrued consumption taxes	6,078	4,843
Deposits received	2,455	5,586
Unearned revenue	60,233	53,944
Lease obligations	2,041	2,088
Provision for bonuses	34,578	35,944
Provision for product warranties	9,047	7,940
<b>Total current liabilities</b>	<b>181,056</b>	<b>170,396</b>
<b>Noncurrent liabilities</b>		
Long-term unearned revenue	41,497	1,776
Lease obligations	1,883	3,679
Deferred tax liabilities	527	—
Provision for retirement benefits	2,729	2,729
Asset retirement obligations	5,114	4,872
<b>Total noncurrent liabilities</b>	<b>51,753</b>	<b>13,058</b>
<b>Total liabilities</b>	<b>232,809</b>	<b>183,454</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	500,000	500,000
<b>Capital surplus</b>		
Legal capital surplus	81,886	81,886
Other capital surplus	54,111	54,111
<b>Total capital surplus</b>	<b>135,998</b>	<b>135,998</b>
<b>Retained earnings</b>		
Other retained earnings		
Retained earnings brought forward	(83,343)	(44,452)
<b>Total retained earnings</b>	<b>(83,343)</b>	<b>(44,452)</b>
Treasury shares	(91)	(91)
<b>Total shareholders' equity</b>	<b>552,563</b>	<b>591,454</b>
<b>Total net assets</b>	<b>552,563</b>	<b>591,454</b>
<b>Total liabilities and net assets</b>	<b>785,373</b>	<b>774,909</b>

**(2) Statements of Income**

(Thousands of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales		
Net sales of finished goods	882,133	831,546
Net sales of goods	2,068	2,803
Total net sales	884,201	834,350
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	12,119	6,782
Cost of products manufactured	386,669	411,895
Amortization of software	8,638	10,310
Total	407,426	428,988
Ending finished goods	6,782	4,839
Total cost of finished goods sold	400,644	424,149
Cost of goods sold		
Beginning goods	20	0
Cost of purchased goods	1,257	1,896
Total	1,278	1,896
Ending goods	0	0
Total cost of goods sold	1,278	1,896
Total cost of sales	401,923	426,045
Gross profit	482,278	408,304
Selling, general and administrative expenses		
Advertising expenses	11,306	11,285
Promotion expenses	36,900	46,758
Directors' compensations	42,285	40,740
Wages and allowances	135,751	95,667
Welfare expenses	31,469	25,402
Bonuses	15,331	10,109
Provision for bonuses	17,746	14,203
Traveling and transportation expenses	21,857	13,826
Rent expenses	25,698	20,888
Depreciation	6,903	3,713
Research and development expenses	43,286	28,642
Compensations	19,912	17,077
Training expenses	20,352	20,914
Other expenses	39,791	36,430
Total Selling, general and administrative expenses	468,592	385,661
Operating profit	13,685	22,643

	(Thousands of yen)	
	FY2016	FY2017
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Non-operating income		
Interest income	8	7
Interest on securities	0	—
Commission fee	108	228
Others income	13	32
Total non-operating income	130	268
Non-operating expenses		
Interest expenses	70	85
Foreign exchange losses	694	94
Commission fee	8	—
Total non-operating expenses	773	179
Ordinary profit (loss)	13,042	22,731
Extraordinary income		
Gain on sales of investment securities	319	—
Total extraordinary income	319	—
Extraordinary loss		
Loss on retirement of noncurrent assets	101	58
Special retirement expenses	3,570	—
Loss on litigation	89,154	—
Total extraordinary losses	92,825	58
Profit (loss) before income taxes	(79,462)	22,673
Income taxes-current	3,937	6,119
Income taxes-deferred	(56)	(22,337)
Total income taxes	3,880	(16,217)
Net profit (loss)	(83,343)	38,890

### Manufacturing Statement

	(Thousands of yen)	
	FY2016	FY2017
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Materials cost	7,504	3,164
Labor cost	217,643	223,876
Other costs	280,064	290,090
Total manufacturing cost	505,213	517,131
Beginning work in process	812	14,071
Total	506,026	531,203
Ending work in process	14,071	2,787
Transfer to other accounts	105,284	116,521
Cost of goods manufactured for the period	386,669	411,895

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

(Thousands of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Shareholders' equity		
Capital stock		
Balance at beginning of current period	1,202,036	500,000
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 at end of current period	500,000	500,000
Capital surplus		
Legal capital surplus		
Balance at beginning of current period	81,886	81,886
Changes of items during the period		
Total changes of items during the period	—	—
Balance at end of current period	81,886	81,886
Other capital surplus		
Balance at beginning of current period	—	54,111
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 at end of current period	54,111	54,111
Total capital surplus		
Balance at beginning of current period	81,886	135,998
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 at end of current period	135,998	135,998
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at beginning of current period	(687,378)	(83,343)
Changes of items during the period		
Deficit disposition	647,924	—
Net profit (loss)	(83,343)	38,890
Total changes of items during the period	564,581	38,890
Balance at end of current period	(83,343)	(44,452)
Total retained earnings		
Balance at beginning of current period	(687,378)	(83,343)
Changes of items during the period		
Deficit disposition	647,924	—
Net profit (loss)	(83,343)	38,890
Total changes of items during the period	564,581	38,890
Balance at end of current period	(83,343)	(44,452)

(Thousands of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
<b>Treasury shares</b>		
Balance at beginning of current period	(49)	(91)
Changes of items during the period		
Purchase of treasury shares	(41)	—
Total changes of items during the period	(41)	—
Balance at end of current period	(91)	(91)
<b>Total shareholders' equity</b>		
Balance at beginning of current period	635,948	552,563
Changes of items during the period		
Transfer to other capital surplus from capital stock	—	—
Deficit disposition	—	—
Net profit (loss)	(83,343)	38,890
Purchase of treasury shares	(41)	—
Total changes of items during the period	(83,384)	38,890
Balance at end of current period	552,563	591,454
<b>Net assets</b>		
Balance at beginning of current period	635,948	552,563
Changes of items during the period		
Transfer to other capital surplus from capital stock	—	—
Deficit disposition	—	—
Net profit (loss)	(83,343)	38,890
Purchase of treasury shares	(41)	—
Total changes of items during the period	(83,384)	38,890
Balance at end of current period	552,563	591,454

**(4) Statements of Cash Flows**

(Thousands of yen)

	FY2016 (Apr. 1, 2016 – Mar. 31, 2017)	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)
Cash provided by (used in) operating activities		
Profit (loss) before income taxes	(79,462)	22,673
Depreciation and amortization	16,583	17,726
Increase (decrease) in provision for bonuses	(10,345)	1,365
Increase (decrease) in provision for retirement benefits	(269)	—
Increase (decrease) in provision for product warranties	(2,354)	(1,106)
Interest and dividends income	(8)	(7)
Interest expenses	70	85
Foreign exchange losses (gains)	6	85
Loss on retirement of noncurrent assets	101	58
Loss (gain) on sales of investment securities	(319)	—
Loss on litigation	89,154	—
Extra retirement payment	3,570	—
Decrease (increase) in notes and accounts receivable-trade	66,427	75,525
Decrease (increase) in inventories	(7,290)	13,737
Increase (decrease) in notes and accounts payable-trade	(3,682)	(17,959)
Decrease (increase) in prepaid expenses	(57,904)	31,816
Increase (decrease) in unearned revenue	80,096	(46,009)
Increase (decrease) in accrued consumption taxes	(6,731)	(1,234)
Decrease (increase) in other assets	(4,456)	8,451
Increase (decrease) in other liabilities	(4,047)	7,681
Subtotal	79,135	112,891
Interest and dividends income received	8	7
Interest expenses paid	(70)	(85)
Extra retirement payments	(3,570)	—
Payments for loss on litigation	(77,947)	—
Income taxes (paid) refund	(9,989)	812
Net cash provided by (used in) operating activities	(12,433)	113,624
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(3,580)	(518)
Purchase of intangible assets	(4,748)	(19,137)
Proceeds from sales of investment securities	320	—
Collection of loans receivable	100	—
Other, net	(139)	162
Net cash provided by (used in) investing activities	(7,766)	(19,493)



(Thousands of yen)

	FY2016	FY2017
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Cash provided by (used in) financing activities		
Purchase of treasury shares	(41)	—
Repayments of lease obligations	(1,854)	(2,468)
Net cash provided by (used in) financing activities	(1,895)	(2,468)
Effect of exchange rate change on cash and cash equivalents	(6)	(85)
Net increase (decrease) in cash and cash equivalents	(22,102)	91,576
Cash and cash equivalents at beginning of period	312,360	290,257
Cash and cash equivalents at end of period	290,257	381,833