

Non-consolidated Financial Statements
for the First Half of the Fiscal Year Ending March 31, 2021

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

(1) Balance Sheets

(Thousands of yen)

| | FY2019 selected data (As of Mar. 31, 2020) | First half of FY2020 (As of Sep. 30, 2020) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 480,748 | 474,714 |
| Notes and accounts receivable - trade | 221,356 | 126,821 |
| Merchandise and finished goods | 1,628 | 813 |
| Work in process | 2,032 | 3,706 |
| Raw materials | 26 | 26 |
| Prepaid expenses | 23,800 | 36,181 |
| Other current assets | 9,847 | 789 |
| Allowance for doubtful accounts | (100) | (100) |
| Total current assets | 739,339 | 642,952 |
| Noncurrent assets | | |
| Property, plant and equipment | 13,344 | 12,648 |
| Intangible assets | 25,474 | 20,438 |
| Investments and other assets | | |
| Investment securities | 3,500 | 3,500 |
| Long-term prepaid expenses | 19,577 | 9,920 |
| Deferred tax assets | 17,714 | — |
| Other investments and other assets | 5,033 | 5,247 |
| Allowance for doubtful accounts | (1,850) | (1,850) |
| Total investments and other assets | 43,975 | 16,817 |
| Total noncurrent assets | 82,794 | 49,905 |
| Total assets | 822,134 | 692,857 |

(Thousands of yen)

| | FY2019 selected data (As of Mar. 31, 2020) | First half of FY2020 (As of Sep. 30, 2020) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 25,658 | 19,329 |
| Income taxes payable | 8,388 | 7,048 |
| Unearned revenue | 42,023 | 60,457 |
| Provision for bonuses | 36,540 | 35,080 |
| Provision for product warranties | 9,759 | 8,189 |
| Other current liabilities | 32,927 | 22,079 |
| Total current liabilities | 155,299 | 152,185 |
| Noncurrent liabilities | | |
| Long-term unearned revenue | 25,677 | 12,415 |
| Provision for retirement benefits | 2,729 | 2,729 |
| Other long-term liabilities | 14,684 | 14,020 |
| Total noncurrent liabilities | 43,091 | 29,165 |
| Total liabilities | 198,390 | 181,350 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 500,000 | 500,000 |
| Capital surplus | 135,998 | 135,998 |
| Retained earnings | (12,137) | (124,373) |
| Treasury shares | (117) | (117) |
| Total shareholders' equity | 623,743 | 511,507 |
| Total net assets | 623,743 | 511,507 |
| Total liabilities and net assets | 822,134 | 692,857 |

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

(Thousands of yen)

| | First half of FY2019 (Apr. 1, 2019 – Sep. 30, 2019) | First half of FY2020 (Apr. 1, 2020 – Sep. 30, 2020) |
|--|--|--|
| Net sales | 382,209 | 243,642 |
| Cost of sales | 171,772 | 140,461 |
| Gross profit | 210,436 | 103,180 |
| Selling, general and administrative expenses | 217,117 | 204,961 |
| Operating profit (loss) | (6,680) | (101,780) |
| Non-operating income | | |
| Interest income | 7 | 2 |
| Commission fee | 23 | 21 |
| Subsidy income | — | 9,808 |
| Foreign exchange gains | — | 15 |
| Total non-operating income | 30 | 9,847 |
| Non-operating expenses | | |
| Interest expenses | 108 | 115 |
| Foreign exchange losses | 44 | 30 |
| Loss on retirement of non-current assets | — | 170 |
| Total non-operating expenses | 152 | 316 |
| Ordinary profit (loss) | (6,802) | (92,249) |
| Profit (loss) before income taxes | (6,802) | (92,249) |
| Income taxes –current | 2,315 | 1,968 |
| Income taxes-deferred | (521) | 18,018 |
| Total income taxes | 1,793 | 19,987 |
| Net profit (loss) | (8,595) | (112,236) |

(3) Statements of Cash Flows

(Thousands of yen)

| | First half of FY2019 (Apr. 1, 2019 – Sep. 30, 2019) | First half of FY2020 (Apr. 1, 2020 – Sep. 30, 2020) |
|--|--|--|
| Cash provided by (used in) operating activities | | |
| Income (loss) before income taxes | (6,802) | (92,249) |
| Depreciation and amortization | 8,336 | 12,065 |
| Increase (decrease) in provision for bonuses | (617) | (1,460) |
| Increase (decrease) in provision for product warranties | 480 | (1,570) |
| Interest and dividends income | (7) | (2) |
| Interest expenses | 108 | 115 |
| Foreign exchange losses (gains) | 44 | 44 |
| Subsidy income | — | (9,808) |
| Loss on retirement of non-current assets | — | 170 |
| Decrease (increase) in notes and accounts receivable-trade | (2,070) | 94,535 |
| Decrease (increase) in inventories | (7,919) | (858) |
| Increase (decrease) in notes and accounts payable-trade | 18,083 | (6,328) |
| Decrease (increase) in prepaid expenses | (57,407) | (2,724) |
| Increase (decrease) in unearned revenue | 73,425 | 5,172 |
| Increase (decrease) in accrued consumption taxes | (6,957) | (10,288) |
| Other, net | (11,016) | 5,232 |
| Subtotal | 7,680 | (7,956) |
| Interests and dividends income received | 7 | 2 |
| Interest expenses paid | (108) | (115) |
| Proceeds from subsidy income | — | 9,808 |
| Income taxes (paid) refund | (6,611) | (96) |
| Net cash provided by (used in) operating activities | 968 | 1,642 |
| Cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | — | (252) |
| Purchase of intangible assets | (8,264) | (5,085) |
| Payments of leasehold and guarantee deposits | — | (214) |
| Other, net | 28 | — |
| Net cash provided by (used in) investing activities | (8,236) | (5,551) |
| Cash provided by (used in) financing activities | | |
| Repayments of lease obligations | (1,884) | (2,080) |
| Net cash provided by (used in) financing activities | (1,884) | (2,080) |
| Effect of exchange rate changes on cash and cash equivalents | (44) | (44) |
| Increase (decrease) in cash and cash equivalents | (9,197) | (6,033) |
| Cash and cash equivalents at beginning of period | 483,062 | 480,748 |
| Cash and cash equivalents at end of period | 473,864 | 474,714 |