

**Non-consolidated Financial Statements**  
**for the First Half of the Fiscal Year Ending 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	Telephone:	+81-(0)-45-624-8111
Contact:	Shinichi Eguchi, Director, Administration		

**(1) Balance Sheets**

(Thousands of yen)

	FY2015 selected data (As of Mar. 31, 2016)	First half of FY2016 (As of Sep. 30, 2016)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	249,167	343,840
Notes and accounts receivable - trade	421,798	198,785
Short-term investment securities	63,192	60,259
Merchandise and finished goods	12,140	12,790
Work in process	812	12,859
Raw materials	1,682	1,559
Prepaid expenses	10,589	40,666
Other current assets	5,587	7,449
Allowance for doubtful accounts	(100)	(100)
<b>Total current assets</b>	<b>764,870</b>	<b>678,112</b>
<b>Noncurrent assets</b>		
Property, plant and equipment	14,116	15,283
Intangible assets	26,416	24,085
<b>Investments and other assets</b>		
Investment securities	3,500	3,500
Long-term prepaid expenses	—	44,266
Other investments and other assets	16,597	16,437
Allowance for doubtful accounts	(1,850)	(1,850)
<b>Total investments and other assets</b>	<b>18,247</b>	<b>62,353</b>
<b>Total noncurrent assets</b>	<b>58,781</b>	<b>101,722</b>
<b>Total assets</b>	<b>823,651</b>	<b>779,834</b>

(Thousands of yen)

	FY2015 selected data (As of Mar. 31, 2016)	First half of FY2016 (As of Sep. 30, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	52,324	17,425
Income taxes payable	9,694	5,928
Unearned revenue	19,308	65,035
Provision for bonuses	44,923	36,095
Provision for product warranties	11,402	8,676
Other current liabilities	35,608	22,506
<b>Total current liabilities</b>	<b>173,262</b>	<b>155,668</b>
<b>Noncurrent liabilities</b>		
Long-term unearned revenue	2,325	62,658
Provision for retirement benefits	2,998	2,998
Other long-term liabilities	9,116	8,522
<b>Total noncurrent liabilities</b>	<b>14,440</b>	<b>74,179</b>
<b>Total liabilities</b>	<b>187,703</b>	<b>229,848</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,202,036	500,000
Capital surplus	81,886	135,998
Retained earnings	(647,924)	(85,920)
Treasury shares	(49)	(91)
<b>Total shareholders' equity</b>	<b>635,948</b>	<b>549,986</b>
<b>Total net assets</b>	<b>635,948</b>	<b>549,986</b>
<b>Total liabilities and net assets</b>	<b>823,651</b>	<b>779,834</b>

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

(Thousands of yen)

	First half of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)	First half of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)
Net sales	523,076	342,114
Cost of sales	266,222	170,240
Gross profit	256,854	171,873
SG&A expenses	243,984	255,217
Operating income	12,870	(83,344)
Non-operating income		
Interest income	40	3
Commission fee	57	55
Subsidy income	150	—
Other	14	2
Total non-operating income	262	61
Non-operating expenses		
Interest expenses	47	36
Foreign exchange losses	50	661
Commission fee	114	—
Total non-operating expenses	211	698
Ordinary income	12,920	(83,981)
Extraordinary income		
Gain on sales of investment securities	16,932	—
Total extraordinary income	16,932	—
Extraordinary loss		
Loss on retirement of noncurrent assets	0	1
Total extraordinary losses	0	1
Income before income taxes	29,852	(83,982)
Income taxes –current	5,394	1,968
Income taxes-deferred	(38)	(30)
Total income taxes	5,356	1,938
Net income	24,496	(85,920)

### (3) Statements of Cash Flows

(Thousands of yen)

	First half of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)	First half of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)
Cash provided by (used in) operating activities		
Income (loss) before income taxes	29,852	(83,982)
Depreciation and amortization	9,128	8,334
Increase (decrease) in provision for bonuses	2,200	(8,828)
Increase (decrease) in provision for product warranties	234	(2,725)
Interest and dividends income	(40)	(3)
Subsidy income	(150)	—
Interest expenses	47	36
Foreign exchange losses (gains)	(58)	166
Loss on retirement of noncurrent assets	0	1
Loss (gain) on sales of investment securities	(16,932)	—
Decrease (increase) in notes and accounts receivable-trade	15,232	223,012
Decrease (increase) in inventories	(11,619)	(12,575)
Increase (decrease) in notes and accounts payable-trade	(18,098)	(34,899)
Decrease (increase) in prepaid expenses	6,322	(74,343)
Increase (decrease) in unearned revenue	(10,993)	106,059
Increase (decrease) in accrued consumption taxes	(10,803)	(9,764)
Other, net	(709)	(5,872)
Subtotal	(6,386)	104,616
Interests and dividends income received	40	3
Proceeds from subsidy income	150	—
Interest expenses paid	(47)	(36)
Income taxes paid	(8,740)	(5,238)
Net cash provided by (used in) operating activities	(14,984)	99,343

(Thousands of yen)

	First half of FY2015 (Apr. 1, 2015 – Sep. 30, 2015)	First half of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(3,080)	(3,580)
Purchase of intangible assets	(8,136)	(3,176)
Proceeds from sales of investment securities	18,063	—
Collection of loans receivable	199	100
Payments for lease and guarantee deposits	(118)	(85)
Proceeds from collection of lease and guarantee deposits	218	246
Net cash provided by (used in) investing activities	7,145	(6,495)
Cash provided by (used in) financing activities		
Repayments of lease obligations	(841)	(900)
Purchase of treasury shares	—	(41)
Net cash provided by (used in) financing activities	(841)	(941)
Effect of exchange rate changes on cash and cash equivalents	58	(166)
Increase (decrease) in cash and cash equivalents	(8,622)	91,740
Cash and cash equivalents at beginning of period	340,643	312,360
Cash and cash equivalents at end of period	332,021	404,100