

Non-consolidated Financial Statements
for the First Half of the Fiscal Year Ending March 31, 2020

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|--|--|
| Company name: Zuken Elmic, Inc. | Listing: TSE Second(2nd) Section |
| Stock code: 4770 | URL: http://www.elwsc.co.jp/ |
| President: Joe Asakura | |
| Contact: Shinichi Eguchi, Director, Administration | Telephone: +81-(0)-45-624-8111 |

(1) Balance Sheets

(Thousands of yen)

| | FY2018 selected data (As of Mar. 31, 2019) | First half of FY2019 (As of Sep. 30, 2019) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 483,062 | 473,864 |
| Notes and accounts receivable - trade | 241,213 | 243,284 |
| Merchandise and finished goods | 2,862 | 1,742 |
| Work in process | 2,050 | 11,110 |
| Raw materials | 108 | 87 |
| Prepaid expenses | 6,812 | 35,039 |
| Other current assets | 4,057 | 5,053 |
| Allowance for doubtful accounts | (100) | (100) |
| Total current assets | 740,068 | 770,083 |
| Noncurrent assets | | |
| Property, plant and equipment | 12,006 | 15,147 |
| Intangible assets | 21,499 | 23,784 |
| Investments and other assets | | |
| Investment securities | 3,500 | 3,500 |
| Long-term prepaid expenses | — | 29,180 |
| Deferred tax assets | 25,772 | 26,294 |
| Other investments and other assets | 5,087 | 5,059 |
| Allowance for doubtful accounts | (1,850) | (1,850) |
| Total investments and other assets | 32,509 | 62,184 |
| Total noncurrent assets | 66,016 | 101,116 |
| Total assets | 806,085 | 871,199 |

(Thousands of yen)

| | FY2018 selected data (As of Mar. 31, 2019) | First half of FY2019 (As of Sep. 30, 2019) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 29,734 | 47,817 |
| Income taxes payable | 13,344 | 8,567 |
| Unearned revenue | 18,092 | 57,441 |
| Provision for bonuses | 38,396 | 37,779 |
| Provision for product warranties | 9,933 | 10,413 |
| Other current liabilities | 47,261 | 31,123 |
| Total current liabilities | 156,763 | 193,143 |
| Noncurrent liabilities | | |
| Long-term unearned revenue | 272 | 34,348 |
| Provision for retirement benefits | 2,729 | 2,729 |
| Other long-term liabilities | 12,822 | 16,076 |
| Total noncurrent liabilities | 15,823 | 53,154 |
| Total liabilities | 172,586 | 246,297 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 500,000 | 500,000 |
| Capital surplus | 135,998 | 135,998 |
| Retained earnings | (2,408) | (11,004) |
| Treasury shares | (91) | (91) |
| Total shareholders' equity | 633,498 | 624,902 |
| Total net assets | 633,498 | 624,902 |
| Total liabilities and net assets | 806,085 | 871,199 |

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

(Thousands of yen)

| | First half of FY2018 (Apr. 1, 2018 – Sep. 30, 2018) | First half of FY2019 (Apr. 1, 2019 – Sep. 30, 2019) |
|--|--|--|
| Net sales | 400,727 | 382,209 |
| Cost of sales | 189,276 | 171,772 |
| Gross profit | 211,451 | 210,436 |
| Selling, general and administrative expenses | 197,952 | 217,117 |
| Operating profit (loss) | 13,499 | (6,680) |
| Non-operating income | | |
| Interest income | 3 | 7 |
| Commission fee | 79 | 23 |
| Foreign exchange gains | 106 | — |
| Total non-operating income | 189 | 30 |
| Non-operating expenses | | |
| Interest expenses | 82 | 108 |
| Foreign exchange losses | — | 44 |
| Total non-operating expenses | 82 | 152 |
| Ordinary profit (loss) | 13,606 | (6,802) |
| Profit (loss) before income taxes | 13,606 | (6,802) |
| Income taxes –current | 4,123 | 2,315 |
| Income taxes-deferred | (394) | (521) |
| Total income taxes | 3,729 | 1,793 |
| Net profit (loss) | 9,876 | (8,595) |

(3) Statements of Cash Flows

(Thousands of yen)

| | First half of FY2018 (Apr. 1, 2018 – Sep. 30, 2018) | First half of FY2019 (Apr. 1, 2019 – Sep. 30, 2019) |
|--|--|--|
| Cash provided by (used in) operating activities | | |
| Income (loss) before income taxes | 13,606 | (6,802) |
| Depreciation and amortization | 8,316 | 8,336 |
| Increase (decrease) in provision for bonuses | 2,066 | (617) |
| Increase (decrease) in provision for product warranties | 1,121 | 480 |
| Interest and dividends income | (3) | (7) |
| Interest expenses | 82 | 108 |
| Foreign exchange losses (gains) | (106) | 44 |
| Decrease (increase) in notes and accounts receivable-trade | 22,626 | (2,070) |
| Decrease (increase) in inventories | (7,683) | (7,919) |
| Increase (decrease) in notes and accounts payable-trade | 15,353 | 18,083 |
| Decrease (increase) in prepaid expenses | (5,540) | (57,407) |
| Increase (decrease) in unearned revenue | 6,413 | 73,425 |
| Increase (decrease) in accrued consumption taxes | 4,603 | (6,957) |
| Other, net | 1,885 | (11,016) |
| Subtotal | 62,742 | 7,680 |
| Interests and dividends income received | 3 | 7 |
| Interest expenses paid | (82) | (108) |
| Income taxes (paid) refund | (6,118) | (6,611) |
| Net cash provided by (used in) operating activities | 56,544 | 968 |
| Cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (1,289) | — |
| Purchase of intangible assets | (2,373) | (8,264) |
| Other, net | (26) | 28 |
| Net cash provided by (used in) investing activities | (3,689) | (8,236) |
| Cash provided by (used in) financing activities | | |
| Repayments of lease obligations | (1,607) | (1,884) |
| Net cash provided by (used in) financing activities | (1,607) | (1,884) |
| Effect of exchange rate changes on cash and cash equivalents | 106 | (44) |
| Increase (decrease) in cash and cash equivalents | 51,354 | (9,197) |
| Cash and cash equivalents at beginning of period | 381,833 | 483,062 |
| Cash and cash equivalents at end of period | 433,187 | 473,864 |