

Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2020

Company name:	Zuken Elmic, Inc.	Listing:	TSE Second(2nd) Section
Stock code:	4770	URL:	http://www.elwsc.co.jp/
President:	Joe Asakura		
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Scheduled date of Annual General Meeting of Shareholders :	June 24, 2020		
Scheduled date of filing of Quarterly Report	: June 24, 2020		
Scheduled date of payment of dividend	: —		

(1) Balance Sheets

	(Thousands of yen)	
	FY2018 (As of Mar. 31, 2019)	FY2019 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	483,062	480,748
Notes receivable-trade	1,177	495
Electronically recorded monetary claims - operating	6,911	25,879
Accounts receivable - trade	233,124	194,982
Merchandise and finished goods	2,862	1,628
Work in process	2,050	2,032
Raw materials	108	26
Prepaid expenses	6,812	23,800
Accounts receivable - other	3,693	7,896
Other current assets	364	1,950
Allowance for doubtful accounts	(100)	(100)
Total current assets	740,068	739,339
Noncurrent assets		
Property, plant and equipment		
Buildings	18,398	18,398
Accumulated depreciation	(16,728)	(16,963)
Buildings, net	1,669	1,434
Tools, furniture and fixtures	49,020	46,994
Accumulated depreciation	(46,269)	(45,676)
Tools, furniture and fixtures, net	2,751	1,318
Leased assets	12,566	15,803
Accumulated depreciation	(4,980)	(5,211)
Leased assets, net	7,585	10,591
Total property, plant and equipment	12,006	13,344

	(Thousands of yen)	
	FY2018 (As of Mar. 31, 2019)	FY2019 (As of Mar. 31, 2020)
Intangible assets		
Software	13,020	16,428
Software in progress	910	2,153
Leased assets	2,403	1,727
Telephone subscription right	5,164	5,164
Total intangible assets	21,499	25,474
Investments and other assets		
Investment securities	3,500	3,500
Lease and guarantee deposits	2,059	2,005
Membership	530	530
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,498	2,498
Long-term prepaid expenses	—	19,577
Deferred tax assets	25,772	17,714
Allowance for doubtful accounts	(1,850)	(1,850)
Total investments and other assets	32,509	43,975
Total noncurrent assets	66,016	82,794
Total assets	806,085	822,134

	(Thousands of yen)	
	FY2018 (As of Mar. 31, 2019)	FY2019 (As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	29,734	25,658
Accounts payable - other	16,467	7,294
Accrued expenses	7,408	6,826
Income taxes payable	13,344	8,388
Accrued consumption taxes	14,194	12,360
Deposits received	6,107	2,444
Unearned revenue	18,092	42,023
Lease obligations	3,083	3,930
Provision for bonuses	38,396	36,540
Provision for product warranties	9,933	9,759
Other current liabilities	—	72
Total current liabilities	156,763	155,299
Noncurrent liabilities		
Long-term unearned revenue	272	25,677
Lease obligations	7,844	9,598
Provision for retirement benefits	2,729	2,729
Asset retirement obligations	4,977	5,085
Total noncurrent liabilities	15,823	43,091
Total liabilities	172,586	198,390
Net assets		
Shareholders' equity		
Capital stock	500,000	500,000
Capital surplus		
Legal capital surplus	81,886	81,886
Other capital surplus	54,111	54,111
Total capital surplus	135,998	135,998
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(2,408)	(12,137)
Total retained earnings	(2,408)	(12,137)
Treasury shares	(91)	(117)
Total shareholders' equity	633,498	623,743
Total net assets	633,498	623,743
Total liabilities and net assets	806,085	822,134

(2) Statements of Income

(Thousands of yen)

	FY2018 (Apr. 1, 2018 – Mar. 31, 2019)	FY2019 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales		
Net sales of finished goods	858,737	767,871
Net sales of goods	4,734	2,642
Total net sales	863,472	770,513
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	4,839	2,862
Cost of products manufactured	402,246	336,451
Amortization of software	9,061	8,565
Total	416,146	347,880
Transfer to other account	—	779
Ending finished goods	2,862	1,628
Total cost of finished goods sold	413,283	345,471
Cost of goods sold		
Beginning goods	0	—
Cost of purchased goods	3,081	2,052
Total	3,081	2,052
Ending goods	—	—
Total cost of goods sold	3,081	2,052
Total cost of sales	416,365	347,524
Gross profit	447,106	422,988
Selling, general and administrative expenses		
Advertising expenses	7,605	5,178
Promotion expenses	42,650	32,064
Directors' compensations	42,202	53,602
Wages and allowances	106,706	114,436
Welfare expenses	28,987	29,966
Bonuses	14,663	15,049
Provision for bonuses	15,859	15,345
Traveling and transportation expenses	14,360	17,605
Rent expenses	19,488	19,488
Depreciation	3,710	4,031
Research and development expenses	21,211	32,215
Compensations	19,012	18,491
Training expenses	32,663	30,829
Other expenses	30,900	31,594
Total Selling, general and administrative expenses	400,021	419,899
Operating profit	47,084	3,089

	(Thousands of yen)	
	FY2018	FY2019
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Non-operating income		
Interest income	10	10
Foreign exchange gains	149	—
Subsidy income	574	590
Commission fee	104	47
Others income	6	0
Total non-operating income	844	844
Non-operating expenses		
Interest expenses	179	234
Foreign exchange losses	—	244
Total non-operating expenses	179	478
Ordinary profit (loss)	47,749	3,259
Profit (loss) before income taxes	47,749	3,259
Income taxes-current	9,668	4,931
Income taxes-deferred	(3,962)	8,057
Total income taxes	5,706	12,988
Net profit (loss)	42,043	(9,729)

Manufacturing Statement

	(Thousands of yen)	
	FY2018	FY2019
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Materials cost	1,418	10,455
Labor cost	233,185	205,934
Other costs	265,241	225,168
Total manufacturing cost	499,845	441,559
Beginning work in process	2,787	2,050
Total	502,632	443,609
Ending work in process	2,050	2,032
Transfer to other accounts	98,335	105,125
Cost of goods manufactured for the period	402,246	336,451

(3) Statements of Changes in Net Assets

(Thousands of yen)

	FY2018 (Apr. 1, 2018 – Mar. 31, 2019)	FY2019 (Apr. 1, 2019 – Mar. 31, 2020)
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	(44,452)	(2,408)
Changes of items during the period		
Net profit (loss)	42,043	(9,729)
Total changes of items during the period	42,043	(9,729)
Balance at end of current period	(2,408)	(12,137)
Total retained earnings		
Balance at beginning of current period	(44,452)	(2,408)
Changes of items during the period		
Net profit (loss)	42,043	(9,729)
Total changes of items during the period	42,043	(9,729)
Balance at end of current period	(2,408)	(12,137)

(Thousands of yen)

	FY2018 (Apr. 1, 2018 – Mar. 31, 2019)	FY2019 (Apr. 1, 2019 – Mar. 31, 2020)
Treasury shares		
Balance at beginning of current period	(91)	(91)
Changes of items during the period		
Purchase of treasury shares	—	(26)
Total changes of items during the period	—	(26)
Balance at end of current period	(91)	(117)
Total shareholders' equity		
Balance at beginning of current period	591,454	633,498
Changes of items during the period		
Net profit (loss)	42,043	(9,729)
Purchase of treasury shares	—	(26)
Total changes of items during the period	42,043	(9,755)
Balance at end of current period	633,498	623,743
Net assets		
Balance at beginning of current period	591,454	633,498
Changes of items during the period		
Net profit (loss)	42,043	(9,729)
Purchase of treasury shares	—	(26)
Total changes of items during the period	42,043	(9,755)
Balance at end of current period	633,498	623,743

(4) Statements of Cash Flows

(Thousands of yen)

	FY2018 (Apr. 1, 2018 – Mar. 31, 2019)	FY2019 (Apr. 1, 2019 – Mar. 31, 2020)
Cash provided by (used in) operating activities		
Profit (loss) before income taxes	47,749	3,259
Depreciation and amortization	16,336	16,155
Increase (decrease) in provision for bonuses	2,452	(1,855)
Increase (decrease) in provision for product warranties	1,992	(173)
Interest and dividends income	(10)	(10)
Interest expenses	179	234
Foreign exchange losses (gains)	(68)	31
Subsidy income	(574)	(590)
Decrease (increase) in notes and accounts receivable-trade	38,632	19,856
Decrease (increase) in inventories	3,165	1,334
Increase (decrease) in notes and accounts payable-trade	(947)	(4,076)
Decrease (increase) in prepaid expenses	29,864	(36,564)
Increase (decrease) in unearned revenue	(37,357)	49,336
Increase (decrease) in accrued consumption taxes	9,351	(1,834)
Decrease (increase) in other assets	(2,230)	(4,148)
Increase (decrease) in other liabilities	8,643	(12,800)
Subtotal	117,178	28,153
Interest and dividends income received	10	10
Interest expenses paid	(179)	(234)
Proceeds from subsidy income	574	590
Income taxes (paid) refund	(9,178)	(11,445)
Net cash provided by (used in) operating activities	108,405	17,075
Cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,289)	(240)
Purchase of intangible assets	(2,617)	(15,206)
Other, net	—	54
Net cash provided by (used in) investing activities	(3,907)	(15,392)
Cash provided by (used in) financing activities		
Repayments of lease obligations	(3,338)	(3,939)
Purchase of treasury shares	—	(26)
Net cash provided by (used in) financing activities	(3,338)	(3,965)
Effect of exchange rate change on cash and cash equivalents	68	(31)
Net increase (decrease) in cash and cash equivalents	101,228	(2,314)
Cash and cash equivalents at beginning of period	391,833	483,062
Cash and cash equivalents at end of period	483,062	480,748