

**Consolidated Quarterly Financial Statements  
for the First Half of the Fiscal Year Ending March 31, 2007**

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
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**(1) Consolidated Balance Sheets**

(Thousands of yen)

Account	1Q FY2005 (As of June 30, 2005)		1Q FY2006 (As of June 30, 2006)		FY2005 selected data (As of March 31, 2006)	
	Amounts	%	Amounts	%	Amounts	%
<b>Assets</b>						
I Current assets						
1. Cash and deposits	126,544		319,286		265,149	
2. Notes and accounts receivable - trade	294,151		408,208		629,139	
3. Securities	1,086,394		742,041		941,928	
4. Inventories	122,544		134,849		125,015	
5. Other current assets	82,085		92,550		104,683	
Reserve for doubtful receivables	(154)		(126)		(243)	
Total current assets	1,711,566	73.8	1,696,809	74.6	2,065,673	75.9
II Fixed assets						
1. Property, plant and equipment	16,653		100,598		101,545	
2. Intangible assets	108,611		77,938		90,788	
3. Investments and other assets						
(1) Investment securities	397,316		356,558		421,390	
(2) Claim in bankruptcy	247,774		193,194		219,820	
(3) Other assets	75,935		45,664		45,348	
Reserve for doubtful receivables	(238,429)		(197,129)		(223,755)	
Total fixed assets	607,863	26.2	576,825	25.4	655,137	24.1
Total assets	2,319,429	100.0	2,273,634	100.0	2,720,811	100.0

(Thousands of yen)

Account	1Q FY2005 (As of June 30, 2005)		1Q FY2006 (As of June 30, 2006)		FY2005 selected data (As of March 31, 2006)	
	Amounts	%	Amounts	%	Amounts	%
<b>Liabilities</b>						
I Current liabilities						
1. Accounts payable - trade	26,614		36,560		104,977	
2. Short-term borrowings	-		2,400		-	
3. Income taxes payable	2,875		2,713		10,056	
4. Reserve for accrued bonuses	19,910		17,587		28,216	
5. Other current liabilities	69,652		115,856		67,962	
Total current liabilities	119,053	5.1	175,117	7.7	211,212	7.8
II Long-term liabilities						
1. Corporate bonds	-		42,000		42,000	
2. Long-term borrowings	-		9,000		-	
3. Reserve for employees' retirement benefits	-		33,082		32,552	
4. Reserve for directors' retirement benefits	173,530		24,225		185,960	
5. Other long-term liabilities	-		190		11,284	
Total long-term liabilities	173,530	7.5	108,497	4.8	271,797	10.0
Total liabilities	292,583	12.6	283,614	12.5	483,009	17.8
<b>Minority interest</b>						
Minority interests	7,362	0.3	-	-	6,345	0.2
<b>Shareholders' equity</b>						
I Common stock	1,160,041	50.0	-	-	1,202,036	44.2
II Capital surplus	1,108,006	47.8	-	-	1,051,675	38.6
III Retained earnings	(53,469)	(2.3)	-	-	(22,676)	(0.8)
IV Net unrealized gain (loss) on other securities	(9,874)	(0.4)	-	-	16,231	0.6
V Treasury stock	(185,220)	(8.0)	-	-	(15,810)	(0.6)
Total shareholders' equity	2,019,484	87.1	-	-	2,231,456	82.0
Total liabilities, minority interest and shareholders' equity	2,319,429	100.0	-	-	2,720,811	100.0
<b>Net assets</b>						
I Shareholders' equity						
1. Common stock	-		1,202,036		-	
2. Capital surplus	-		975,531		-	
3. Retained earnings	-		(63,572)		-	
4. Treasury stock	-		(99,185)		-	
Total shareholders' equity	-	-	2,014,809	88.6	-	-
II Valuation and translation adjustments						
1. Net unrealized gain (loss) on other securities	-		(28,778)		-	
Total valuation and translation adjustments	-	-	(28,778)	(1.3)	-	-
III Minority interests	-	-	3,988	0.2	-	-
Total net assets	-	-	1,990,020	87.5	-	-
Total liabilities and net assets	-	-	2,273,634	100.0	-	-

## (2) Consolidated Statements of Income

(Thousands of yen)

Account	1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)		1Q FY2006 (Apr. 1, 2006 - Jun. 30, 2006)		FY2005 selected data (Apr. 1, 2005 – Mar. 31, 2006)				
	Amounts	%	Amounts	%	Amounts	%			
I Net sales		209,970	100.0		326,642	100.0		1,679,441	100.0
II Cost of sales		117,641	56.0		205,046	62.8		933,587	55.6
Gross profit		92,329	44.0		121,595	37.2		745,853	44.4
III SG&A expenses		148,955	71.0		226,136	69.2		706,620	42.1
Operating income (loss)		(56,625)	(27.0)		(104,541)	(32.0)		39,233	2.3
IV Non-operating income									
1. Interest income	4,181			4,992			18,367		
2. Dividend income	60			60			152		
3. Business consignment income	510			510			-		
4. Other non-operating income	501	5,252	2.5	355	5,918	1.8	4,297	22,817	1.3
V Non-operating expenses									
1. Interest expense	-			261			509		
2. Loss on equity method	13,358			-			13,358		
3. Loss on investment partnership	-			-			4,727		
4. Foreign exchange losses	-			76			-		
5. Share buyback expenses	-			235			-		
6. Other non- operating expenses	-	13,358	6.3	173	746	0.2	657	19,252	1.1
Ordinary income (loss)		(64,731)	(30.8)		(99,369)	(30.4)		42,798	2.5
VI Extraordinary income									
1. Gain on reversal from doubtful receivables	25			26,742			16,839		
2. Settlement packages	-			700			-		
3. Insurance reimbursement	-			-			54,750		
4. Gain on reversal from reserve for directors' retirement benefits	-	25	0.0	8,039	35,482	10.9	-	71,590	4.3
VII Extraordinary loss									
1. Loss on removal of fixed assets	-			18			10,050		
2. Loss on revaluation of investment securities	229			8,728			229		
3. Loss on revaluation of membership	-			-			700		
4. Provision of reserve for doubtful receivables	-			-			1,850		
5. Merger expenses	-			-			38,453		
6. Condolence payment for director	-	229	0.1	-	8,746	2.7	15,619	66,903	4.0
Net income (loss) before income taxes		(64,936)	(30.9)		(72,634)	(22.2)		47,484	2.8
Income taxes -current	1,465			1,485			6,178		
Income taxes -deferred	9,972	11,437	5.5	5,058	6,543	2.0	87,902	94,081	5.6
Minority interest in income (loss)		28	0.0		(2,357)	(0.7)		(987)	(0.1)
Net loss		76,402	(36.4)		76,820	(23.5)		45,609	(2.7)

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

(Thousands of yen)

Account	1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)		FY2005 selected data (Apr. 1, 2005 – Mar. 31, 2006)	
	Amounts		Amounts	
<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		36,117	
2. Compensation for undisposed deficit for the period	315,027		315,027	
3. Loss on disposal of treasury stock	-	351,145	56,331	407,476
III Capital surplus at end of period		1,108,006		1,051,675
<b>Retained earnings</b>				
I Retained earnings at beginning of period		(292,094)		(292,084)
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	76,402	76,402	45,609	45,609
IV Retained earnings at end of period		(53,469)		(22,676)

**(4) Consolidated Statements of Changes in Shareholders' Equity**

1Q FY2006 (Apr. 1, 2006 - Jun. 30, 2006)

(Thousands of yen)

	Shareholders' equity					Valuation and translation adjustments	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on other securities	Total valuation and translation adjustments
Balance as of March 31, 2006	1,202,036	1,051,675	(22,676)	(15,810)	2,215,224	16,231	16,231
Changes in the current quarter							
Compensation for loss		(35,925)	35,925		-		
Dividend of surplus		(40,219)			(40,219)		
Net loss			(76,820)		(76,820)		
Share buybacks				(83,375)	(83,375)		
Changes (net) in items other than shareholders' equity						(45,009)	(45,009)
Total changes in the current quarter	-	(76,144)	(40,895)	(83,375)	(200,415)	(45,009)	(45,009)
Balance as of June 30, 2006	1,202,036	975,531	(63,572)	(99,185)	2,014,809	(28,778)	(28,778)

	Minority interests	Total net assets
Balance as of March 31, 2006	6,345	2,237,801
Changes in the current quarter		
Compensation for loss		-
Dividend of surplus		(40,219)
Net loss		(76,820)
Share buybacks		(83,375)
Changes (net) in items other than shareholders' equity	(2,357)	(47,366)
Total changes in the current quarter	(2,357)	(247,781)
Balance as of June 30, 2006	3,988	1,990,020

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

(Thousands of yen)

	1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 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	(64,936)	(72,634)	47,484
Depreciation and amortization	25,844	12,764	76,486
Amortization of goodwill	-	1,635	-
Amortization of long-term prepaid expenses	207	279	440
Equity in losses of affiliates	13,358	-	13,358
Decrease in reserve for doubtful receivables	(25)	(26,742)	(14,989)
Decrease in reserve for accrued bonuses	(11,872)	(10,628)	(3,566)
Increase (decrease) in reserve for employees' retirement benefits	(484)	530	2,860
Increase (decrease) in reserve for directors' retirement benefits	2,300	(161,735)	14,730
Interest and dividend income	(4,241)	(5,052)	(18,519)
Interest expense	-	261	509
Loss on investment partnership	-	-	4,727
Foreign exchange loss (gain)	(109)	76	(332)
Settlement packages	-	(700)	-
Insurance reimbursement	-	-	(54,750)
Condolence payment for director	-	-	15,619
Loss on removal of fixed assets	-	18	10,050
Loss on revaluation of investment securities	229	8,728	229
Loss on revaluation of memberships	-	-	700
Decrease (increase) in accounts receivable -trade	110,450	227,571	(153,286)
Increase in inventories	(29,790)	(9,834)	(20,698)
Increase (decrease) in accounts payable -trade	(42,457)	(68,417)	10,252
Decrease (increase) in other assets	(13,396)	7,214	(23,642)
Increase (decrease) in other liabilities	11,919	28,094	(33,073)
Increase (decrease) in suspense receipt of consumption taxes	971	(8,970)	11,806
Subtotal	(2,033)	(77,542)	(113,603)
Interests and dividends received	7,435	5,368	21,675
Interests paid	-	(22)	(672)
Settlement packages received	-	700	-
Insurance received	-	-	87,435
Condolence payment for director	-	-	(15,619)
Income taxes paid	(7,267)	(7,193)	(13,510)
Net cash used in operating activities	(1,866)	(78,690)	(34,294)

(Thousands of yen)

	1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 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 property, plant and equipment	-	(420)	(1,847)
Payments for acquisition of intangible assets	(20,424)	-	(24,036)
Payments for acquisition of investment securities	-	-	(62,060)
Payments for long-term loans receivable	-	-	(204)
Proceeds from collection of long-term loans	5,200	224	6,725
Proceeds from return of leasehold and security deposits	350	314	9,538
Proceeds from collection of claim in bankruptcy	-	19,985	17,378
Payments for short-term loans receivable	-	(150,000)	-
Proceeds from collection of short-term loans	-	150,000	-
Others	(490)	(717)	(680)
Net cash provided by (used in) investing activities	(15,366)	19,387	(55,187)
III Cash flows from financing activities			
Proceeds from long-term borrowings	-	12,000	-
Repayments of long-term borrowings	-	(600)	-
Proceeds from new stock issuance	-	-	41,994
Payments for acquisition of treasury stock	-	(83,375)	-
Cash dividends paid	(22,643)	(14,395)	(36,073)
Net cash provided by (used in) financing activities	(22,643)	(86,370)	5,921
IV Effect of exchange rate changes on cash and cash equivalents	109	(76)	332
V Increase (decrease) in cash and cash equivalents	(39,766)	(145,750)	(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
VIII Cash and cash equivalents at end of period	1,212,939	1,061,328	1,207,078