

**Consolidated Interim Financial Results
for the Fiscal Year Ending March 31, 2006**

Company name: Elmic Wescom, Inc.
 Stock code: 4770
 Stock market listing: TSE Mothers Market
 Company domicile: Kanagawa prefecture
 Head office: 4-59 Benten-Dori, Naka-ku, Yokohama 231-0007 Japan
 URL: <http://www.elmic.co.jp>
 President: Kazuya Murashima
 Contact: Kimio Ando, Chief Administrative Officer
 Telephone: +81-(0)-45-650-4500
 Date of board meeting for approving financial results: November 18, 2005
 Accounting principle: Japanese GAAP

1. Consolidated Interim Financial Results (From April 1, 2005 to September 30, 2005)

(1) Financial Results

(All amounts are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Interim ended Sept. 2005	633	11.1	(59)	-	(66)	-
Interim ended Sept. 2004	570	(29.5)	(22)	-	(14)	-
Fiscal Year ended March 2005	1,254		(21)		2	

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
Interim ended Sept. 2005	(154)	-	(30.64)	-
Interim ended Sept. 2004	(10)	-	(2.21)	-
Fiscal Year ended March 2005	(590)		(122.55)	-

Notes: 1. Equity in earnings of unconsolidated subsidiaries:

Interim ended September 2005: (13) million yen
 Interim ended September 2004: (0) million yen
 Fiscal Year ended March 2005: 7 million yen

2. Average number of shares outstanding (consolidated):

Interim ended September 2005: 5,042,441 shares
 Interim ended September 2004: 4,815,730 shares
 Fiscal Year ended March 2005: 4,815,719 shares

3. Changes in accounting principles applied: None

4. The percentages shown for net sales, operating income, ordinary income, and net income represent changes from the corresponding of the same period of the previous year.

(2) Financial Position

(All amounts are rounded down to the nearest million yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Interim ended Sept. 2005	2,585	2,109	81.6	393.41
Interim ended Sept. 2004	3,034	2,703	89.1	561.32
Fiscal Year ended March 2005	2,463	2,134	86.6	443.19

Note: Number of shares outstanding (consolidated):

Interim ended September 2005: 5,362,594 shares

Interim ended September 2004: 4,815,730 shares

Fiscal Year ended March 2005: 4,815,682 shares

(3) Cash Flow Position

(All amounts are rounded down to the nearest million yen)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Interim ended Sept. 2005	74	(25)	6	1,345
Interim ended Sept. 2004	109	(216)	(35)	1,112
Fiscal Year ended March 2005	214	(180)	(36)	1,252

(4) Scope of Consolidation and the Application of Equity Method

Consolidated subsidiaries: 1

Unconsolidated subsidiaries accounted for under the equity method: None

Affiliates accounted for under the equity method: None

(5) Changes in the Scope of Consolidation and the Application of Equity Method

Consolidated subsidiaries:

New: None

Excluded: None

Affiliates accounted for under the equity method:

New: None

Excluded: 1

2. Forecast for the Fiscal Year Ending March 2006 (From April 1, 2005 to March 31, 2006)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full year	1,709	23	(79)

Reference: Estimated net income per share for the full year: (14.73) yen

Note: Forecasts regarding future performance in these materials are based judgments made in accordance with information available at the time this presentation was prepared. Forecasts therefore embody risks and uncertainties.

Please be aware that actual results may turn out different from those forecast as our company's business is affected by many factors. Please reference page 10 for details on the above forecasts.

1. Corporate Group

The Elmic Wescom Group is made up of two companies: Elmic Wescom, Inc. (the Company), Airfolc Inc., (a 78%-owned subsidiary based in Kyoto, Japan).

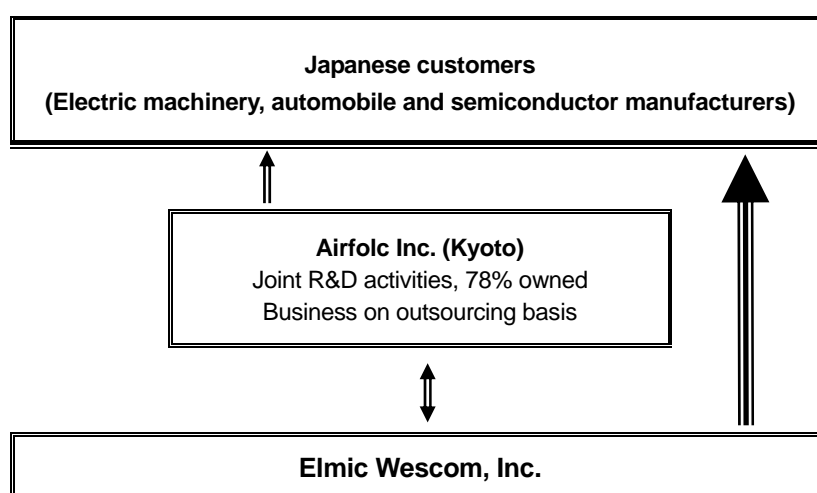
Airfolc Inc. specializes in the development of technology, such as programs (H.323 and SIP and others) related to software for Internet-linked embedded systems for processing voice and imaging data (VoIP).

RockHand Technology, a recently established company based in Morioka in which the Company has a 35% equity stake, is no longer treated as an equity-method affiliate. This company is not significant due to its negligible effect on the interim consolidated financial statements.

Major products are as follows.

Major products		Description	Elmic Wescom Group	
			Elmic Wescom	Airfolc
Manufactured products	Communications	Software and hardware for wire line and wireless communications	○	
	Internet protocol	Embedded TCP/IP modules, products for KASAGO application modules	○	○
	Real-time OS	The ELX exclusive OS, ITRON and other existing OS-related products, Windows CE resale and related products	○	
	System Integration (customization)	Products and system development using exclusive Elmic Wescom key technologies, consigned products	○	
	System Solutions (custom development)	Performs development services on an outsourcing basis based on specifications provided by customers	○	
Purchased products	Others	Products for Windows, Linux and TCP/IP and semiconductor-related products	○	

[Business Flowchart]



This chart shows only consolidated subsidiaries.

2. Management Policies

(1) Fundamental Management Policy

The Elmic Wescom Group is guided by the management philosophy of "Justice and Logic." The basic code of behavior is "Speedy, Compact, Perfect." In accordance with these precepts, the Group aims to be an organization capable of meeting the expectations of customers. The Group is mainly involved in the provision of real-time OS (RTOS) products for embedded systems, the commercialization of software, and customization (SI or system integration) services that meet specific customer needs. Consequently, the Group depends heavily on expertise in the field of software. As the experience and skills of employees are critical to the Group's ability to serve customers, management places priority on realizing the full potential of all employees and retaining personnel.

On July 1, 2005, the Company absorbed WESCOM Inc., an equity-method affiliate. The move aims at bringing capable engineers on board, the key to achieving the above objectives. The merger will also contribute to stabilizing our earnings since WESCOM is an IT outsourcing services firm.

(2) Fundamental Policy Regarding Distribution of Earnings

In the production of software, securing the funds required to implement medium- and long-term business plans as well as to conduct an aggressive R&D program is essential to the success. The Company's fundamental policy is to return earnings to shareholders by paying a stable dividend while maintaining a sound operating base and financial position.

(3) Policy Regarding Reduction in Investment Unit

The Company's investment unit (tangen) was lowered from 1,000 shares to 100 shares on July 1, 2004 in accordance with a resolution approved by the Board of Directors on May 21, 2004. This action was taken to increase the liquidity of the Company's stock and broaden the shareholder base. The trading unit was also changed from 1,000 shares to 100 shares on the Tokyo Stock Exchange Mothers Market on July 1, 2004. The Company will consider further reductions in the trading unit, stock splits and other actions based on changes in its stock price.

(4) Targeted Performance Indicators

The objective is to use the Group's collective resources to maximize earnings, including earnings of consolidated subsidiaries. As a supplier of software, the Company tends to make the majority of its product deliveries in the second half of each fiscal year. Management therefore desires to alter operations in order to generate more uniform sales and earnings, producing a profit in all four quarters by cutting first-half operating expenses, revising product development schedules and taking other actions. The merger is one such action taken to make sales and earnings more uniform, but no significant improvement was achieved in the first quarter since the merger.

(5) Medium- and Long-Term Management Strategy

Hopes are high that the world is on the doorstep of a ubiquitous information society in which all sorts of electrical products (embedded devices), including not only PCs but also home appliances and other products, are linked to the Internet. However, manufacturers of electrical products, which are customers of the Group's products, are still in the product planning and research stage. The Company is currently conducting marketing activities with the aim of establishing its TCP/IP Internet connection protocol, its core product, as the standard for communication in products that use next-generation IPv6. Therefore, the nucleus of the Company's medium- and long-term product strategy involves investments in partner companies and other investments as well as the recruiting of product development engineers.

The United States has announced that it will begin using solely the IPv6 protocol beginning in June 2008. This indicates that IPv6 will be adopted not only in Japan, but in Asia and Europe as well.

Sales Activities

The Elmic Wescom Group is an independent organization having no affiliations with other companies. As such, the Group sells its products to numerous major producers of electrical products as well as to companies in many other industries. To serve this diverse customer base, the Group is upgrading its ability to conduct sales that seamlessly link expertise in marketing and the development of new technology. Sales target strategic customers and the introduction of new products that reflect market needs.

Development Activities

The Group's core products are RTOS, communications software and other items that are distinguished by their technology and broad market coverage. From this base, the Group is developing new products and building systems (system integration or customization) using those products to meet customers' demands. The pace of technological progress in embedded systems is extremely rapid. It is imperative that Elmic Wescom be prepared to offer the embedded products and services for next-generation equipment as well as products for the subsequent generation. For this purpose, the Group is focusing on acquiring new technology, fostering its engineers and many other necessary measures.

In addition to these actions, the merger gives the Group resources that are not limited to the communication software market. The Group now has engineers with much experience in many fields as well as a framework capable of fulfilling a broad array of customer needs.

1) Communications Software

The Company is focusing on the next-generation wireline/wireless communications required by the IT market. For example, the Company is expanding products and services, such as by targeting wireline gigabit. Development of these products and services will be conducted by the Company as well as through business alliances. The Company will also work on acquiring new technologies and enlarging sales channels.

2) Internet Software

The Company is currently selling IPv6/IPv4 dual stack systems. However, these systems incorporate exclusive Elmic Wescom specifications that enable the use of IPv6 alone. This reflects the need to accommodate finished products ranging from sophisticated data devices to home electronics appliances. In the current fiscal year, emphasis will be placed on options for IPv6. Development activities will include security-related SSL/TLS, UPnP (Universal Plug and Play) technical specifications for the easy connection of home electronics appliances to networks, and upgraded versions of existing technologies. The Company will continue to work on developing options, enhancing functions and creating more advanced versions of software. At the same time, the Company will consider incorporating the capabilities of other companies from the standpoints of performance relative to cost, mutual benefits and other items.

3) Real-Time OS (RTOS)

In the RTOS market, open source is becoming increasingly common, as is the case with ITRON and Linux for embedded systems. The Company is making concerted efforts to promote its system integration business, focusing on services to integrate systems running on these operating systems.

4) System Integration

The Elmic Wescom Group offers its consulting services, a particular Elmic Wescom strength that links core technology and products, and system development services to enhance the total performance of systems used in embedded systems (finished products or consumer goods). With regard to embedded systems, the operation of software within a particular physical environment, such as the hardware, is critical. The experience of engineers is essential to delivering the needed performance. The experience of engineers is essential to delivering the needed performance. With expertise gained over its 29-year history, Elmic Wescom can offer customers a valuable advantage in this regard.

5) System Solutions

Due to the merger, the Group has gained the ability to fulfill many customer needs for software development outsourcing in numerous business fields.

The Group intends to develop more new products to further solidify its prominent position in its industry. This drive will be backed by the core technologies, products, highly experienced team of engineers and resources of Group companies, as has been outlined above.

The Elmic Wescom Group's product strategy will continue in the same basic direction as that outlined above. The Group is placing particular emphasis on the upcoming post-PC era. Embedded systems, such as cellular phones and other mobile terminals, automotive systems, IT home appliances, kitchen appliances and all other electrical products, will be controlled via the Internet and exchange information. The TCP/IP will be at the nucleus of these systems. IPv6 will open the way to a virtually unlimited number of addresses. Both image processing (H.323, SIP) and security (IPSec) will be needed. In addition, as broadband communications take hold, the importance will grow not only of wired networks, but also of wireless networks and routers that facilitate communications within a limited scope.

Along with the above measures, the Group plans to upgrade products for industrial applications, an existing market that includes systems for semiconductor manufacturing equipment.

Management of Sales and Development Activities

Management systems are being strengthened from the standpoint of corporate governance. The Group is building a more clearly defined structure for submitting reports and directives and performing other management-related tasks covering sales, gross profit, delivery times, cost of sales, quality assurance, support services and other operating items.

Following the merger, the Group has created a team of system engineers who are engaged solely in the expansion and improvement of internal systems.

(6) Key Issues

- a. Bolstering alliances
- b. Maintaining stable relationships with reliable vendors
- c. Training personnel
- d. Upgrading risk management
- e. Refining data management systems
- f. Improving marketing capabilities

With expansion foreseen in markets where the Elmic Wescom Group is active, the Group must minimize risk and maximize earnings in order to grow. To accomplish this, the Group is working on cutting fixed costs (reducing SG&A) and direct costs. At the same time, the Group must upgrade marketing capabilities to develop and sell products that accurately target market demands of the future.

(7) Fundamental Approach to and Actions Regarding Corporate Governance

1) Fundamental approach to corporate governance

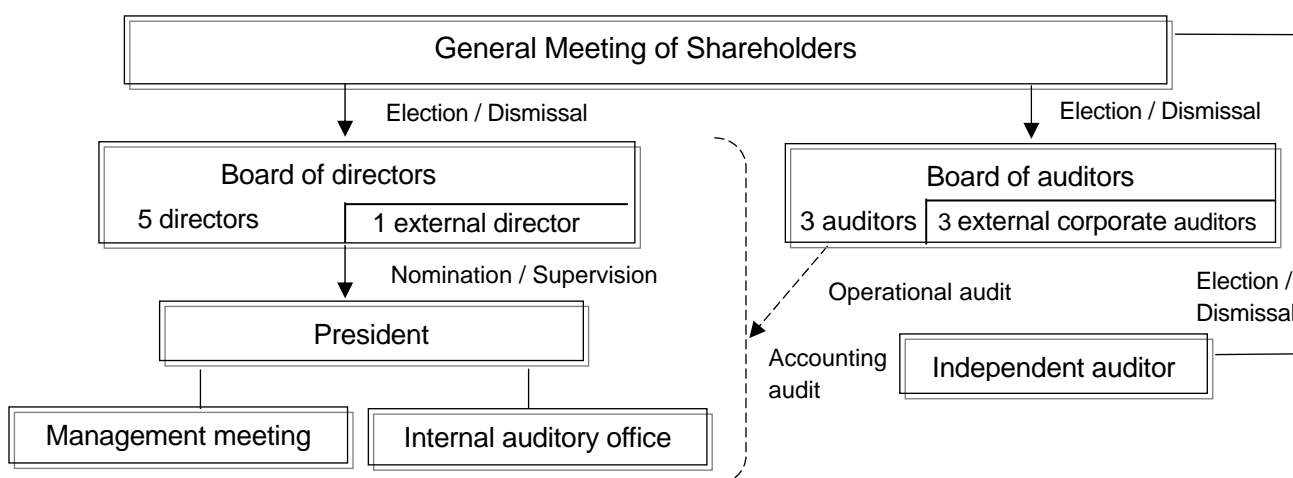
The Company believes that conducting highly transparent business activities is vital to dealing efficiently with management issues in today's challenging operating environment. This demands the ability to reach the best decisions quickly along with an effective system of checks and balances.

2) Actions regarding corporate governance

Following the merger, the number of directors with executive positions at the Group was increased and the previous executive officer system was terminated. The objective of both actions is to create sharper lines of

accountability. In addition, the three corporate auditors attend meetings of the Board of Directors to check the legality and suitability of the directors' performance as well as to state their opinions.

- a. Status of management oversight organization and other corporate governance systems for management decision-making, the execution of business activities and the supervision of operations



As of September 30, 2005, the Company had a corporate auditor system in which all three corporate auditors were from outside the Company. Furthermore, one of the Company's five directors was from outside the Company.

- b. Personnel, capital, business and other relationships between the company and external directors and external corporate auditors

The Company has an external director who is a representative director of IBT Corp., which has a business relationship (consulting contract) with the Company, continuously supplies the Company with information on trends in the Japanese and U.S. information industries, events and strategies at major companies in this industry, and other pertinent information. However, this consulting contract ended on September 30, 2005, and was not extended.

One external corporate auditor is a tax accountant and representative director of Pacific Tsusho Co.

One external corporate auditor is also a shareholder of the Company.

There are no other related party interests among other external directors and external corporate auditors.

3) Corporate governance actions during the past year

The Board of Directors, which makes decisions involving fundamental management policies and other important matters, held a meeting every month. The number of directors with executive positions at the company was increased following the merger and the executive officer system was terminated.

(8) Item Concerning Parent Company

The Company has no parent company.

(9) Other Significant Items

The scale of operations expanded significantly as the Company on July 1, 2005 absorbed WESCOM Inc., an equity-method affiliate, through merger. WESCOM's core business is the development of IT systems, embedded systems in particular, and is uniquely positioned to complement Elmic Systems' current business portfolio. Since post-merger adjustments, including the reorganization of the corporate structure and revision of company rules, are still underway, marked benefits from the merger are not visible yet, but we expect a significant payoff in the future.

3. Results of Operations and Financial Position

(1) Results of Operations

Summary of interim period ended September 2005 (From April 1, 2005 to September 30, 2005):

During the first half, Japan's economy was buffeted by much higher crude oil prices and other negative developments even as corporate earnings continued to recover. Manufacturers of home appliances, the users of the Group's products, and particularly producers of information home appliances, finally began to move on concrete projects to move toward a ubiquitous information society. Since the delivery of most products occurs at the end of each fiscal year (the end of March), year-on-year comparisons are difficult. Nevertheless, the system integration sector was strong when taking this annual fluctuation into account. There are no signs of substantial structural growth in the electrical machinery and semiconductor industries. It appears that producers of finished products will need more time to plan and develop products for the ubiquitous information age. These companies are not yet ready to advance to the next step, which is mass production. This situation had a significant impact on the Group's operations, holding down sales and pushing back deliveries.

Results by product category:

Communications

The primary operations in this category are communication systems for semiconductor and LCD production lines and communication boards used in signal control devices. Including the effect of a shift in some deliveries to the second half, demand was lower in the first half. On the other hand, there was a small year-on-year increase in sales of INS (ISDN communication) boards. Although deliveries for POS systems and payment processing terminals in Japan were the same as one year earlier, INS board sales benefited from an increase in exports by customers. As a result, net sales of multi-purpose communication boards declined 61.9% and ISDN board sales increased 2.2%.

Internet protocol

The expansion of the IPv6 market is not meeting expectations. IPv4 royalties increased in association with embedded devices used in mobile phones, PHS products and other products. However, TCP/IPv6 sales were down marginally as there was nothing more than growth in the number of customer inquiries. Although more than 70% of IPv4 is allocated to the United States, and has announced a total shift in all networks to IPv6 by 2008 due in part to security-related issues at the Department of Defense. In Japan and other Asian nations as well as in Europe, moves to adopt IPv6 are quickening. All manufacturers have advanced to the product planning phase. As a result, sales of development kits for next-generation systems are climbing. Since the Group is currently involved only in responses to individual customer requests, net sales in this category increased 0.8%.

Real-time OS

Royalty income declined just as with Internet-linked devices. Furthermore, the market is changing because of the increasing use of embedded devices using Linux, a free OS. As a result, there was a year-on-year decline in sales of related products because of a downturn in the share of sales associated with ITRON and Elmic's ELX. There was a decline in demand for projects involving Windows-based devices, but confidential business with certain customers caused category net sales to increase 26.9%.

System integration (customization)

As explained above, since SI is closely correlated with equipment sales, sales of special CIM-related system development projects for semiconductor and LCD production equipment were largely unchanged from the same period of the previous fiscal year. Sales of systems for railroads and signal control were postponed to the second half of the fiscal year due to delays in finalizing communication system specifications. Development projects related to IPv6 were limited due in part to flat sales of TCP/IP (v6) systems. However, there was strong interest in the IPv4-based network system development and this helped boost category sales by 34.3%.

System solutions (custom development)

On the other hand, our system solutions service is characterized by large-scale projects. We contracted for projects related to mobile terminals, mobile phones for overseas markets and station administration systems. Among these, sales related to very lump sum orders for major projects are expected to be booked around the end of the fiscal year, when deliveries are scheduled. This is a new segment added in the current period following the merger and first-half sales were largely on a par with the beginning-of-year forecast. There is no change in the business pattern in this segment characterized by orders in the first half and delivery and sales in the second half.

Due to this sale and other factors, consolidated net sales for the first half of the current fiscal year increased 11.1% year-on-year to 633 million yen, there was an ordinary loss of 66 million yen and net loss of 154 million yen.

Sales by product category

Yen in thousands

Product category				Interim ended September 30, 2005	
Category	Product			Sales	Share (%)
Manufactured products	1	Communications	Multi-purpose communications boards	74,948	11.8
			ISDN boards	20,903	3.3
		Subtotal			95,852
	2	Internet protocol		111,038	17.5
	3	Real-time OS		15,925	2.5
	4	System integration (customization)		199,996	31.6
5	System solutions (custom development)		129,126	20.4	
Total manufactured products				551,938	87.1
Purchased products	6	Others		81,512	12.9
Total				633,451	100.0

Due to seasonal factors involving the nature of the Group's business activities, sales tend to be recorded mainly in the second half of each fiscal year, resulting in substantial differences between first- and second-half sales.

In the current fiscal year, first-half sales were 633 million yen, compared with 570 million yen in the first half of the previous fiscal year, when consolidated net sales amounted to 1,254 million yen for the full fiscal year.

(2) Financial Position

Cash Flows

Cash and cash equivalents as of September 30, 2005 amounted to 1,345 million yen, 92 million yen more than at the end of the prior fiscal year. Cash was provided by a 104 million yen decrease in trade notes and accounts receivables (down 61.7%) and proceeds from insurance of 87 million yen, stock issuance of 41 million yen, and transfer of capital resulting from merger of 37 million yen. Major uses of cash were a net loss before income taxes and minority interests of 77 million yen (6 million yen loss one year earlier), increase in inventories of 41 million yen (down 53.9% year-on-year), payment of dividends of 35 million yen (up 0.1%), and acquisition of intangible assets of 25 million yen (up 118.2%).

Cash flows by category in the first half were as follows.

Operating activities

Net cash provided by operating activities decreased 32.4% to 74 million yen.

A major item included a decrease in trade note and accounts receivables of 104 million yen, proceeds from insurance of 87 million yen, a loss before income taxes and minority interest of 77 million yen, and a 41 million yen increase in inventories.

Investing activities

Net cash used in investing activities decreased 88.3% to 25 million yen.

This was mainly due to payments of 25 million yen for the acquisition of intangible assets, and other items.

Financing activities

Net cash provided by financing activities was 6 million yen, compared with net cash used of 35 million yen one year earlier.

This was due to cash dividends paid of 35 million yen and proceed from stock issue of 41 million yen.

Trends in cash flow indicators were as follows.

	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005	Interim ended Sep. 30, 2004	Interim ended Sep. 30, 2005
Shareholders' equity ratio (%)	83.8	86.1	86.6	89.1	81.6
Shareholders' equity ratio at market value (%)	28.5	88.5	101.6	99.9	105.8
Debt repayment multiple (years)	0.2	-	-	-	0.3
Interest coverage ratio	98.6	274.3	-	-	426.8

Notes: 1. The above figures are calculated as follows.

Shareholders' equity ratio: shareholders' equity divided by total assets

Shareholders' equity ratio at market value: market capitalization divided by total assets

Debt repayment multiple: interest-bearing debt divided by operating cash flows

Interest coverage ratio: operating cash flows divided by interest expenses

- All indicators are calculated based on consolidated financial figures.
- Market capitalization is calculated by multiplying the value of the Company's stock at the close of each period by the total number of shares issued at the end of the period.
- Operating cash flows are calculated using the figures for operating cash flows in the consolidated statements of cash flows. Net interest-bearing debt is the sum of all liabilities on the consolidated balance sheets for which interest payments are made. Interest expenses as shown in the consolidated statements of cash flows are used to calculate the interest coverage ratio.
- Debt repayment multiple and interest coverage ratio for interim ended Sep. 30, 2004 and fiscal year ended March 31, 2005 are not shown because there was no interest-bearing debt or interest expenses in this period.

(3) Outlook for the Fiscal Year Ending March 2006

The Company is likely to post a net loss for the current fiscal year ending March 2006, due to extraordinary losses related to the merger and expenses for the funeral of our former President Akira Sawada.

The Internet Protocol segment is comprised largely of TCP/IP (KASAGO)-related equipment sales and system integration services. The market for these products is just getting off the ground and the order backlog is increasing gradually.

Due to the above factors, the Company is forecasting consolidated net sales of 1,709 million yen, ordinary income of 23 million yen and net loss of 79 million yen in the fiscal year ending in March 2006. On a non-consolidated basis, the forecast is for net sales of 1,663 million yen, ordinary income of 40 million yen and net loss of 65 million yen.

These forecasts are based on management's judgments in accordance with information that is currently available. Actual results may differ significantly due to a variety of factors.

Therefore, investors are cautioned not to make investment decisions based solely on these forecasts. Factors that can affect operating results include, but are not limited to, the economic environment in major markets, changes in demand and prices for products, rapid advances in technology, changes in exchange rates, and revisions in regulations and accounting standards in Japan and overseas.

(4) Business Risks

Presented below are a list of risk factors that can affect the Company's business operations and other aspects of its activities. This information is being supplied from the standpoint of conducting an aggressive disclosure program for investors by providing information on items that are believed to be important to reaching investment decisions. This list even includes items that may not necessarily correspond to obvious risk factors. The Company is aware of these risk factors and is taking measures to respond in the event that any of these problems occurs. However, investors should carefully read this list and all information in this document, as well as gather information from other sources so that all factors can be carefully considered before reaching an investment decision.

Risks Concerning Business Operations

- Communication risk

The Company is acquiring new technology primarily through joint development programs and other forms of alliances. In the event that one or more alliances are terminated, the Company could have difficulty acquiring new technology, an event that could have a material impact on operating results.

- Internet risk

KASAGO TCP/IP (IPv4) is employed by a large number of users and sales of KASAGO IPv6 have been started based on these existing users. At present, a number of Japanese companies, mostly large manufacturers of electrical equipment, are using KASAGO IPv6 at no charge to conduct evaluations and research. Moreover, we are focusing on sales promotions through marketing campaigns and other initiatives. The Company is now in phase 2 of the development process, which mainly entails the development of IPv6 optional software packages. Any delay in the market launch of these packages could have an impact on operating results.

- System integration risk

By maintaining good relationships with vendors, the Company strives to maintain access to qualified personnel, sustain the profitability of system integration operations and maintain a stable level of orders. Any difficulties concerning these relationships could have a material impact on operating results.

Reliance on External Vendors (Orders Placed)

During the current interim period, the Company placed a total of 141 million yen of orders with external vendors. Major companies and orders placed are shown below. This table does not include Airfolc Inc., WESCOM Inc.

Yen in thousands

Vendor	Product	Orders		Remarks
		FY2005 Interim	Share (%)	
Toshiba Personal Computer System Corp	Hardware products	32,529	23.0	
TKS Co., Ltd.	Customized software	20,590	14.5	
Yamaki Electric Corporation	Hardware products	14,833	10.5	
Nihon System Research	Hardware products	10,541	7.4	
Raisey Systems	Hardware products	7,968	5.6	
Other (26 companies)	-	55,161	39.0	-
Total	-	141,625	100.0	-

Note: The above amounts do not include consumption taxes.

The Company closely monitors the management, manufacturing supervision, quality assurance and other aspects of the operations of these companies. Furthermore, precautions are taken to diversify risk to avoid excessive reliance on any particular vendor. Nevertheless, a problem in the ability of a vendor to conduct operations could affect the Company's ability to ship products. Therefore, the inability to ship products at the required time due to a problem involving the design, manufacturing or quality assurance capabilities of a vendor could have a material impact on operating results.

Human Resources

Employees involved in marketing and development activities will play an important role in the expansion of new businesses. As Elmic Wescom operates in a small industry and there are a limited number of talented individuals, there is a risk that the Company may not be able to hire the necessary personnel due to intense competition. The Company is currently reviewing its personnel system, and will further upgrade its target management system and

compensation structure to reflect the capabilities of each employee in order to attract skilled individuals and motivate employees. Any difficulty in hiring or retaining the necessary personnel could hinder the Company's ability to reach its medium- and long-term strategic goals and have a material impact on operating results.

Investments

The Company has consistently invested in its core business. At this time, management plans to aggressively conduct a broad spectrum of business activities that are based on existing products and services. As part of this drive, the Company will be establishing subsidiaries and forming alliances in Japan and overseas.

The investments required by these actions may be large compared to the size of the Company, creating greater risks involving the Company's financial position and business operations. However, it is impossible to accurately predict the impact on the Company's operations of conditions at companies in which it has invested. In some cases, the Company may not be able to recover its investments.

Significant Alliances

The Elmic Wescom Group enters into a large number of business agreements and alliances to acquire new technologies. Most of these actions involve systems that will be commercialized in the future. Any leaks of such information could be harmful these customers. Consequently, the Company enters into confidentiality contracts with all customers and external vendors in addition to contracts for the placement of orders.

Five-year Summary

(1) The following table presents a summary of results of operations for the five-year period ended March 31, 2005.

Yen in thousands

Fiscal years ended March 31	2001	2002	Change (%)	2003	Change (%)	2004	Change (%)	2005 (prior year)	Change (%)
Net sales	2,005,663	1,655,266	82.5	1,585,261	95.8	1,526,561	96.3	1,215,927	79.7
Ordinary income (loss)	222,622	(197,652)	-	38,645	-	70,815	183.2	(4)	-
Ratio of ordinary income to net sales (%)	11.1	(11.9)	-	2.4	-	4.6	-	(0.3)	-

(2) Regarding seasonal fluctuations

In net sales, demand exists throughout the year for products and services in our mainstay segments (Internet protocol, real-time OS, SI and system solutions). Within these segments, special development projects have the following characteristics. Due to the tendency for the end of user development themes to coincide with the end of the fiscal year, second half sales tend to be higher than in the first half.

Yen in thousands

Accounting term	1H FY2004	2H FY2004	1H FY2005	2H FY2005	1H FY2006
Period-end month	Sep. 2003	March 2004	Sep. 2004	March 2005	Sep. 2005
Net sale in period-end month	268,778	369,124	191,264	285,261	258,589
Share of total interim sales (%)	36.82	46.34	34.61	43.01	42.13
Share of total annual sales (%)	17.61	24.18	15.73	23.46	-

Note: The above amounts are calculated on the non-consolidated basis.

Research and Development

R&D expenditures were 42 million yen, which was 25 million yen higher than the same period a year earlier. R&D expenditures were 6.7% of net sales. The main development work on IPv6 Internet-related software was largely completed in the previous fiscal year and the focus has shifted to the development of options and product commercialization. As a result, research and development as a percentage of net sales has declined. Nevertheless, since the Company is committed to continuing R&D in all areas of its operations, including telecommunications, R&D expenditures for promising products to be launched in the next term and thereafter are expected to increase in the second half.

4. Consolidated Interim Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

Account	Note	FY2005 Interim As of Sep. 30, 2004		FY2006 Interim As of Sep. 30, 2005		FY2005 Selected data As of March 31, 2005	
		Amounts	%	Amounts	%	Amounts	%
Assets							
I Current assets							
1. Cash and deposits		131,967		364,607		166,372	
2. Notes & accounts receivable - trade		413,858		368,042		410,762	
3. Available for sale securities		980,652		980,884		1,086,333	
4. Inventories		187,216		145,354		92,753	
5. Other current assets		245,964		102,137		76,456	
Reserve for doubtful receivables		(194)		(150)		(179)	
Total current assets		1,959,465	64.6	1,960,875	75.8	1,832,498	74.4
II Fixed assets							
1. Property, plant and equipment	*1	13,965		102,987		17,449	
2. Intangible assets		109,470		122,663		112,983	
3. Investments and other assets							
(1) Investment securities		399,581		349,715		416,546	
(2) Claim in bankruptcy		-		240,554		241,613	
(3) Deferred tax assets - non-current		284,558		-		756	
(4) Others		270,096		48,935		80,219	
Reserve for doubtful receivables		(2,850)		(239,904)		(238,429)	
Total fixed assets		1,074,822	35.4	624,952	24.2	631,141	25.6
Total assets		3,034,288	100.0	2,585,828	100.0	2,463,640	100.0

(Thousands of yen)

Account	Note	FY2005 Interim As of Sep. 30, 2004		FY2006 Interim As of Sep. 30, 2005		FY2005 Selected data As of March 31, 2005	
		Amounts	%	Amounts	%	Amounts	%
Liabilities							
I Current liabilities							
1. Accounts payable - trade		63,319		85,934		69,072	
2. Income taxes payable		6,854		6,641		13,592	
3. Reserve for accrued bonuses		49,029		54,379		31,782	
4. Other current liabilities	*2	39,959		70,572		35,873	
Total current liabilities		159,162	5.2	217,528	8.4	150,321	6.1
II Long-term liabilities							
1. Corporate bonds		-		42,000		-	
2. Reserve for employees' retirement benefits		-		30,408		484	
3. Reserve for directors' retirement benefits		166,629		177,660		171,229	
4. Other long-term liabilities		-		2,477		-	
Total long-term liabilities		166,629	5.5	252,546	9.8	171,714	7.0
Total liabilities		325,792	10.7	470,074	18.2	322,036	13.1
Minority interest							
Minority interest		5,327	0.2	6,075	0.2	7,333	0.3
Shareholders' equity							
I Common stock		1,160,041	38.2	1,202,036	46.5	1,160,041	47.1
II Capital surplus		1,459,152	48.1	1,051,675	40.7	1,459,152	59.2
III Retained earnings		287,406	9.5	(131,570)	(5.1)	(292,094)	(11.9)
IV Net unrealized gain (loss) on other securities		(18,246)	(0.6)	3,347	0.1	(7,607)	(0.3)
V Treasury stock		(185,184)	(6.1)	(15,810)	(0.6)	(185,220)	(7.5)
Total shareholders' equity		2,703,169	89.1	2,109,677	81.6	2,134,270	86.6
Total liabilities, minority interest and shareholders' equity		3,034,288	100.0	2,585,828	100.0	2,463,640	100.0

(2) Consolidated Statements of Income

(Thousands of yen)

Account	Note	FY2005 Interim Apr. 1, 2004 - Sep. 30, 2004		FY2006 Interim Apr. 1, 2005 - Sep. 30, 2005		FY2005 Selected data Apr. 1, 2004 - Mar. 31, 2005				
		Amounts	%	Amounts	%	Amounts	%			
I Net sales	*1		570,163	100.0		633,451	100.0		1,254,501	100.0
II Cost of sales			310,686	54.5		359,669	56.8		667,803	53.2
Gross profit			259,476	45.5		273,782	43.2		586,697	46.8
III SG&A	*2		282,360	49.5		333,541	52.6		608,072	48.5
Operating income			22,883	(4.0)		59,759	(9.4)		21,374	(1.7)
IV Non-operating income										
1. Interest income		1,936			8,468			11,287		
2. Dividends income		50			60			110		
3. Equity in earnings of affiliates		-			-			7,739		
4. Gain on anonymous partnerships		4,285			-			4,285		
5. Other non-operating income		2,676	8,948	1.5	2,388	10,916	1.7	3,539	26,960	2.2
V Non-operating expenses										
1. Interest expense		-			173			-		
2. Loss on equity method		682			13,358			-		
3. New stock issue expenses		-			595			-		
4. Investment partnership losses		-			3,212			-		
5. Additional taxes payable		-			-			3,054		
6. Foreign exchange loss		-	682	0.1	-	17,340	2.7	394	3,449	0.3
Ordinary income (loss)			(14,618)	(2.6)		(66,183)	(10.4)		2,136	0.2
VI Extraordinary gains										
1. Gain on reversal from doubtful receivables		70			-			-		
2. Gain on cancellation of leveraged lease		49,179			-			49,179		
3. Gain on sales of investment securities		-			-			3,980		
4. Insurance reimbursement		-	49,249	8.6	54,750	54,750	8.6	-	53,159	4.2
VII Extraordinary loss										
1. Loss on removal of fixed assets	*3	20,174			9,761			22,861		
2. Provision of allowance for doubtful receivables		1,450			1,065			236,944		
3. Loss on revaluation of membership		700			700			900		
4. Loss on revaluation of investment securities		-			229			-		
5. Loss on revaluation of inventories		18,492			-			34,601		
6. Merger expenses		-			38,453			-		
7. Condolence payment for director		-			15,619			-		
8. Head office relocation expenses		-	40,816	7.1	-	65,830	10.4	24,482	319,790	25.5
Net loss before income taxes and minority interest			6,185	(1.1)		77,263	(12.2)		264,494	(21.1)
Income taxes - current		3,019			3,188			5,993		
Income taxes - deferred		3,140	6,159	1.1	75,310	78,498	12.4	319,351	325,344	25.9
Minority interest			(1,679)	(0.3)		(1,258)	(0.2)		326	0.0
Net loss			10,665	(1.9)		154,503	(24.4)		590,166	(47.0)

(3) Consolidated Statements of Retained Earnings

(Thousands of yen)

		FY2005 Interim Apr. 1, 2004 - Sep. 30, 2004		FY2006 Interim Apr. 1, 2005 - Sep. 30, 2005		FY2005 Selected data Apr. 1, 2004 - Mar. 31, 2005	
Account	Note	Amounts		Amounts		Amounts	
Capital surplus							
I Capital surplus at beginning of period			1,459,152		1,459,152		1,459,152
II Capital surplus at end of period							
1. Cash dividends		-		36,117		-	
2. Compensation for undisposed deficit for the period		-		315,027		-	
3. Loss on disposal of treasury stock		-	-	56,331	407,476	-	-
III Balance at end of the period			1,459,152		1,051,675		1,459,152
Retained earnings							
I Retained earnings (losses) at beginning of period			334,189		(292,094)		334,189
II Increase in retained earnings							
1. Reversal of other capital surplus		-	-	315,027	315,027	-	-
III Decline in retained earnings							
1. Cash dividends		36,117		-		36,117	
2. Net loss		10,665	46,783	154,503	154,503	590,166	626,284
III Retained earnings (losses) at end of period			287,406		(131,570)		(292,094)

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

		FY2005 Interim Apr. 1, 2004 - Sep. 30, 2004	FY2006 Interim Apr. 1, 2005 - Sep. 30, 2005	FY2005 Selected data Apr. 1, 2004 - Mar. 31, 2005
Account	Note	Amounts	Amounts	Amounts
I Cash flows from operating activities				
Net income (loss) before income taxes and minority interest		(6,185)	(77,263)	(264,494)
Depreciation and amortization		44,757	42,164	76,885
Amortization of long-term prepaid expenses		112	245	208
Equity in losses (earnings) of affiliates		682	13,358	(7,739)
Increase in reserve for doubtful receivables		1,380	1,065	236,944
Increase (decrease) in reserve for accrued bonuses		3,338	22,597	(13,909)
Increase in reserve for employees' retirement benefits		-	717	484
Increase in reserve for directors' retirement benefits		5,130	6,430	9,730
Interest and dividends income		(1,986)	(8,528)	(11,397)
Interest expense		-	173	-
Gain on anonymous partnerships		(4,285)	-	(4,285)
Foreign exchange gain		(165)	(197)	(57)
Loss on investment partnership		-	3,212	-
Gain on cancellation of leveraged lease		(49,179)	-	(49,179)
Gain on sales of investment securities		-	-	(3,980)
Insurance reimbursement		-	(54,750)	-
Loss on removal of fixed assets		20,174	9,761	22,861
Loss on revaluation of membership		700	700	900
Loss on revaluation of investment securities		-	229	-
Loss on revaluation of inventories		18,492	-	-
Condolence payment for director		-	15,619	-
Decrease in notes and accounts receivable - trade		272,693	104,453	264,059
Decrease (increase) in inventories		(89,094)	(41,036)	23,861
Decrease in accounts payable - trade		(63,722)	(8,790)	(57,968)
Increase in other assets		(37,811)	(15,574)	(10,997)
Increase (decrease) in other liabilities		6,542	(33,442)	8,553
Increase (decrease) in accrued consumption taxes		(10,952)	2,564	(11,768)
Subtotal		110,622	(16,290)	208,712
Interest and dividends received		3,978	11,864	13,100
Interest paid		-	(346)	-
Insurance received		-	87,435	-
Payment for condolence money to director		-	(3,391)	-
Income taxes paid		(4,855)	(5,121)	(7,342)
Net cash provided by operating activities		109,745	74,149	214,469

(Thousands of yen)

		FY2005 Interim Apr. 1, 2004 - Sep. 30, 2004	FY2006 Interim Apr. 1, 2005 - Sep. 30, 2005	FY2005 Selected data Apr. 1, 2004 - Mar. 31, 2005
Account	Note	Amounts	Amounts	Amounts
II Cash flows from investing activities				
Payments for acquisition of investment securities		(214,048)	(10,560)	(314,048)
Gain on sales of investment securities		-	-	105,980
Payments for acquisition of property, plant and equipment		(240)	-	(8,669)
Payments for acquisition of intangible assets		(11,562)	(25,224)	(44,849)
Proceeds of cancelled equity		-	-	47,613
Payments for long-term loans receivable		-	(204)	-
Proceeds from collection of long-term loans		425	5,845	760
Proceeds from collection of long-term accounts receivable - other		16,121	-	25,794
Payments for leasehold and security deposits		(6,400)	-	(16,006)
Proceeds from return of leasehold and security deposits		473	5,539	24,679
Payments for other investing activities		(1,092)	(670)	(1,897)
Net cash used in investing activities		(216,322)	(25,274)	(180,642)
III Cash flows from financing activities				
Proceeds from new stock issuance		-	41,994	-
Payments for acquisition of treasury stock		-	-	(36)
Cash dividends paid		(35,855)	(35,881)	(36,031)
Net cash provided by (used in) financing activities		(35,855)	6,113	(36,067)
IV Effect of exchange rate changes on cash and cash equivalents		165	197	57
V Increase (decrease) in cash and cash equivalents		(142,267)	55,185	(2,182)
VI Cash and cash equivalents at beginning of period		1,254,887	1,252,705	1,254,887
VII Increase in cash and cash equivalents resulting from merger		-	37,599	-
VIII Cash and cash equivalents at end of period	*	1,112,620	1,345,491	1,252,705