

**Non-consolidated Financial Statements**  
**for the First Half of the Fiscal Year Ending 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>
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**(1) Balance Sheets**

(Thousands of yen)

	FY2016 selected data (As of Mar. 31, 2017)	First half of FY2017 (As of Sep. 30, 2017)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	290,257	383,909
Notes and accounts receivable - trade	355,371	211,567
Merchandise and finished goods	6,782	15,013
Work in process	14,071	14,638
Raw materials	1,070	3,008
Prepaid expenses	38,796	57,607
Other current assets	9,931	3,896
Allowance for doubtful accounts	(100)	(100)
<b>Total current assets</b>	716,182	689,541
<b>Noncurrent assets</b>		
Property, plant and equipment	12,100	9,947
Intangible assets	20,492	29,602
<b>Investments and other assets</b>		
Investment securities	3,500	3,500
Long-term prepaid expenses	29,697	15,049
Other investments and other assets	5,249	5,225
Allowance for doubtful accounts	(1,850)	(1,850)
<b>Total investments and other assets</b>	36,597	21,924
<b>Total noncurrent assets</b>	69,190	61,474
<b>Total assets</b>	785,373	751,016

(Thousands of yen)

	FY2016 selected data (As of Mar. 31, 2017)	First half of FY2017 (As of Sep. 30, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	48,642	39,938
Income taxes payable	3,181	6,660
Unearned revenue	60,233	73,455
Provision for bonuses	34,578	33,215
Provision for product warranties	9,047	8,537
Other current liabilities	25,372	26,236
<b>Total current liabilities</b>	<b>181,056</b>	<b>188,044</b>
<b>Noncurrent liabilities</b>		
Long-term unearned revenue	41,497	20,785
Provision for retirement benefits	2,729	2,729
Other long-term liabilities	7,526	6,521
<b>Total noncurrent liabilities</b>	<b>51,753</b>	<b>30,037</b>
<b>Total liabilities</b>	<b>232,809</b>	<b>218,081</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	500,000	500,000
Capital surplus	135,998	135,998
Retained earnings	(83,343)	(102,972)
Treasury shares	(91)	(91)
<b>Total shareholders' equity</b>	<b>552,563</b>	<b>532,934</b>
<b>Total net assets</b>	<b>552,563</b>	<b>532,934</b>
<b>Total liabilities and net assets</b>	<b>785,373</b>	<b>751,016</b>

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

(Thousands of yen)

	First half of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	First half of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	342,114	370,152
Cost of sales	170,240	184,842
Gross profit	171,873	185,310
Selling, general and administrative expenses	255,217	203,147
Operating profit (loss)	(83,344)	(17,837)
Non-operating income		
Interest income	3	3
Commission fee	55	100
Other	2	29
Total non-operating income	61	133
Non-operating expenses		
Interest expenses	36	26
Foreign exchange losses	661	0
Total non-operating expenses	698	26
Ordinary profit (loss)	(83,981)	(17,730)
Extraordinary loss		
Loss on retirement of noncurrent assets	1	58
Total extraordinary losses	1	58
Profit (loss) before income taxes	(83,982)	(17,789)
Income taxes –current	1,968	1,968
Income taxes-deferred	(30)	(128)
Total income taxes	1,938	1,840
Net profit (loss)	(85,920)	(19,629)

**(3) Statements of Cash Flows**

(Thousands of yen)

	First half of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	First half of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)
Cash provided by (used in) operating activities		
Income (loss) before income taxes	(83,982)	(17,789)
Depreciation and amortization	8,334	8,345
Increase (decrease) in provision for bonuses	(8,828)	(1,363)
Increase (decrease) in provision for product warranties	(2,725)	(510)
Interest and dividends income	(3)	(3)
Interest expenses	36	26
Foreign exchange losses (gains)	166	(7)
Loss on retirement of noncurrent assets	1	58
Decrease (increase) in notes and accounts receivable-trade	223,012	143,803
Decrease (increase) in inventories	(12,575)	(10,735)
Increase (decrease) in notes and accounts payable-trade	(34,899)	(8,703)
Decrease (increase) in prepaid expenses	(74,343)	(4,162)
Increase (decrease) in unearned revenue	106,059	(7,489)
Increase (decrease) in accrued consumption taxes	(9,764)	(2,767)
Other, net	(5,872)	10,895
Subtotal	104,616	109,596
Interests and dividends income received	3	3
Interest expenses paid	(36)	(26)
Income taxes (paid) refund	(5,238)	812
Net cash provided by (used in) operating activities	99,343	110,386

(Thousands of yen)

	First half of FY2016 (Apr. 1, 2016 – Sep. 30, 2016)	First half of FY2017 (Apr. 1, 2017 – Sep. 30, 2017)
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(3,580)	(796)
Purchase of intangible assets	(3,176)	(14,912)
Collection of loans receivable	100	—
Payments for lease and guarantee deposits	(85)	(26)
Proceeds from collection of lease and guarantee deposits	246	50
Net cash provided by (used in) investing activities	(6,495)	(15,684)
Cash provided by (used in) financing activities		
Repayments of lease obligations	(900)	(1,058)
Purchase of treasury shares	(41)	—
Net cash provided by (used in) financing activities	(941)	(1,058)
Effect of exchange rate changes on cash and cash equivalents	(166)	7
Increase (decrease) in cash and cash equivalents	91,740	93,651
Cash and cash equivalents at beginning of period	312,360	290,257
Cash and cash equivalents at end of period	404,100	383,909