

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2007

Company name:	Elmic Wescom, Inc.	Listing:	TSE Mothers Market
Stock code:	4770	URL:	http://www.elwsc.co.jp/
President:	Kazuya Murashima		
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Schedule date of Annual General Meeting of Shareholders:	June 28, 2007		
Scheduled date of filing of Securities Report:	June 28, 2007		
Scheduled date of payment of dividend:	June 14, 2007		

AIRFOLC Corporation, a consolidated subsidiary in prior years, was excluded from the consolidation since we sold a portion of the equity stake in the entity on October 2006. Accordingly, we have prepared only Consolidated Statement of Income and Consolidated Statements of Cash Flows for the fiscal year under review.

(1) Consolidated Balance Sheets

(Thousands of yen)

Account	FY2005		%
	As of March 31, 2006		
	Amount		
Assets			
I Current assets			
1. Cash and deposits		265,149	
2. Notes and accounts receivable - trade		629,139	
3. Securities		941,928	
4. Inventories		125,015	
5. Deferred tax assets - current		24,701	
6. Other current assets		79,981	
Reserve for doubtful receivables		(243)	
Total current assets		2,065,673	75.9
II Fixed assets			
1. Property, plant and equipment			
(1) Buildings and structures	90,749		
Accumulated depreciation	38,771	51,978	
(2) Vehicles	6,203		
Accumulated depreciation	4,504	1,698	
(3) Tools, furniture and fixtures	92,462		
Accumulated depreciation	83,608	8,854	
(4) Land		39,014	
Total property, plant and equipment		101,545	3.7
2. Intangible assets			
(1) Goodwill		26,164	
(2) Other intangible assets		64,624	
Total intangible assets		90,788	3.4
3. Investments and other assets			
(1) Investment securities		421,390	
(2) Long-term loans receivable		1,688	
(3) Deferred tax assets - non-current		461	
(4) Claim in bankruptcy		219,820	
(5) Other investments and other assets		43,198	
Reserve for doubtful receivables		(223,755)	
Total investments and other assets		462,804	17.0
Total fixed assets		655,137	24.1
Total assets		2,720,811	100.0

(Thousands of yen)

Account	FY2005 As of March 31, 2006	
	Amount	%
Liabilities		
I Current liabilities		
1. Accounts payable - trade	104,977	
2. Income taxes payable	10,056	
3. Reserve for accrued bonuses	28,216	
4. Other current liabilities	67,962	
Total current liabilities	211,212	7.8
II Long-term liabilities		
1. Corporate bonds	42,000	
2. Guarantee deposits	190	
3. Deferred tax liabilities - non-current	11,094	
4. Reserve for employees' retirement benefits	32,552	
5. Reserve for directors' retirement benefits	185,960	
Total long-term liabilities	271,797	10.0
Total liabilities	483,009	17.8
Minority interest		
Minority interest	6,345	0.2
Shareholders' equity		
I Common stock	1,202,036	44.2
II Capital surplus	1,051,675	38.6
III Retained earnings	(22,676)	(0.8)
IV Net unrealized gain (loss) on other securities	16,231	0.6
V Treasury stock	(15,810)	(0.6)
Total shareholders' equity	2,231,456	82.0
Total liabilities, minority interest and shareholders' equity	2,720,811	100.0

(2) Consolidated Statements of Income

(Thousands of yen)

Account	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)		FY2006 (Apr. 1, 2006 – Mar. 31, 2007)		YoY change		
	Amount	%	Amount	%	Amount		
I Net sales		1,679,441	100.0		1,971,808	100.0	292,366
II Cost of sales		933,587	55.6		1,136,836	57.7	203,249
Gross profit		745,853	44.4		834,971	42.3	89,117
III SG&A expenses		706,620	42.1		775,037	39.3	68,417
Operating income		39,233	2.3		59,933	3.0	20,699
IV Non-operating income							
1. Interest income	18,367			19,300			
2. Dividend income	152			173			
3. Business consignment income	-			3,440			
4. Other non-operating income	4,297	22,817	1.3	1,616	24,529	1.2	1,712
V Non-operating expenses							
1. Interest expense	509			742			
2. Loss on equity method	13,358			-			
3. Loss on investment partnership	4,727			1,622			
4. Other non-operating expenses	657	19,252	1.1	550	2,915	0.1	(16,337)
Ordinary income		42,798	2.5		81,547	4.1	38,749
VI Extraordinary income							
1. Gain on sale of subsidiary stock	-			16,848			
2. Gain on reversal from doubtful receivables	16,839			142,910			
3. Gain on reversal from reserve for directors' retirement benefits	-			8,039			
4. Settlement packages	-			1,200			
5. Insurance reimbursement	54,750	71,590	4.3	-	168,999	8.6	97,409
VII Extraordinary loss							
1. Loss on removal of fixed assets	10,050			3,181			
2. Provision of reserve for doubtful receivables	1,850			-			
3. Loss on revaluation of membership	700			-			
4. Loss on revaluation of investment securities	229			8,728			
5. Loss on disposal of inventories	-			17,678			
6. Merger expenses	38,453			-			
7. Condolence payment for director	15,619	66,903	4.0	-	29,588	1.5	(37,315)
Net income before income taxes		47,484	2.8		220,958	11.2	173,473
Income taxes -current	6,178			5,852			
Income taxes -deferred	87,902	94,081	5.6	8,860	14,712	0.7	(79,369)
Minority interest in loss		987	(0.1)		5,746	(0.3)	4,759
Net income (loss)		(45,609)	(2.7)		211,992	10.8	257,601

(3) Consolidated Statements of Retained Earnings

(Thousands of yen)

	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)	
Account	Amounts	
Capital surplus		
I Capital surplus at beginning of period		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
III Capital surplus at end of period		1,051,675
Retained earnings		
I Retained earnings at beginning of period		(292,094)
II Increase in retained earnings		
1. Transfer from capital surplus	315,027	315,027
III Decrease in retained earnings		
1. Net loss	45,609	45,609
IV Retained earnings at end of period		(22,676)

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)	FY2006 (Apr. 1, 2006 – Mar. 31, 2007)	YoY change
Account	Amount	Amount	Amount
I Cash flows from operating activities			
Net income before income taxes	47,484	220,958	173,473
Depreciation and amortization	76,486	45,584	(30,901)
Amortization of goodwill	-	6,541	6,541
Amortization of long-term prepaid expenses	440	300	(139)
Equity in losses of affiliates	13,358	-	(13,358)
Decrease in reserve for doubtful receivables	(14,989)	(142,910)	(127,920)
Increase (decrease) in reserve for accrued bonuses	(3,566)	2,963	6,530
Increase in reserve for employees' retirement benefits	2,860	2,233	(627)
Increase (decrease) in reserve for directors' retirement benefits	14,730	(149,595)	(164,326)
Interest and dividend income	(18,519)	(19,473)	(953)
Interest expense	509	742	233
Loss on investment partnership	4,727	1,622	(3,105)
Foreign exchange gain	(332)	(19)	312
Gain on sale of subsidiary stock	-	(16,848)	(16,848)
Settlement packages	-	(1,200)	(1,200)
Insurance reimbursement	(54,750)	-	54,750
Condolence payment for director	15,619	-	(15,619)
Loss on removal of fixed assets	10,050	3,181	(6,869)
Loss on revaluation of investment securities	229	8,728	8,498
Loss on revaluation of memberships	700	-	(700)
Increase in accounts receivable	(153,286)	(171,075)	(17,788)
Increase in inventories	(20,698)	(3,742)	16,955
Increase (decrease) in accounts payable	10,252	(16,834)	(27,086)
Decrease (increase) in other assets	(23,642)	9,221	32,863
Increase (decrease) in other liabilities	(33,073)	27,873	60,947
Increase in suspense receipt of consumption taxes	11,806	1,030	(10,775)
Subtotal	(113,603)	(190,718)	(77,115)
Interests and dividends received	21,675	19,750	(1,924)
Interests paid	(672)	(783)	(111)
Settlement packages received	-	1,200	1,200
Insurance received	87,435	-	(87,435)
Condolence payment for director	(15,619)	-	15,619
Income taxes paid	(13,510)	(3,099)	10,410
Net cash used in operating activities	(34,294)	(173,651)	(139,357)

(Thousands of yen)

	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)	FY2006 (Apr. 1, 2006 – Mar. 31, 2007)	YoY change
Account	Amount	Amount	Amount
II Cash flows from investing activities			
Payments for acquisition of property, plant and equipment	(1,847)	(3,912)	(2,064)
Payments for acquisition of intangible assets	(24,036)	(28,264)	(4,228)
Payments for acquisition of investment securities	(62,060)	(30,094)	31,965
Payments for short-term loans receivable	-	(150,000)	(150,000)
Proceeds from collection of short-term loans	-	150,000	150,000
Payments for long-term loans receivable	(204)	(1,100)	(896)
Proceeds from collection of long-term loans	6,725	943	(5,781)
Proceeds from return of leasehold and security deposits	9,538	374	(9,163)
Payments for leasehold and security deposits	-	(2,479)	(2,479)
Proceeds from collection of claim in bankruptcy	17,378	135,533	118,155
Proceeds from sale of subsidiary stock associated with changes in the scope of consolidation	-	16,918	16,918
Others	(680)	(427)	253
Net cash provided by (used in) investing activities	(55,187)	87,491	142,678
III Cash flows from financing activities			
Proceeds from long-term borrowings	-	12,000	12,000
Repayments of long-term borrowings	-	(1,200)	(1,200)
Payments for redemption of bonds	-	(42,000)	(42,000)
Proceeds from new stock issuance	41,994	-	(41,994)
Payments for acquisition of treasury stock	-	(83,375)	(83,375)
Cash dividends paid	(36,073)	(39,854)	(3,781)
Net cash provided by (used in) financing activities	5,921	(154,429)	(160,351)
IV Effect of exchange rate changes on cash and cash equivalents	332	19	(312)
V Decrease in cash and cash equivalents	(83,227)	(240,569)	(157,342)
VI Cash and cash equivalents at beginning of period	1,252,705	1,207,078	(45,627)
VII Increase in cash and cash equivalents resulting from merger	37,599	-	(37,599)
VIII Cash and cash equivalents at end of period	1,207,078	966,508	(240,569)