

Consolidated Financial Statements
for the First Nine Months of the Fiscal Year Ending March 31, 2007

Company name: Elmic Wescom, Inc.	Listing: TSE Mothers Market (Stock code: 4770)
URL: http://www.elwsc.co.jp/	Domicile: Kanagawa prefecture
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AIRFOLC Corporation, a consolidated subsidiary in prior years, was excluded from the consolidation since the Company sold a portion of its equity stake in the entity on October 2006. Accordingly, the Company has prepared only Consolidated Statement of Income and Consolidated Statement of Cash Flows for the first nine months of the fiscal year ending March 31, 2007.

(1) Consolidated Balance Sheets

(Thousands of yen)

Account	Nine months of FY2005 (As of Dec. 31, 2005)		FY2005 selected data (As of March 31, 2006)	
	Amounts	%	Amounts	%
Assets				
I Current assets				
1. Cash and deposits	180,310		265,149	
2. Notes and accounts receivable - trade	417,582		629,139	
3. Securities	941,866		941,928	
4. Inventories	155,070		125,015	
5. Other current assets	132,334		104,683	
Reserve for doubtful receivables	(243)		(243)	
Total current assets	1,826,920	73.0	2,065,673	75.9
II Fixed assets				
1. Property, plant and equipment	101,345		101,545	
2. Intangible assets	105,982		90,788	
3. Investments and other assets				
(1) Investment securities	421,721		421,390	
(2) Claim in bankruptcy	240,554		219,820	
(3) Other investments and other assets	45,607		45,348	
Reserve for doubtful receivables	(240,379)		(223,755)	
Total fixed assets	674,832	27.0	655,137	24.1
Total assets	2,501,753	100.0	2,720,811	100.0

(Thousands of yen)

Account	Nine months of FY2005 (As of Dec. 31, 2005)		FY2005 selected data (As of March 31, 2006)	
	Amounts	%	Amounts	%
Liabilities				
I Current liabilities				
1. Accounts payable - trade	51,206		104,977	
2. Income tax payable	6,278		10,056	
3. Reserve for accrued bonuses	22,764		28,216	
4. Other current liabilities	87,615		67,962	
Total current liabilities	167,864	6.7	211,212	7.8
II Long-term liabilities				
1. Corporate bonds	42,000		42,000	
2. Reserve for employees' retirement benefits	31,349		32,552	
3. Reserve for directors' retirement benefits	181,810		185,960	
4. Other long-term liabilities	10,803		11,284	
Total long-term liabilities	265,963	10.6	271,797	10.0
Total liabilities	433,827	17.3	483,009	17.8
Minority interest				
Minority interests	5,283	0.2	6,345	0.2
Shareholders' equity				
I Common stock	1,202,036	48.1	1,202,036	44.2
II Capital surplus	1,051,675	42.0	1,051,675	38.6
III Retained earnings	(190,786)	(7.6)	(22,676)	(0.8)
IV Net unrealized gain (loss) on other securities	15,527	0.6	16,231	0.6
V Treasury stock	(15,810)	(0.6)	(15,810)	(0.6)
Total shareholders' equity	2,062,642	82.5	2,231,456	82.0
Total liabilities, minority interest and shareholders' equity	2,501,753	100.0	2,720,811	100.0

(2) Consolidated Statements of Income

(Thousands of yen)

Account	Nine months of FY2005 (Apr. 1, 2005 – Dec. 31, 2005)			Nine months of FY2006 (Apr. 1, 2006 - Dec. 31, 2006)			FY2005 selected data (Apr. 1, 2005 – Mar. 31, 2006)		
	Amounts		%	Amounts		%	Amounts		%
I Net sales		1,016,340	100.0		1,368,162	100.0		1,679,441	100.0
II Cost of sales		592,070	58.3		791,749	57.9		933,587	55.6
Gross profit		424,270	41.7		576,412	42.1		745,853	44.4
III SG&A expenses		532,081	52.3		601,213	43.9		706,620	42.1
Operating income (loss)		(107,811)	(10.6)		(24,801)	(1.8)		39,233	2.3
IV Non-operating income									
1. Interest income	13,304			14,290			18,367		
2. Dividend income	152			173			152		
3. Business consignment income	-			2,630			-		
4. Other non-operating income	3,488	16,945	1.6	1,313	18,407	1.3	4,297	22,817	1.3
V Non-operating expenses									
1. Interest expense	356			742			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	47	17,569	1.7	215	1,421	0.1	657	19,252	1.1
Ordinary income (loss)		(108,435)	(10.7)		(7,815)	(0.6)		42,798	2.5
VI Extraordinary income									
1. Gain on reversal from doubtful receivables	-			105,009			16,839		
2. Settlement packages	-			700			-		
3. Gain on sale of subsidiary stock	-			16,848			-		
4. Insurance reimbursement	54,750			-			54,750		
5. Gain on reversal from reserve for directors' retirement benefits	-	54,750	5.4	8,039	130,597	9.6	-	71,590	4.3
VII Extraordinary loss									
1. Loss on removal of fixed assets	9,830			637			10,050		
2. Provision of reserve for doubtful receivables	1,633			-			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	66,466	6.5	-	18,763	1.4	15,619	66,903	4.0
Net income (loss) before income taxes		(120,151)	(11.8)		104,019	7.6		47,484	2.8
Income taxes -current	4,911			4,411			6,178		
Income taxes -deferred	90,706	95,617	9.4	12,517	16,929	1.2	87,902	94,801	5.6
Minority interest in loss		2,049	(0.2)		5,746	(0.4)		987	(0.1)
Net income (loss)		(213,719)	(21.0)		92,836	6.8		(45,609)	(2.7)

(3) Consolidated Statements of Retained Earnings

(Thousands of yen)

Account	Nine months of FY2005 (Apr. 1, 2005 – Dec. 31, 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	213,719	213,719	45,609	45,609
IV Retained earnings at end of period		(190,786)		(22,676)

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Nine months of FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	Nine months of FY2006 (Apr. 1, 2006 – Dec. 31, 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	(120,151)	104,019	47,484
Depreciation and amortization	59,456	36,492	76,486
Amortization of goodwill	-	4,905	-
Amortization of long-term prepaid expenses	414	300	440
Equity in losses of affiliates	13,358	-	13,358
Increase (decrease) in reserve for doubtful receivables	1,633	(105,009)	(14,989)
Decrease in reserve for accrued bonuses	(9,018)	(10,765)	(3,566)
Increase in reserve for employees' retirement benefits	1,658	830	2,860
Increase (decrease) in reserve for directors' retirement benefits	10,580	(153,642)	14,730
Interest and dividend income	(13,457)	(14,463)	(18,519)
Interest expense	356	742	509
Foreign exchange gain	(363)	(56)	(332)
Loss on investment partnership	3,212	227	4,727
Settlement packages	-	(700)	-
Gain on sale of subsidiary stock	-	(16,848)	-
Insurance reimbursement	(54,750)	-	(54,750)
Loss on removal of fixed assets	9,830	637	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	54,913	8,996	(153,286)
Increase in inventories	(50,752)	(33,765)	(20,698)
Increase (decrease) in accounts payable	(43,518)	(10,818)	10,252
Increase in other assets	(54,748)	(53,017)	(23,642)
Increase (decrease) in other liabilities	(5,597)	38,824	(33,073)
Increase (decrease) in suspense receipt of consumption taxes	1,907	(5,986)	11,806
Subtotal	(178,486)	(200,369)	(113,603)
Interests and dividends received	16,671	14,758	21,675
Interests paid	(346)	(783)	(672)
Settlement packages received	-	700	-
Insurance received	87,435	-	87,435
Condolence payment for director	(15,619)	-	(15,619)
Income taxes paid	(12,694)	(2,154)	(13,510)
Net cash used in operating activities	(103,039)	(187,848)	(34,294)

(Thousands of yen)

	Nine months of FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	Nine months of FY2006 (Apr. 1, 2006 – Dec. 31, 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	(62,060)	(30,094)	(62,060)
Payments for acquisition of property, plant and equipment	(226)	(2,571)	(1,847)
Payments for acquisition of intangible assets	(24,036)	(20,504)	(24,036)
Proceeds from sale of subsidiary stock associated with changes in the scope of consolidation	-	16,918	-
Payments for short-term loans receivable	-	(150,000)	-
Proceeds from collection of short-term loans	-	150,000	-
Payments for long-term loans receivable	(204)	(800)	(204)
Proceeds from collection of long-term loans	6,327	479	6,725
Payments for leasehold and security deposits	-	(2,039)	-
Proceeds from return of leasehold and security deposits	9,438	364	9,538
Proceeds from collection of claim in bankruptcy	-	97,632	17,378
Others	(680)	(427)	(680)
Net cash provided by (used in) investing activities	(71,442)	58,956	(55,187)
III Cash flows from financing activities			
Proceeds from long-term borrowings	-	12,000	-
Repayments of long-term borrowings	-	(1,200)	-
Payments for redemption of bonds	-	(42,000)	-
Proceeds from new stock issuance	41,994	-	41,994
Payments for acquisition of treasury stock	-	(83,375)	-
Cash dividends paid	(36,005)	(39,416)	(36,073)
Net cash provided by (used in) financing activities	5,989	(153,991)	5,921
IV Effect of exchange rate changes on cash and cash equivalents	363	56	332
V Decrease in cash and cash equivalents	(168,129)	(282,827)	(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	1,122,176	924,251	1,207,078