

Non-consolidated Financial Statements
for the First Half of the Fiscal Year Ending March 31, 2014

Company name:	Zuken Elmic, Inc.	Listing:	TSE Mothers Market
Stock code:	4770	URL:	http://www.elwsc.co.jp/
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(1) Balance Sheets

(Thousands of yen)

	FY2012 selected data (As of Mar. 31, 2013)	First half of FY2013 (As of Sep. 30, 2013)
Assets		
Current assets		
Cash and deposits	304,650	320,259
Notes and accounts receivable - trade	418,992	258,909
Short-term investment securities	63,115	63,132
Merchandise and finished goods	14,172	9,400
Work in process	16,553	17,812
Raw materials	930	331
Prepaid expenses	19,272	79,762
Other current assets	4,491	1,143
Allowance for doubtful accounts	(443)	(443)
Total current assets	841,735	750,308
Noncurrent assets		
Property, plant and equipment	11,945	15,506
Intangible assets	25,425	22,665
Investments and other assets		
Investment securities	13,010	4,800
Long-term prepaid expenses	—	53,074
Other investments and other assets	18,996	11,266
Allowance for doubtful accounts	(6,649)	(6,649)
Total investments and other assets	25,356	62,490
Total noncurrent assets	62,726	100,662
Total assets	904,461	850,971

(Thousands of yen)

	FY2012 selected data (As of Mar. 31, 2013)	First half of FY2013 (As of Sep. 30, 2013)
Liabilities		
Current liabilities		
Accounts payable - trade	90,866	53,857
Income taxes payable	6,982	4,653
Unearned revenue	18,634	79,605
Provision for bonuses	46,440	35,468
Provision for product warranties	43,439	21,214
Provision for loss on order received	—	9
Provision for loss on litigation	72,320	—
Other current liabilities	44,892	32,488
Total current liabilities	323,576	227,295
Noncurrent liabilities		
Long-term accounts payable-other	3,431	3,431
Long-term unearned revenue	264	73,234
Provision for retirement benefits	2,998	2,998
Other long-term liabilities	6,655	10,639
Total noncurrent liabilities	13,349	90,303
Total liabilities	336,926	317,599
Net assets		
Shareholders' equity		
Capital stock	1,202,036	1,202,036
Capital surplus	81,886	81,886
Retained earnings	(716,483)	(750,550)
Total shareholders' equity	567,438	533,372
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	96	—
Total valuation and translation adjustments	96	—
Total net assets	567,535	533,372
Total liabilities and net assets	904,461	850,971

(2) Statements of Income
(For the Six-month Period)

(Thousands of yen)

	First half of FY2012 (Apr. 1, 2012 – Sep. 30, 2012)	First half of FY2013 (Apr. 1, 2013 – Sep. 30, 2013)
Net sales	688,035	629,353
Cost of sales	403,322	375,737
Gross profit	284,713	253,616
SG&A expenses	319,787	296,808
Operating loss	(35,074)	(43,192)
Non-operating income		
Interest income	64	69
Dividends income	140	160
Subsidy income	1,833	—
Commission fee	107	99
Other	1,286	69
Total non-operating income	3,432	397
Non-operating expenses		
Interest income	—	21
Foreign exchange losses	1,808	667
Other	1,157	38
Total non-operating expenses	2,965	727
Ordinary loss	(34,607)	(43,522)
Extraordinary income		
Gain on sales of investment securities	—	1,655
Gain on sales of real estate for investment	2,981	—
Pay back of directors' retirement benefits	—	9,670
Total extraordinary income	2,981	11,325
Extraordinary loss		
Loss on retirement of noncurrent assets	0	29
Total extraordinary losses	0	29
Net loss before income taxes	(31,625)	(32,226)
Income taxes –current	1,890	1,890
Income taxes-deferred	(55)	(50)
Total income taxes	1,834	1,839
Net loss	(33,460)	(34,066)

(3) Statements of Cash Flows

(Thousands of yen)

	First half of FY2012 (Apr. 1, 2012 – Sep. 30, 2012)	First half of FY2013 (Apr. 1, 2013 – Sep. 30, 2013)
Cash provided by (used in) operating activities		
Net loss before income taxes	(31,625)	(32,226)
Depreciation and amortization	10,521	8,488
Increase (decrease) in allowance for doubtful	(70)	—
Increase (decrease) in provision for bonuses	1,550	(10,972)
Increase (decrease) in provision for product warranties	(13,004)	(22,225)
Increase (decrease) in provision for loss on order received	—	9
Increase (decrease) in provision for loss on litigation	—	(72,320)
Interest and dividends income	(204)	(229)
Interest expenses	—	21
Foreign exchange losses (gains)	157	(127)
Loss on retirement of noncurrent assets	0	29
Loss (gain) on sales of investment securities	—	(1,655)
Loss (gain) on sales of real estate for investment	(2,981)	—
Pay back of Directors' retirement benefits	—	(9,670)
Decrease (increase) in notes and accounts receivable-trade	96,323	160,082
Decrease (increase) in inventories	(38,528)	4,112
Increase (decrease) in notes and accounts payable-trade	(1,081)	(37,008)
Decrease (increase) in prepaid expenses	(4,518)	(113,564)
Increase (decrease) in unearned revenue	(11,046)	133,939
Increase (decrease) in accrued consumption taxes	(20,816)	(1,749)
Other, net	(6,314)	(8,440)
Subtotal	(21,638)	(3,505)
Interests and dividends income received	204	229
Interest expenses paid	—	(21)
Interest and pay back of Directors' retirement benefits	—	9,670
Income taxes paid	(3,302)	(3,754)
Net cash provided by (used in) operating activities	(24,736)	2,617
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(540)	—
Purchase of intangible assets	(3,805)	(3,427)
Proceeds from sales of investment securities	—	9,715
Proceeds from sales of investments in real estates	59,325	6,980
Collection of loans receivable	37	90
Repayments of guarantee deposits received	(630)	(190)
Payments for lease and guarantee deposits	(178)	(50)
Proceeds from collection of lease and guarantee deposits	115	—
Other, net	637	18
Net cash provided by (used in) investing activities	54,961	13,135

(Thousands of yen)

	First half of FY2012 (Apr. 1, 2012 – Sep. 30, 2012)	First half of FY2013 (Apr. 1, 2013 – Sep. 30, 2013)
Cash provided by (used in) financing activities		
Repayments of lease obligations	—	(254)
Net cash provided by (used in) financing activities	—	(254)
Effect of exchange rate changes on cash and cash equivalents	(157)	127
Increase (decrease) in cash and cash equivalents	30,067	15,626
Cash and cash equivalents at beginning of period	338,067	367,766
Cash and cash equivalents at end of period	368,134	383,392