

Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2008

Company name: Elmic Wescom, Inc.	Listing: TSE Mothers Market
Stock code: 4770	URL: http://www.elwsc.co.jp/
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Scheduled date of Annual General Meeting of Shareholders: June 26, 2008	
Scheduled date of filing of Securities Report: June 26, 2008	
Scheduled date of payment of dividend: June 11, 2008	

(1) Balance Sheets

(Thousands of yen)

Account	FY2006 (As of Mar. 31, 2007)		FY2007 (As of Mar. 31, 2008)		YoY change Amounts
	Amounts	%	Amounts	%	
Assets					
I Current assets					
1. Cash and deposits	223,147		351,915		
2. Notes receivable	143,644		107,943		
3. Accounts receivable - trade	657,184		484,230		
4. Securities	743,360		807,031		
5. Merchandise	-		16		
6. Finished goods	29,964		31,332		
7. Raw materials	6,541		11,998		
8. Work in process	70,869		35,535		
9. Advance payments	3,950		-		
10. Prepaid expenses	12,727		10,538		
11. Deferred tax assets - current	15,989		34,001		
12. Accounts receivable - other	52,557		4,489		
13. Other current assets	1,350		1,610		
Reserve for doubtful receivables	(100)		(100)		
Total current assets	1,961,188	75.5	1,880,543	77.9	(80,645)
II Fixed assets					
1. Property, plant and equipment					
(1) Buildings	89,041		89,041		
Accumulated depreciation	41,360	47,681	44,572	44,469	
(2) Structures	1,367		1,367		
Accumulated depreciation	908	459	1,002	364	
(3) Vehicles	6,203		6,203		
Accumulated depreciation	5,046	1,156	5,415	787	
(4) Tools, furniture and fixtures	92,453		85,333		
Accumulated depreciation	82,682	9,770	77,447	7,885	
(5) Land		39,014		39,014	
Total property, plant and equipment		98,083		92,522	3.8
					(5,561)

(Thousands of yen)

Account	FY2006 (As of Mar. 31, 2007)		FY2007 (As of Mar. 31, 2008)		YoY change
	Amounts	%	Amounts	%	Amounts
2. Intangible assets					
(1) Goodwill	50,182		33,455		
(2) Software	45,777		42,088		
(3) Telephone rights	4,899		4,899		
(4) Software in process	1,124		1,389		
Total intangible assets	101,985	3.9	81,833	3.4	(20,152)
3. Investments and other assets					
(1) Investment securities	395,388		314,755		
(2) Affiliate stock	3,500		3,500		
(3) Long-term loans receivable from employees	1,526		864		
(4) Claim in bankruptcy	76,972		1,344		
(5) Leasehold and security deposits	32,232		35,043		
(6) Membership	8,150		8,150		
Reserve for doubtful receivables	(80,907)		(5,279)		
Total other investments and other assets	436,862	16.8	358,378	14.9	(78,484)
Total fixed assets	636,931	24.5	532,733	22.1	(104,197)
Total assets	2,598,120	100.0	2,413,277	100.0	(184,843)

(Thousands of yen)

Account	FY2006 (As of Mar. 31, 2007)		FY2007 (As of Mar. 31, 2008)		YoY change
	Amounts	%	Amounts	%	Amounts
Liabilities					
I Current liabilities					
1. Accounts payable - trade	86,602		72,032		
2. Accounts payable - other	23,535		17,143		
3. Accrued expenses	6,361		30,900		
4. Income tax payable	10,224		9,531		
5. Consumption tax payable	18,223		8,302		
6. Advance received	9,617		-		
7. Deposits received	15,103		5,047		
8. Unearned revenue	7,459		5,885		
9. Reserve for accrued bonuses	31,180		34,850		
10. Allowance for product warranty	-		13,441		
Total current liabilities	208,308	8.0	197,136	8.2	(11,171)
II Long-term liabilities					
1. Guarantee deposits	190		190		
2. Reserve for employees' retirement benefits	34,785		32,214		
3. Reserve for directors' retirement benefits	36,365		52,552		
Total long-term liabilities	71,341	2.8	84,956	3.5	13,615
Total liabilities	279,649	10.8	282,093	11.7	2,443
Net assets					
I Shareholders' equity					
1. Common stock	1,202,036	46.2	1,202,036	49.8	-
2. Capital surplus					
(1) Additional paid-in capital	300,000		300,000		
(2) Other capital surplus	731,862		731,862		
Total capital surplus	1,031,862	39.7	1,031,862	42.8	-
3. Retained earnings					
(1) Legal reserve	-		509		
(2) Other retained earnings					
Retained earnings carried forward	202,679		91,409		
Total retained earnings	202,679	7.8	91,918	3.8	(110,760)
4. Treasury stock	(99,185)	(3.8)	(99,206)	(4.1)	(20)
Total shareholders' equity	2,337,391	89.9	2,226,611	92.3	(110,780)
II Valuation and translation adjustments					
1. Net unrealized gain (loss) on other securities	(18,920)	(0.7)	(95,427)	(4.0)	(76,506)
Total valuation and translation adjustments	(18,920)	(0.7)	(95,427)	(4.0)	(76,506)
Total net assets	2,318,471	89.2	2,131,183	88.3	(187,287)
Total liabilities and net assets	2,598,120	100.0	2,413,277	100.0	(184,843)

(2) Statements of Income

(Thousands of yen)

Account	FY2006 (Apr. 1, 2006 – Mar. 31, 2007)			FY2007 (Apr. 1, 2007 – Mar. 31, 2008)			YoY change
	Amounts		%	Amounts		%	Amounts
I Net sales							
1. Sales of finished goods	1,894,862			1,714,224			
2. Sales of goods	59,176	1,954,039	100.0	19,484	1,733,709	100.0	(220,330)
II Cost of sales							
1. Cost of finished goods sold							
(1) Beginning finished goods	53,851			29,964			
(2) Cost of products manufactured for the period	1,021,709			1,023,537			
(3) Software amortization expense	36,607			23,771			
Total	1,112,167			1,077,274			
(4) Transfer to other accounts	3,342			5,320			
(5) Ending finished goods	29,964			31,332			
Cost of finished goods sold	1,078,859			1,040,621			
2. Cost of goods sold							
(1) Beginning goods	0			-			
(2) Cost of purchased goods	39,875			16,069			
Total	39,875			16,069			
(3) Ending goods	-			16			
Cost of goods sold	39,875	1,118,735	57.3	16,052	1,056,674	60.9	(62,061)
Gross profit		835,304	42.7		677,034	39.1	(158,269)
III SG&A expenses							
1. Advertising expenses	15,193			16,121			
2. Promotion expenses	75,953			98,211			
3. Directors' compensations	90,578			90,278			
4. Wages & allowances	175,469			207,220			
5. Welfare expense	31,090			30,407			
6. Bonuses	6,799			7,214			
7. Provision of reserve for accrued bonuses	5,991			7,274			
8. Provision of reserve for retirement allowance	755			-			
9. Provision of reserve for directors' retirement allowance	16,035			16,187			
10. Traveling and transportation expenses	25,772			26,052			
11. Rent expenses	32,285			32,203			
12. Depreciation expenses	21,438			21,228			
13. R&D expenses	131,613			124,967			
14. Compensations	27,746			32,783			
15. Training expenses	78,683			96,935			
16. Other expenses	27,034	762,442	39.0	36,566	843,651	48.7	81,209
Operating income (loss)		72,862	3.7		(166,617)	(9.6)	(239,479)

(Thousands of yen)

Account	FY2006 (Apr. 1, 2006 – Mar. 31, 2007)		FY2007 (Apr. 1, 2007 – Mar. 31, 2008)		YoY change
	Amounts	%	Amounts	%	Amounts
IV Non-operating income					
1. Interest income	585		603		
2. Interest on securities	18,714		19,895		
3. Dividend income	172		170		
4. Business consignment income	3,440		-		
5. Other income	1,616	24,528	3,323	23,992	1.4
V Non-operating expenses					
1. Interest on bonds	656		-		
2. Investment partnership losses	1,622		2,884		
3. Foreign exchange loss	-		368		
4. Other expenses	456	2,735	0	3,253	0.2
Ordinary income (loss)		94,654		(145,878)	(8.4)
VI Extraordinary income					
1. Gain on reversal from doubtful receivables	142,847		75,628		
2. Gain on reversal from reserve for directors' retirement benefits	8,039		-		
3. Settlement packages	1,200		-		
4. Insurance reimbursement	-		719		
5. Gain on sales of investment securities	-	152,087	650	76,998	4.5
VII Extraordinary loss					
1. Loss on removal of fixed assets	3,181		397		
2. Loss on revaluation of investment securities	8,728		742		
3. Loss on disposal of inventories	17,678	29,588	-	1,139	0.1
Net income (loss) before income taxes		217,153		(70,019)	(4.0)
Income taxes -current	5,762		6,377		
Income taxes -deferred	8,712	14,474	(18,012)	(11,635)	(0.6)
Net income (loss)		202,679		(58,384)	(3.4)

Manufacturing Statement

(Thousands of yen)

Account	FY2006 (Apr. 1, 2006 – Mar. 31, 2007)		FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	
	Amounts	%	Amounts	%
I Materials cost	7,816	0.6	5,585	0.4
II Labor cost	620,356	45.6	667,553	50.3
III Other costs	732,729	53.8	653,730	49.3
Total manufacturing cost	1,360,902	100.0	1,326,869	100.0
Beginning work in process	45,255		70,869	
Total	1,406,158		1,397,738	
Ending work in process	70,869		35,535	
Transfer to other accounts	313,579		338,665	
Cost of goods manufactured for the period	1,021,709		1,023,537	

(Thousands of yen)

FY2006 (Apr. 1, 2006 – Mar. 31, 2007)		FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	
*1. Major items of "Other costs"		*1. Major items of "Other costs"	
Subcontractors costs	612,198	Subcontractors costs	495,299
Traveling and transportation expenses	35,159	Traveling and transportation expenses	37,100
Supplies expenses	10,686	Supplies expenses	33,893
Depreciation expenses	4,578	Depreciation expenses	3,864
Other	70,105	Provisions for product warranty	13,441
Total	732,729	Other	70,131
		Total	653,730
*2. Major items of "Transfer to other accounts"		*2. Major items of "Transfer to other accounts"	
Software	30,012	Software	18,606
Software in process	(2,616)	Software in process	264
Promotion expenses	75,886	Promotion expenses	97,890
R&D expenses	131,613	R&D expenses	124,967
Training expenses	78,683	Training expenses	96,935
Total	313,579	Total	338,665
3. Cost accounting		3. Cost accounting	
Cost of commercial products is calculated based on the process costing method, and cost of custom-made products is calculated based on the job order cost method.		Same as on the left.	
Estimated cost of sales is used for calculating finished goods and work in process by the process costing method, and adjusted at the end of period.			

(3) Statement of Changes in Shareholders' Equity

FY2006 (Apr. 1, 2006 – Mar. 31, 2007)

(Thousands of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance as of Mar. 31, 2006	1,202,036	300,000	808,006	1,108,006	(35,925)	(35,925)	(15,810)	2,258,307
Changes in the current fiscal year								
Dividend of surplus (note)			(40,219)	(40,219)				(40,219)
Compensation for loss (note)			(35,925)	(35,925)	35,925	35,925		-
Net income					202,679	202,679		202,679
Acquisition of treasury stock							(83,375)	(83,375)
Changes (net) in items other than shareholders' equity								
Total changes in the current fiscal year	-	-	(76,144)	(76,144)	238,604	238,604	(83,375)	79,084
Balance as of Mar. 31, 2007	1,202,036	300,000	731,862	1,031,862	202,679	202,679	(99,185)	2,337,391

	Valuation and translation adjustments		Total net assets
	Net unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance as of Mar. 31, 2006	16,231	16,231	2,274,538
Changes in the current fiscal year			
Dividend of surplus (note)			(40,219)
Compensation for loss (note)			-
Net income			202,679
Acquisition of treasury stock			(83,375)
Changes (net) in items other than shareholders' equity	(35,151)	(35,151)	(35,151)
Total changes in the current fiscal year	(35,151)	(35,151)	43,932
Balance as of Mar. 31, 2007	(18,920)	(18,920)	2,318,471

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

	Shareholders' equity								
	Common stock	Capital surplus			Legal reserve	Retained earnings		Treasury stock	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings		
Balance as of Mar. 31, 2007	1,202,036	300,000	731,862	1,031,862	-	202,679	202,679	(99,185)	2,337,391
Changes in the current fiscal year									
Dividend of surplus						(52,375)	(52,375)		(52,375)
Legal reserve					509	(509)	-		-
Net loss						(58,384)	(58,384)		(58,384)
Acquisition of treasury stock								(20)	(20)
Changes (net) in items other than shareholders' equity									
Total changes in the current fiscal year	-	-	-	-	509	(111,269)	(110,760)	(20)	(110,780)
Balance as of Mar. 31, 2008	1,202,036	300,000	731,862	1,031,862	509	91,409	91,918	(99,206)	2,226,611

	Valuation and translation adjustments		Total net assets
	Net unrealized gain (loss) on other securities	Total valuation and translation adjustments	
Balance as of Mar. 31, 2007	(18,920)	(18,920)	2,318,471
Changes in the current fiscal year			
Dividend of surplus			(52,375)
Legal reserve			-
Net loss			(58,384)
Acquisition of treasury stock			(20)
Changes (net) in items other than shareholders' equity	(76,506)	(76,506)	(76,506)
Total changes in the current fiscal year	(76,506)	(76,506)	(187,287)
Balance as of Mar. 31, 2008	(95,427)	(95,427)	2,131,183

(4) Statements of Cash Flows

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)
Account	
I Cash flows from operating activities	
Net loss before income taxes	(70,019)
Depreciation and amortization	32,137
Amortization of goodwill	16,727
Decrease in reserve for doubtful receivables	(75,628)
Increase in reserve for accrued bonuses	3,670
Increase in allowance for product warranty	13,441
Decrease in reserve for employees' retirement benefits	(2,571)
Increase in reserve for directors' retirement benefits	16,187
Interest and dividend income	(20,668)
Investment partnership losses	2,884
Foreign exchange loss	612
Insurance reimbursement	(719)
Loss on removal of fixed assets	397
Loss on revaluation of investment securities	742
Gain on sales of investment securities	(650)
Decrease in accounts receivable	208,656
Increase in inventories	28,493
Decrease in accounts payable	(14,569)
Decrease in other assets	49,859
Increase in other liabilities	(4,274)
Decrease in consumption tax payable	(9,921)
Subtotal	174,786
Interests and dividends received	20,846
Insurance received	719
Income taxes paid	(2,745)
Net cash provided by operating activities	193,605
II Cash flows from investing activities	
Payments for acquisition of property, plant and equipment	(1,882)
Payments for acquisition of intangible assets	(21,189)
Payments for acquisition of investment securities	(100,700)
Proceeds from sale of investment securities	101,850
Proceeds from collection of long-term loans	941
Proceeds from collection of claim in bankruptcy	75,628
Others	(2,811)
Net cash provided by investing activities	51,837
III Cash flows from financing activities	
Payments for acquisition of treasury stock	(20)
Cash dividends paid	(52,370)
Net cash used in financing activities	(52,391)
IV Effect of exchange rate changes on cash and cash equivalents	(612)
V Increase in cash and cash equivalents	192,439
VI Cash and cash equivalents at beginning of period	966,508
VII Cash and cash equivalents at end of period	1,158,947

Note: Effective from the current fiscal year, statements of cash flows is based on non-consolidated basis.