

**Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2019**

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 25, 2019		
Scheduled date of filing of Quarterly Report	: June 25, 2019		
Scheduled date of payment of dividend	: —		

**(1) Balance Sheets**

	(Thousands of yen)	
	FY2017 (As of Mar. 31, 2018)	FY2018 (As of Mar. 31, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	381,833	483,062
Notes receivable-trade	23,581	1,177
Electronically recorded monetary claims - operating	5,970	6,911
Accounts receivable - trade	250,293	233,124
Merchandise and finished goods	4,839	2,862
Work in process	2,787	2,050
Raw materials	560	108
Prepaid expenses	36,197	6,812
Accounts receivable - other	647	3,693
Other current assets	1,180	364
Allowance for doubtful accounts	(100)	(100)
<b>Total current assets</b>	<b>707,792</b>	<b>740,068</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings	18,398	18,398
Accumulated depreciation	(16,448)	(16,728)
Buildings, net	1,949	1,669
Tools, furniture and fixtures	57,046	49,020
Accumulated depreciation	(53,532)	(46,269)
Tools, furniture and fixtures, net	3,514	2,751
Leased assets	10,013	12,566
Accumulated depreciation	(7,823)	(4,980)
Leased assets, net	2,189	7,585
<b>Total property, plant and equipment</b>	<b>7,654</b>	<b>12,006</b>

	(Thousands of yen)	
	FY2017 (As of Mar. 31, 2018)	FY2018 (As of Mar. 31, 2019)
Intangible assets		
Software	20,732	13,020
Software in progress	1,459	910
Leased assets	3,079	2,403
Telephone subscription right	5,164	5,164
Total intangible assets	30,436	21,499
Investments and other assets		
Investment securities	3,500	3,500
Lease and guarantee deposits	2,059	2,059
Membership	530	530
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,498	2,498
Long-term prepaid expenses	480	—
Deferred tax assets	21,809	25,772
Allowance for doubtful accounts	(1,850)	(1,850)
Total investments and other assets	29,027	32,509
Total noncurrent assets	67,117	66,016
Total assets	774,909	806,085

	(Thousands of yen)	
	FY2017 (As of Mar. 31, 2018)	FY2018 (As of Mar. 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	30,682	29,734
Accounts payable - other	10,447	16,467
Accrued expenses	6,967	7,408
Income taxes payable	11,950	13,344
Accrued consumption taxes	4,843	14,194
Deposits received	5,586	6,107
Unearned revenue	53,944	18,092
Lease obligations	2,088	3,083
Provision for bonuses	35,944	38,396
Provision for product warranties	7,940	9,933
<b>Total current liabilities</b>	<b>170,396</b>	<b>156,763</b>
<b>Noncurrent liabilities</b>		
Long-term unearned revenue	1,776	272
Lease obligations	3,679	7,844
Provision for retirement benefits	2,729	2,729
Asset retirement obligations	4,872	4,977
<b>Total noncurrent liabilities</b>	<b>13,058</b>	<b>15,823</b>
<b>Total liabilities</b>	<b>183,454</b>	<b>172,586</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	500,000	500,000
Capital surplus		
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>
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(44,452)	(2,408)
<b>Total retained earnings</b>	<b>(44,452)</b>	<b>(2,408)</b>
Treasury shares	(91)	(91)
<b>Total shareholders' equity</b>	<b>591,454</b>	<b>633,498</b>
<b>Total net assets</b>	<b>591,454</b>	<b>633,498</b>
<b>Total liabilities and net assets</b>	<b>774,909</b>	<b>806,085</b>

**(2) Statements of Income**

(Thousands of yen)

	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)	FY2018 (Apr. 1, 2018 – Mar. 31, 2019)
Net sales		
Net sales of finished goods	831,546	858,737
Net sales of goods	2,803	4,734
Total net sales	834,350	863,472
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	6,782	4,839
Cost of products manufactured	411,895	402,246
Amortization of software	10,310	9,061
Total	428,988	416,146
Ending finished goods	4,839	2,862
Total cost of finished goods sold	424,149	413,283
Cost of goods sold		
Beginning goods	0	0
Cost of purchased goods	1,896	3,081
Total	1,896	3,081
Ending goods	0	—
Total cost of goods sold	1,896	3,081
Total cost of sales	426,045	416,365
Gross profit	408,304	447,106
Selling, general and administrative expenses		
Advertising expenses	11,285	7,605
Promotion expenses	46,758	42,650
Directors' compensations	40,740	42,202
Wages and allowances	95,667	106,706
Welfare expenses	25,402	28,987
Bonuses	10,109	14,663
Provision for bonuses	14,203	15,859
Traveling and transportation expenses	13,826	14,360
Rent expenses	20,888	19,488
Depreciation	3,713	3,710
Research and development expenses	28,642	21,211
Compensations	17,077	19,012
Training expenses	20,914	32,663
Other expenses	36,430	30,900
Total Selling, general and administrative expenses	385,661	400,021
Operating profit	22,643	47,084

	(Thousands of yen)	
	FY2017	FY2018
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Non-operating income		
Interest income	7	10
Foreign exchange gains	—	149
Subsidy income	—	574
Commission fee	228	104
Others income	32	6
Total non-operating income	268	844
Non-operating expenses		
Interest expenses	85	179
Foreign exchange losses	94	—
Total non-operating expenses	179	179
Ordinary profit (loss)	22,731	47,749
Extraordinary loss		
Loss on retirement of noncurrent assets	58	—
Total extraordinary losses	58	—
Profit (loss) before income taxes	22,673	47,749
Income taxes-current	6,119	9,668
Income taxes-deferred	(22,337)	(3,962)
Total income taxes	(16,217)	5,706
Net profit (loss)	38,890	42,043

### Manufacturing Statement

	(Thousands of yen)	
	FY2017	FY2018
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Materials cost	3,164	1,418
Labor cost	223,876	233,185
Other costs	290,090	265,241
Total manufacturing cost	517,131	499,845
Beginning work in process	14,071	2,787
Total	531,203	502,632
Ending work in process	2,787	2,050
Transfer to other accounts	116,521	98,335
Cost of goods manufactured for the period	411,895	402,246

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

(Thousands of yen)

	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)	FY2018 (Apr. 1, 2018 – Mar. 31, 2019)
Shareholders' equity		
Capital stock		
Balance at beginning of current period	500,000	500,000
Changes of items during the period		
Total changes of items during the period	—	—
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	54,111
Changes of items during the period		
Total changes of items during the period	—	—
Balance at end of current period	54,111	54,111
Total capital surplus		
Balance at beginning of current period	135,998	135,998
Changes of items during the period		
Total changes of items during the period	—	—
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	(83,343)	(44,452)
Changes of items during the period		
Net profit (loss)	38,890	42,043
Total changes of items during the period	38,890	42,043
Balance at end of current period	(44,452)	(2,408)
Total retained earnings		
Balance at beginning of current period	(83,343)	(44,452)
Changes of items during the period		
Net profit (loss)	38,890	42,043
Total changes of items during the period	38,890	42,043
Balance at end of current period	(44,452)	(2,408)

(Thousands of yen)

	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)	FY2018 (Apr. 1, 2018 – Mar. 31, 2019)
Treasury shares		
Balance at beginning of current period	(91)	(91)
Changes of items during the period		
Total changes of items during the period	—	—
Balance at end of current period	(91)	(91)
Total shareholders' equity		
Balance at beginning of current period	552,563	591,454
Changes of items during the period		
Net profit (loss)	38,890	42,043
Total changes of items during the period	38,890	42,043
Balance at end of current period	591,454	633,498
Net assets		
Balance at beginning of current period	552,563	591,454
Changes of items during the period		
Net profit (loss)	38,890	42,043
Total changes of items during the period	38,890	42,043
Balance at end of current period	591,454	633,498

#### (4) Statements of Cash Flows

(Thousands of yen)

	FY2017 (Apr. 1, 2017 – Mar. 31, 2018)	FY2018 (Apr. 1, 2018 – Mar. 31, 2019)
Cash provided by (used in) operating activities		
Profit (loss) before income taxes	22,673	47,749
Depreciation and amortization	17,726	16,336
Increase (decrease) in provision for bonuses	1,365	2,452
Increase (decrease) in provision for product warranties	(1,106)	1,992
Interest and dividends income	(7)	(10)
Interest expenses	85	179
Foreign exchange losses (gains)	85	(68)
Subsidy income	—	(574)
Loss on retirement of noncurrent assets	58	—
Decrease (increase) in notes and accounts receivable-trade	75,525	38,632
Decrease (increase) in inventories	13,737	3,165
Increase (decrease) in notes and accounts payable-trade	(17,959)	(947)
Decrease (increase) in prepaid expenses	31,816	29,864
Increase (decrease) in unearned revenue	(46,009)	(37,357)
Increase (decrease) in accrued consumption taxes	(1,234)	9,351
Decrease (increase) in other assets	8,451	(2,230)
Increase (decrease) in other liabilities	7,681	8,643
Subtotal	112,891	117,178
Interest and dividends income received	7	10
Interest expenses paid	(85)	(179)
Proceeds from subsidy income	—	574
Income taxes (paid) refund	812	(9,178)
Net cash provided by (used in) operating activities	113,624	108,405
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(518)	(1,289)
Purchase of intangible assets	(19,137)	(2,617)
Other, net	162	—
Net cash provided by (used in) investing activities	(19,493)	(3,907)
Cash provided by (used in) financing activities		
Repayments of lease obligations	(2,468)	(3,338)
Net cash provided by (used in) financing activities	(2,468)	(3,338)
Effect of exchange rate change on cash and cash equivalents	(85)	68
Net increase (decrease) in cash and cash equivalents	91,576	101,228
Cash and cash equivalents at beginning of period	290,257	381,833
Cash and cash equivalents at end of period	381,833	483,062