

**Consolidated Financial Statements for the Fiscal Year Ended March 31, 2006**

Company name:	Elmic Wescom, Inc.	Listing:	TSE Mothers Market (Stock code: 4770)
URL:	<a href="http://www.elwsc.co.jp">http://www.elwsc.co.jp</a>	Domicile:	Kanagawa prefecture
President:	Kazuya Murashima		
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**(1) Consolidated Balance Sheets**

(Thousands of yen)

Account	FY2004 As of March 31, 2005		FY2005 As of March 31, 2006		YoY change
	Amount	%	Amount	%	Amount
<b>Assets</b>					
I Current assets					
1. Cash and deposits	166,372		265,149		98,777
2. Notes and accounts receivable - trade	410,762		629,139		218,376
3. Securities	1,086,333		941,928		(144,404)
4. Inventories	92,753		125,015		32,262
5. Deferred tax assets - current	29,535		24,701		(4,833)
6. Other current assets	46,920		79,981		33,060
Reserve for doubtful receivables	(179)		(243)		(63)
Total current assets	1,832,498	74.4	2,065,673	75.9	233,175
II Fixed assets					
1. Property, plant and equipment					
(1) Buildings	13,845		-		
Buildings and structures	-		90,749		
Accumulated depreciation	4,600	9,245	38,771	51,978	42,732
(2) Vehicles	-		6,203		
Accumulated depreciation	-	-	4,504	1,698	1,698
(3) Tools, furniture and fixtures	94,427		92,462		
Accumulated depreciation	86,222	8,204	83,608	8,854	650
(4) Land	-		39,014		39,014
Total property, plant and equipment	17,449	0.7	101,545	3.7	84,096
2. Intangible assets					
(1) Goodwill	-		26,164		26,164
(2) Other intangible assets	112,983		64,624		(48,359)
Total intangible assets	112,983	4.6	90,788	3.4	(22,195)
3. Investments and other assets					
(1) Investment securities	416,546		421,390		4,844
(2) Long-term loans receivable	6,475		1,688		(4,787)
(3) Deferred tax assets - non-current	756		461		(295)
(4) Claim in bankruptcy	241,613		219,820		(21,793)
(5) Other assets	73,744		43,198		(30,546)
Reserve for doubtful receivables	(238,429)		(223,755)		14,673
Total investments and other assets	500,708	20.3	462,804	17.0	(37,904)
Total fixed assets	631,141	25.6	655,137	24.1	23,996
Total assets	2,463,640	100.0	2,720,811	100.0	257,171

(Thousands of yen)

Account	FY2004 As of March 31, 2005		FY2005 As of March 31, 2006		YoY change
	Amount	%	Amount	%	Amount
<b>Liabilities</b>					
I Current liabilities					
1. Accounts payable - trade	69,072		104,977		35,904
2. Income taxes payable	13,592		10,056		(3,536)
3. Deferred tax liabilities - current	73		-		(73)
4. Reserve for accrued bonuses	31,782		28,216		(3,566)
5. Other current liabilities	35,800		67,962		32,162
Total current liabilities	150,321	6.1	211,212	7.8	60,890
II Long-term liabilities					
1. Corporate bonds	-		42,000		42,000
2. Guarantee deposits	-		190		190
3. Deferred tax liabilities - non-current	-		11,094		11,094
4. Reserve for employees' retirement benefits	484		32,552		32,067
5. Reserve for directors' retirement benefits	171,229		185,960		14,730
Total long-term liabilities	171,714	7.0	271,797	10.0	100,082
Total liabilities	322,036	13.1	483,009	17.8	160,973
<b>Minority interest</b>					
Minority interest	7,333	0.3	6,345	0.2	(987)
<b>Shareholders' equity</b>					
I Common stock	1,160,041	47.1	1,202,036	44.2	41,994
II Capital surplus	1,459,152	59.2	1,051,675	38.6	(407,476)
III Retained earnings	(292,094)	(11.9)	(22,676)	(0.8)	269,418
IV Net unrealized gain (loss) on other securities	(7,607)	(0.3)	16,231	0.6	23,839
V Treasury stock	(185,220)	(7.5)	(15,810)	(0.6)	169,409
Total shareholders' equity	2,134,270	86.6	2,231,456	82.0	97,185
Total liabilities, minority interest and shareholders' equity	2,463,640	100.0	2,720,811	100.0	257,171

**(2) Consolidated Statements of Income(Profit and Loss)**

(Thousands of yen)

Account	FY2004 From April 1, 2004 to March 31, 2005			FY2005 From April 1, 2005 to March 31, 2006			YoY change Amount
	Amount		%	Amount		%	
I Net sales		1,254,501	100.0		1,679,441	100.0	424,939
II Cost of sales		667,803	53.2		933,587	55.6	265,783
Gross profit		586,697	46.8		745,853	44.4	159,156
III SG&A		608,072	48.5		706,620	42.1	98,547
Operating income (loss)		(21,374)	(1.7)		39,233	2.3	60,608
IV Non-operating income							
1. Interest income	11,287			18,367			
2. Dividends income	110			152			
3. Equity in earnings of affiliates	7,739			-			
4. Gain on anonymous partnerships	4,285			-			
5. Other non-operating income	3,539	26,960	2.2	4,297	22,817	1.3	(4,143)
V Non-operating expenses							
1. Interest expense	-			509			
2. Loss on equity method	-			13,358			
3. Loss on investment partnership	-			4,727			
4. Additional taxes	3,054			-			
5. Foreign exchange losses	394			-			
6. Other non- operating expenses	-	3,449	0.3	657	19,252	1.1	15,803
Ordinary income		2,136	0.2		42,798	2.5	40,661
VI Extraordinary income							
1. Gain on reversal from doubtful receivables	-			16,839			
2. Gain on cancellation of leveraged lease	49,179			-			
3. Gain on sales of investment securities	3,980			-			
4. Insurance reimbursement	-	53,159	4.2	54,750	71,590	4.3	18,430
VII Extraordinary loss							
1. Loss on removal of fixed assets	22,861			10,050			
2. Provision of reserve for doubtful receivables	236,944			1,850			
3. Loss on revaluation of membership	900			700			
4. Loss on revaluation of investment securities	-			229			
5. Loss on revaluation of inventories	34,601			-			
6. Merger expenses	-			38,453			
7. Condolence payment for director	-			15,619			
8. Head office relocation expenses	24,482	319,790	25.5	-	66,903	4.0	(252,886)
Net income (loss) before income taxes		(264,494)	(21.1)		47,484	2.8	311,979
Income taxes -current	5,993			6,178			
Income taxes - deferred	319,351	325,344	25.9	87,902	94,081	5.6	(231,263)
Minority interest in income (loss)		326	0.0		(987)	(0.1)	(1,314)
Net loss		590,166	(47.0)		45,609	(2.7)	544,556

**(3) Consolidated Statements of Retained Earnings**

(Thousands of yen)

Account	FY2004 From April 1, 2004 to March 31, 2005		FY2005 From April 1, 2005 to March 31, 2006		YoY change
	Amount		Amount		Amount
<b>Capital surplus</b>					
I Capital surplus at beginning of period		1,459,152		1,459,152	-
II Decrease in capital surplus					
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	407,476
III Capital surplus at end of period		1,459,152		1,051,675	(407,476)
<b>Retained earnings</b>					
I Retained earnings at beginning of period		334,189		(292,094)	(626,284)
II Increase in retained earnings					
1. Transfer from capital surplus	-	-	315,027	315,027	315,027
III Decrease in retained earnings					
1. Cash dividends	36,117		-		
2. Net loss	590,166	626,284	45,609	45,609	(580,674)
IV Retained earnings at end of period		(292,094)		(22,676)	269,418

**(4) Consolidated Statements of Cash Flows**

(Thousands of yen)

	FY2004 From April 1, 2004 to March 31, 2005	FY2005 From April 1, 2005 to March 31, 2006	YoY change
Account	Amount	Amount	Amount
I Cash flows from operating activities			
Net income (loss) before income taxes	(264,494)	47,484	311,979
Depreciation and amortization	76,885	76,486	(399)
Amortization of long-term prepaid expenses	208	440	232
Equity in earnings (losses) of affiliates	(7,739)	13,358	21,098
Increase (decrease) in reserve for doubtful receivables	236,944	(14,989)	(251,934)
Decrease in reserve for accrued bonuses	(13,909)	(3,566)	10,342
Increase in reserve for employees' retirement benefits	484	2,860	2,376
Increase in reserve for directors' retirement benefits	9,730	14,730	5,000
Interest and dividend income	(11,397)	(18,519)	(7,122)
Interest expense	-	509	509
Gain on anonymous partnerships	(4,285)	-	4,285
Loss on investment partnership	-	4,727	4,727
Foreign exchange gain	(57)	(332)	(275)
Gain on cancellation of leveraged lease	(49,179)	-	49,179
Gain on sales of investment securities	(3,980)	-	3,980
Insurance reimbursement	-	(54,750)	(54,750)
Condolence payment for director	-	15,619	15,619
Loss on removal of fixed assets	22,861	10,050	(12,810)
Loss on revaluation of investment securities	-	229	229
Loss on revaluation of memberships	900	700	(200)
Decrease (increase) in notes and accounts receivable-trade	264,059	(153,286)	(417,346)
Decrease (increase) in inventories	23,861	(20,698)	(44,559)
Increase (decrease) in accounts payable-trade	(57,968)	10,252	68,221
Increase in other assets	(10,997)	(23,642)	(12,645)
Increase (decrease) in other liabilities	8,553	(33,073)	(41,627)
Increase (decrease) in suspense receipt of consumption taxes	(11,768)	11,806	23,574
Subtotal	208,712	(113,603)	(322,316)
Interests and dividends received	13,100	21,675	8,574
Interests paid	-	(672)	(672)
Insurance received	-	87,435	87,435
Condolence payment for director	-	(15,619)	(15,619)
Income taxes paid	(7,342)	(13,510)	(6,167)
Net cash provided by (used in) operating activities	214,469	(34,294)	(248,764)

(Thousands of yen)

	FY2004 From April 1, 2004 to March 31, 2005	FY2005 From April 1, 2005 to March 31, 2006	YoY change
Account	Amount	Amount	Amount
II Cash flows from investing activities			
Payments for acquisition of property, plant and equipment	(8,669)	(1,847)	6,821
Payments for acquisition of intangible assets	(44,849)	(24,036)	20,813
Payments for acquisition of investment securities	(314,048)	(62,060)	251,988
Gain on sales of investment securities	105,980	-	(105,980)
Proceeds of cancelled equity	47,613	-	(47,613)
Payments for long-term loans receivable	-	(204)	(204)
Proceeds from collection of long-term loans	760	6,725	5,965
Proceeds from collection of long-term accounts receivable - other	25,794	-	(25,794)
Proceeds from return of leasehold and security deposits	24,679	9,538	(15,141)
Payments for leasehold and security deposits	(16,006)	-	16,006
Collection of claim in bankruptcy	-	17,378	17,378
Others	(1,897)	(680)	1,216
Net cash used in investing activities	(180,642)	(55,187)	125,455
III Cash flows from financing activities			
Proceeds from new stock issuance	-	41,994	41,994
Payments for acquisition of treasury stock	(36)	-	36
Cash dividends paid	(36,031)	(36,073)	(42)
Net cash used in (provided by) financing activities	(36,067)	5,921	41,989
IV Effect of exchange rate changes on cash and cash equivalents	57	332	275
V Decrease in cash and cash equivalents	(2,182)	(83,227)	(81,045)
VI Cash and cash equivalents at beginning of period	1,254,887	1,252,705	(2,182)
VII Increase in cash and cash equivalents resulting from merger	-	37,599	37,599
VIII Cash and cash equivalents at end of period	1,252,705	1,207,078	(45,627)