

Interim Consolidated Financial Statements for the Fiscal Year Ending March 31, 2007

Company name: Elmic Wescom, Inc. Listing: TSE Mothers Market (Stock code: 4770)
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 Director, Administration

Board meeting for approving: November 17, 2006
 Adoption of US GAAP: Not adopted

(1) Consolidated Balance Sheets

(Thousands of yen)

Account	First half of FY2005 (As of Sep. 30, 2005)		First half of FY2006 (As of Sep. 30, 2006)		FY2005 selected data (As of March 31, 2006)	
	Amounts	%	Amounts	%	Amounts	%
Assets						
I Current assets						
1. Cash and deposits	364,607		291,462		265,149	
2. Notes and accounts receivable - trade	368,042		557,791		629,139	
3. Securities	980,884		742,393		941,928	
4. Inventories	145,354		136,138		125,015	
5. Other current assets	102,137		88,682		104,683	
Reserve for doubtful receivables	(150)		(180)		(243)	
Total current assets	1,960,875	75.8	1,816,288	75.2	2,065,673	75.9
II Fixed assets						
1. Property, plant and equipment	102,987		99,010		101,545	
2. Intangible assets	122,663		79,101		90,788	
3. Investments and other assets						
(1) Investment securities	349,715		377,724		421,390	
(2) Claim in bankruptcy	240,554		162,498		219,820	
(3) Other investments and other assets	48,935		47,239		45,348	
Reserve for doubtful receivables	(239,904)	399,302	(166,433)	421,028	(223,755)	462,804
Total fixed assets		624,952		599,140		655,137
Total assets		2,585,828		2,415,428		2,720,811
		100.0		100.0		100.0

(Thousands of yen)

Account	First half of FY2005 (As of Sep. 30, 2005)		First half of FY2006 (As of Sep. 30, 2006)		FY2005 selected data (As of March 31, 2006)	
	Amounts	%	Amounts	%	Amounts	%
Liabilities						
I Current liabilities						
1. Accounts payable - trade	85,934		92,054		104,977	
2. Short-term borrowings	-		2,400		-	
3. Income tax payable	6,641		6,427		10,056	
4. Reserve for accrued bonuses	54,379		34,806		28,216	
5. Other current liabilities	70,572		92,950		67,962	
Total current liabilities	217,528	8.4	228,638	9.5	211,212	7.8
II Long-term liabilities						
1. Corporate bonds	42,000		42,000		42,000	
2. Long-term borrowings	-		8,400		-	
3. Reserve for employees' retirement benefits	30,408		33,151		32,552	
4. Reserve for directors' retirement benefits	177,660		28,271		185,960	
5. Other long-term liabilities	2,477		190		11,284	
Total long-term liabilities	252,546	9.8	112,013	4.6	271,797	10.0
Total liabilities	470,074	18.2	340,651	14.1	483,009	17.8
Minority interest						
Minority interests	6,075	0.2	-	-	6,345	0.2
Shareholders' equity						
I Common stock	1,202,036	46.5	-	-	1,202,036	44.2
II Capital surplus	1,051,675	40.7	-	-	1,051,675	38.6
III Retained earnings	(131,570)	(5.1)	-	-	(22,676)	(0.8)
IV Net unrealized gain (loss) on other securities	3,347	0.1	-	-	16,231	0.6
V Treasury stock	(15,810)	(0.6)	-	-	(15,810)	(0.6)
Total shareholders' equity	2,109,677	81.6	-	-	2,231,456	82.0
Total liabilities, minority interest and shareholders' equity	2,585,828	100.0	-	-	2,720,811	100.0
Net assets						
I Shareholders' equity						
1. Common stock	-	-	1,202,036	49.7	-	-
2. Capital surplus	-	-	975,531	40.4	-	-
3. Retained earnings	-	-	33,274	1.4	-	-
4. Treasury stock	-	-	(99,185)	(4.1)	-	-
Total shareholders' equity	-	-	2,111,656	87.4	-	-
II Valuation and translation adjustments						
1. Net unrealized gain (loss) on other securities	-	-	(37,479)	(1.5)	-	-
Total valuation and translation adjustments	-	-	(37,479)	(1.5)	-	-
III Minority interests	-	-	599	0.0	-	-
Total net assets	-	-	2,074,776	85.9	-	-
Total liabilities and net assets	-	-	2,415,428	100.0	-	-

(2) Consolidated Statements of Income

(Thousands of yen)

Account	First half of FY2005 (Apr. 1, 2005 – Sep. 30, 2005)		First half of FY2006 (Apr. 1, 2006 - Sep. 30, 2006)		FY2005 selected data (Apr. 1, 2005 – Mar. 31, 2006)				
	Amounts	%	Amounts	%	Amounts	%			
I Net sales		633,451	100.0		856,212	100.0		1,679,441	100.0
II Cost of sales		359,669	56.8		485,124	56.7		933,587	55.6
Gross profit		273,782	43.2		371,088	43.3		745,853	44.4
III SG&A expenses		333,541	52.6		410,214	47.9		706,620	42.1
Operating income (loss)		(59,759)	(9.4)		(39,125)	(4.6)		39,233	2.3
IV Non-operating income									
1. Interest income	8,468			9,590			18,367		
2. Dividend income	60			60			152		
3. Business consignment income	-			1,820			-		
4. Other non-operating income	2,388	10,916	1.7	914	12,385	1.4	4,297	22,817	1.3
V Non-operating expenses									
1. Interest expense	173			528			509		
2. Loss on equity method	13,358			-			13,358		
3. New share issue expenses	595			-			-		
4. Loss on investment partnership	3,212			227			4,727		
5. Share buyback expenses	-			235			-		
6. Other non-operating expenses	-	17,340	2.7	215	1,207	0.1	657	19,252	1.1
Ordinary income (loss)		(66,183)	(10.4)		(27,947)	(3.3)		42,798	2.5
VI Extraordinary income									
1. Gain on reversal from doubtful receivables	-			57,385			16,839		
2. Settlement packages	-			700			-		
3. Insurance reimbursement	54,750			-			54,750		
4. Gain on reversal from reserve for directors' retirement benefits	-	54,750	8.6	8,039	66,124	7.7	-	71,590	4.3
VII Extraordinary loss									
1. Loss on removal of fixed assets	9,761			18			10,050		
2. Provision of reserve for doubtful receivables	1,065			-			1,850		
3. Loss on revaluation of membership	700			-			700		
4. Loss on revaluation of investment securities	229			8,728			229		
5. Loss on disposal of inventories	-			9,397			-		
6. Merger expenses	38,453			-			38,453		
7. Condolence payment for director	15,619	65,830	10.4	-	18,144	2.1	15,619	66,903	4.0
Net income (loss) before income taxes		(77,263)	(12.2)		20,032	2.3		47,484	2.8
Income taxes -current	3,188			2,971			6,178		
Income taxes -deferred	75,310	78,498	12.4	2,781	5,752	0.7	87,902	94,081	5.6
Minority interest in loss		1,258	(0.2)		5,746	(0.7)		987	(0.1)
Net income (loss)		(154,503)	(24.4)		20,026	2.3		(45,609)	(2.7)

(3) Consolidated Statements of Retained Earnings and Changes in Shareholders' Equity**Consolidated Statements of Retained Earnings**

(Thousands of yen)

Account	First half of FY2005 (Apr. 1, 2005 – Sep. 30, 2005)		FY2005 selected data (Apr. 1, 2005 – Mar. 31, 2006)	
	Amounts		Amounts	
Capital surplus				
I Capital surplus at beginning of period		1,459,152		1,459,152
II Decrease in capital surplus				
1. Cash dividends	36,117		36,117	
2. Compensation for undisposed deficit for the period	315,027		315,027	
3. Loss on disposal of treasury stock	56,331	407,476	56,331	407,476
III Capital surplus at end of period		1,051,675		1,051,675
Retained earnings				
I Retained earnings at beginning of period		(292,094)		(292,094)
II Increase in retained earnings				
1. Transfer from capital surplus	315,027	315,027	315,027	315,027
III Decrease in retained earnings				
1. Net loss	154,503	154,503	45,609	45,609
IV Retained earnings at end of period		(131,570)		(22,676)

Consolidated Statements of Changes in Shareholders' Equity

First half of FY2006 (Apr. 1, 2006 - Sep. 30, 2006)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	1,202,036	1,051,675	(22,676)	(15,810)	2,215,224
Changes in the current period					
Dividend of surplus (note)		(40,219)			(40,219)
Compensation for loss (note)		(35,925)	35,925		-
Net loss			20,026		20,026
Share buybacks				(83,375)	(83,375)
Changes (net) in items other than shareholders' equity					
Total changes in the current period	-	(76,144)	55,951	(83,375)	(103,568)
Balance as of September 30, 2006	1,202,036	975,531	33,274	(99,185)	2,111,656

	Valuation and translation adjustments		Minority interests	Total net assets
	Net unrealized gain (loss) on other securities	Total valuation and translation adjustments		
Balance as of March 31, 2006	16,231	16,231	6,345	2,237,801
Changes in the current period				
Dividend of surplus (note)				(40,219)
Compensation for loss (note)				-
Net loss				20,026
Share buybacks				(83,375)
Changes (net) in items other than shareholders' equity	(53,710)	(53,710)	(5,746)	(59,456)
Total changes in the current period	(53,710)	(53,710)	(5,746)	(163,025)
Balance as of September 30, 2006	(37,479)	(37,479)	599	2,074,776

Note: Appropriation of earnings resolved at the general meeting of shareholders in June 2006.

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	First half of FY2005 (Apr. 1, 2005 – Sep. 30, 2005)	First half of FY2006 (Apr. 1, 2006 – Sep. 30, 2006)	FY2005 selected data (Apr. 1, 2005 – Mar. 31, 2006)
Account	Amount	Amount	Amount
I Cash flows from operating activities			
Net income (loss) before income taxes	(77,263)	20,032	47,484
Depreciation and amortization	42,164	24,887	76,486
Amortization of goodwill	-	3,270	-
Amortization of long-term prepaid expenses	245	300	440
Equity in losses of affiliates	13,358	-	13,358
Increase (decrease) in reserve for doubtful receivables	1,065	(57,385)	(14,989)
Increase (decrease) in reserve for accrued bonuses	22,597	6,589	(3,566)
Increase in reserve for employees' retirement benefits	717	599	2,860
Increase (decrease) in reserve for directors' retirement benefits	6,430	(157,689)	14,730
Interest and dividend income	(8,528)	(9,650)	(18,519)
Interest expense	173	528	509
Foreign exchange gain	(197)	(14)	(332)
Loss on investment partnership	3,212	227	4,727
Settlement packages	-	(700)	-
Insurance reimbursement	(54,750)	-	(54,750)
Loss on removal of fixed assets	9,761	18	10,050
Loss on revaluation of memberships	700	-	700
Loss on revaluation of investment securities	229	8,728	229
Condolence payment for director	15,619	-	15,619
Decrease (increase) in accounts receivable -trade	104,453	77,504	(153,286)
Increase in inventories	(41,036)	(11,122)	(20,698)
Increase (decrease) in accounts payable -trade	(8,790)	(12,922)	10,252
Decrease (increase) in other assets	(15,574)	3,538	(23,642)
Increase (decrease) in other liabilities	(33,442)	30,724	(33,073)
Increase (decrease) in suspense receipt of consumption taxes	2,564	(6,926)	11,806
Subtotal	(16,290)	(79,459)	(113,603)
Interests and dividends received	11,864	10,003	21,675
Interests paid	(346)	(526)	(672)
Settlement packages received	-	700	-
Insurance received	87,435	-	87,435
Condolence payment for director	(3,391)	-	(15,619)
Income taxes received (paid)	(5,121)	2,683	(13,510)
Net cash provided by (used in) operating activities	74,149	(66,599)	(34,294)

(Thousands of yen)

	First half of FY2005 (Apr. 1, 2005 – Sep. 30, 2005)	First half of FY2006 (Apr. 1, 2006 – Sep. 30, 2006)	FY2005 selected data (Apr. 1, 2005 – Mar. 31, 2006)
Account	Amount	Amount	Amount
II Cash flows from investing activities			
Payments for acquisition of investment securities	(10,560)	(30,094)	(62,060)
Payments for acquisition of property, plant and equipment	-	(620)	(1,847)
Payments for acquisition of intangible assets	(25,224)	(12,745)	(24,036)
Payments for short-term loans receivable	-	(150,000)	-
Proceeds from collection of short-term loans	-	150,000	-
Payments for long-term loans receivable	(204)	-	(204)
Proceeds from collection of long-term loans	5,845	284	6,725
Payments for leasehold and security deposits	-	(2,039)	-
Proceeds from return of leasehold and security deposits	5,539	314	9,538
Proceeds from collection of claim in bankruptcy	-	50,576	17,378
Others	(670)	(427)	(680)
Net cash provided by (used in) investing activities	(25,274)	5,247	(55,187)
III Cash flows from financing activities			
Proceeds from long-term borrowings	-	12,000	-
Repayments of long-term borrowings	-	(1,200)	-
Proceeds from new stock issuance	41,994	-	41,994
Payments for acquisition of treasury stock	-	(83,375)	-
Cash dividends paid	(35,881)	(39,310)	(36,073)
Net cash provided by (used in) financing activities	6,113	(111,885)	5,921
IV Effect of exchange rate changes on cash and cash equivalents	197	14	332
V Increase (decrease) in cash and cash equivalents	55,185	(173,222)	(83,227)
VI Cash and cash equivalents at beginning of period	1,252,705	1,207,078	1,252,705
VII Increase in cash and cash equivalents resulting from merger	37,599	-	37,599
VIII Cash and cash equivalents at end of period	1,345,491	1,033,856	1,207,078