

Non-consolidated Financial Statements
for the First Nine Months of the Fiscal Year Ending March 31, 2010

Company name:	Zuken Elmic, Inc.	Listing:	TSE Mothers Market
Stock code:	4770	URL:	http://www.elwsc.co.jp/
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(1) Balance Sheets

(Thousands of yen)

	3Q of FY2009 (As of Dec. 31, 2009)	FY2008 selected data (As of Mar. 31, 2009)
Assets		
Current assets		
Cash and deposits	164,312	372,093
Notes and accounts receivable - trade	217,568	435,445
Securities	140,136	346,671
Finished goods	17,030	19,890
Work in process	59,784	42,928
Raw materials	336	938
Other current assets	41,468	21,289
Reserve for doubtful receivables	(1,480)	(3,000)
Total current assets	639,156	1,236,255
Fixed assets		
Property, plant and equipment	117,009	99,918
Intangible assets	56,336	30,711
Investments and other assets		
Investment securities	712,088	536,162
Other investments and other assets	34,621	47,713
Reserve for doubtful receivables	(17,305)	(17,305)
Total other investments and other assets	729,405	566,570
Total fixed assets	902,751	697,200
Total assets	1,541,907	1,933,456

(Thousands of yen)

	3Q of FY2009 (As of Dec. 31, 2009)	FY2008 selected data (As of Mar. 31, 2009)
Liabilities		
Current liabilities		
Accounts payable - trade	53,664	85,437
Income tax payable	4,951	8,159
Reserve for accrued bonuses	34,520	23,049
Allowance for product warranty	16,836	15,690
Allowance for loss on order received	4,328	4,232
Other current liabilities	94,655	125,489
Total current liabilities	208,956	262,059
Long-term liabilities		
Reserve for employees' retirement benefits	3,770	3,770
Reserve for directors' retirement benefits	-	24,384
Other long-term liabilities	15,264	190
Total long-term liabilities	19,034	28,345
Total liabilities	227,991	290,405
Net assets		
Shareholders' equity		
Common stock	1,202,036	1,202,036
Capital surplus	1,077,567	1,031,862
Retained earnings	(893,881)	(385,358)
Treasury stock	-	(99,236)
Total shareholders' equity	1,385,721	1,749,303
Valuation and translation adjustments		
Net unrealized gain (loss) on other securities	(71,805)	(106,251)
Total valuation and translation adjustments	(71,805)	(106,251)
Total net assets	1,313,916	1,643,051
Total liabilities and net assets	1,541,907	1,933,456

(2) Statements of Income
(For the Nine-month Period)

(Thousands of yen)

	3Q of FY2008 (Apr. 1, 2008 – Dec. 31, 2008)	3Q of FY2009 (Apr. 1, 2009 – Dec. 31, 2009)
Net sales	1,213,181	836,624
Cost of sales	828,821	640,563
Gross profit	384,359	196,060
SG&A expenses	580,543	649,746
Operating loss	(196,183)	(453,686)
Non-operating income		
Interest income	12,955	14,321
Dividend income	200	230
Others	2,364	2,709
Total non-operating income	15,520	17,260
Non-operating expenses		
Loss on investments in partnership	1,349	2,788
Foreign exchange losses	373	345
Total non-operating expenses	1,723	3,133
Ordinary loss	(182,386)	(439,559)
Extraordinary income		
Reversal of allowance for doubtful accounts	-	1,520
Reversal of provision for directors' retirement benefits	-	2,676
Gain on sales of investment securities	359	108
Gain on sales of fixed assets	246	-
Total extraordinary income	605	4,304
Extraordinary loss		
Loss on removal of fixed assets	5,126	559
Head office transfer cost	36,638	-
Corporate divestiture expenses	-	19,988
Loss on valuation of investment securities	32,040	-
Special retirement expenses	-	48,164
Total extraordinary loss	73,804	68,713
Net loss before income taxes	(255,585)	(503,967)
Income taxes –current	4,321	4,554
Income taxes –deferred	34,001	-
Total income taxes	38,323	4,554
Net loss	(293,909)	(508,522)

(For the Three-month Period)

(Thousands of yen)

	3Q FY2008 (Oct. 1, 2008 – Dec. 31, 2008)	3Q FY2009 (Oct. 1, 2009 – Dec. 31, 2009)
Net sales	423,083	263,385
Cost of sales	286,329	180,578
Gross profit	136,753	82,807
SG&A expenses	222,926	197,423
Operating income	(86,172)	(114,616)
Non-operating income		
Interest income	3,956	6,014
Dividend income	110	120
Others	448	380
Total non-operating income	4,514	6,514
Non-operating expenses		
Loss on investments in partnership	-	2,788
Foreign exchange losses	431	72
Total non-operating expenses	431	2,860
Ordinary income	(82,089)	(110,962)
Extraordinary income		
Reversal of allowance for doubtful accounts	-	560
Total extraordinary income	-	560
Extraordinary loss		
Loss on removal of fixed assets	5,099	249
Head office transfer cost	36,638	-
Loss on valuation of investment securities	32,040	-
Special retirement expenses	-	48,164
Total extraordinary loss	73,777	48,414
Net income before income taxes	(155,866)	(158,816)
Income taxes –current	1,440	1,409
Income taxes –deferred	40,600	-
Total income taxes	42,040	1,409
Net income	(197,907)	(160,226)

(3) Statements of Cash Flows

(Thousands of yen)

	3Q of FY2008 (Apr. 1, 2008 – Dec. 31, 2008)	3Q of FY2009 (Apr. 1, 2009 – Dec. 31, 2009)
Cash flows from operating activities		
Net loss before income taxes	(255,585)	(503,967)
Depreciation and amortization	22,071	28,290
Amortization of goodwill	12,545	-
Increase (decrease) in allowance for doubtful accounts	12,026	(1,520)
Increase (decrease) in reserve for accrued bonuses	(16,126)	126
Increase (decrease) in allowance for product warranty	64	1,146
Increase (decrease) in allowance for loss on order received	217	95
Increase (decrease) in reserve for employees' retirement benefits	(592)	-
Increase (decrease) in reserve for directors' retirement benefits	(29,400)	(9,310)
Interest and dividend income	(13,155)	(14,551)
Foreign exchange loss (gain)	315	210
Extra retirement payment	-	48,164
Loss (gain) on investments in partnership	1,349	2,788
Loss (gain) on valuation of investment securities	32,040	-
Loss (gain) on sales of investment securities	(359)	(108)
Loss (gain) on sales of fixed assets	(246)	-
Loss on removal of fixed assets	5,126	559
Decrease (increase) in accounts receivable	(98,483)	288,923
Decrease (increase) in inventories	(63,498)	(11,308)
Increase (decrease) in accounts payable	5,172	(33,749)
Others	34,905	45,857
Subtotal	(351,614)	(158,352)
Interests and dividends received	13,348	14,484
Payments for extra retirement payments	-	(95,027)
Income taxes paid	(4,543)	(4,478)
Net cash used in operating activities	(342,809)	(243,373)
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(13,371)	(6,587)
Proceeds from sales of property, plant and equipment	929	-
Payments for acquisition of intangible assets	(2,494)	(32,939)
Purchase of investment securities	(298,692)	(442,960)
Proceeds from sales of investment securities	30,453	298,800
Payments of loans receivable	-	(800)
Proceeds from collection of loans receivable	478	1,204
Payments for leasehold and security deposits	(6,042)	(1,204)
Proceeds from collection of lease and guarantee deposits	-	13,891
Others	280	-
Net cash provided by investing activities	(288,459)	(170,595)

	(Thousands of yen)	
	3Q of FY2008	3Q of FY2009
	(Apr. 1, 2008 – Dec. 31, 2008)	(Apr. 1, 2009 – Dec. 31, 2009)
Cash flows from financing activities		
Payments for acquisition of treasury stock	(30)	-
Cash dividends paid	(39,221)	(135)
Net cash used in financing activities	(39,252)	(135)
Effect of exchange rate changes on cash and cash equivalents	(315)	(210)
Increase (decrease) in cash and cash equivalents	(670,836)	(414,315)
Cash and cash equivalents at beginning of period	1,158,947	718,764
Cash and cash equivalents at end of period	488,111	304,448