

Non-consolidated Financial Statements
for the First Nine Months of the Fiscal Year Ending March 31, 2011

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 FY2010 (As of Dec. 31, 2010)	FY2009 selected data (As of Mar. 31, 2010)
Assets		
Current assets		
Cash and deposits	171,618	121,504
Notes and accounts receivable - trade	171,730	313,146
Securities	152,084	112,846
Finished goods	34,608	8,138
Work in process	33,129	31,952
Raw materials	4,553	3,374
Other current assets	69,385	19,536
Reserve for doubtful receivables	(710)	(2,120)
Total current assets	636,400	608,379
Fixed assets		
Property, plant and equipment	106,220	111,480
Intangible assets	43,789	49,146
Investments and other assets		
Investment securities	313,520	691,525
Other investments and other assets	52,893	32,393
Reserve for doubtful receivables	(3,925)	(15,961)
Total other investments and other assets	362,488	707,958
Total fixed assets	512,498	868,584
Total assets	1,148,898	1,476,963

(Thousands of yen)

	3Q of FY2010 (As of Dec. 31, 2010)	FY2009 selected data (As of Mar. 31, 2010)
Liabilities		
Current liabilities		
Accounts payable - trade	46,048	60,171
Income taxes payable	4,155	8,368
Reserve for accrued bonuses	24,456	76,536
Allowance for product warranty	28,380	34,771
Other current liabilities	115,065	57,254
Total current liabilities	218,106	237,102
Long-term liabilities		
Provision for retirement benefits	3,770	3,770
Long-term accounts payable-other	3,431	15,074
Long-term unearned revenue	53,091	-
Other long-term liabilities	5,896	190
Total long-term liabilities	66,188	19,034
Total liabilities	284,295	256,137
Net assets		
Shareholders' equity		
Common stock	1,202,036	1,202,036
Capital surplus	81,886	1,077,567
Retained earnings	(355,328)	(995,680)
Total shareholders' equity	928,594	1,283,922
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(63,991)	(63,096)
Total valuation and translation adjustments	(63,991)	(63,096)
Total net assets	864,603	1,220,826
Total liabilities and net assets	1,148,898	1,476,963

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

(Thousands of yen)

	3Q of FY2009 (Apr. 1, 2009 – Dec. 31, 2009)	3Q of FY2010 (Apr. 1, 2010 – Dec. 31, 2010)
Net sales	836,624	672,829
Cost of sales	640,563	444,618
Gross profit	196,060	228,211
SG&A expenses	649,746	638,892
Operating loss	(453,686)	(410,681)
Non-operating income		
Interest income	14,321	17,692
Dividend income	230	240
Subsidy income	-	14,931
Others	2,709	1,937
Total non-operating income	17,260	34,801
Non-operating expenses		
Foreign exchange losses	345	1,621
Loss on investments in partnership	2,788	3,551
Total non-operating expenses	3,133	5,173
Ordinary loss	(439,559)	(381,053)
Extraordinary income		
Reversal of allowance for doubtful accounts	1,520	4,791
Reversal of provision for bonuses	-	15,566
Reversal of provision for directors' retirement benefits	2,676	-
Gain on sales of subsidiaries and affiliates' stocks	-	850
Gain on sales of investment securities	108	7,061
Directors' retirement benefits long-term accounts payable gain on forgiveness of debts	-	4,115
Total extraordinary income	4,304	32,385
Extraordinary loss		
Loss on sales of noncurrent assets	-	723
Loss on retirement of noncurrent assets	559	1,278
Loss on valuation of investment securities	-	321
Corporate divestiture expenses	19,988	-
Special retirement expenses	48,164	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,659
Total extraordinary losses	68,713	3,983
Net loss before income taxes	(503,967)	(352,650)
Income taxes –current	4,554	2,677
Total income taxes	4,554	2,677
Net loss	(508,522)	(355,328)

(For the Three-month Period)

(Thousands of yen)

	3Q FY2009 (Oct. 1, 2009 – Dec. 31, 2009)	3Q FY2010 (Oct. 1, 2010 – Dec. 31, 2010)
Net sales	263,385	208,758
Cost of sales	180,578	172,363
Gross profit	82,807	36,395
SG&A expenses	197,423	193,907
Operating income	(114,616)	(157,511)
Non-operating income		
Interest income	6,014	4,834
Dividend income	120	120
Subsidy income	-	12,053
Others	380	459
Total non-operating income	6,514	17,466
Non-operating expenses		
Loss on investments in partnership	2,788	1,957
Foreign exchange losses	72	542
Total non-operating expenses	2,860	2,500
Ordinary income	(110,962)	(142,545)
Extraordinary income		
Reversal of allowance for doubtful accounts	560	390
Gain on sales of investment securities	-	177
Total extraordinary income	560	567
Extraordinary loss		
Loss on retirement of noncurrent assets	249	53
Special retirement expenses	48,164	-
Total extraordinary losses	48,414	53
Net income before income taxes	(158,816)	(142,031)
Income taxes –current	1,409	945
Total income taxes	1,409	945
Net income	(160,226)	(142,976)

(3) Statements of Cash Flows

(Thousands of yen)

	3Q of FY2009 (Apr. 1, 2009 – Dec. 31, 2009)	3Q of FY2010 (Apr. 1, 2010 – Dec. 31, 2010)
Cash flows from operating activities		
Net loss before income taxes	(503,967)	(352,650)
Depreciation and amortization	28,290	27,446
Increase (decrease) in allowance for doubtful accounts	(1,520)	(13,446)
Increase (decrease) in provision for bonuses	126	(52,080)
Increase (decrease) in provision for product warranties	1,146	(6,391)
Increase (decrease) in provision for loss on order received	95	-
Increase (decrease) in provision for directors' retirement benefits	(9,310)	-
Interest and dividend income	(14,551)	(17,932)
Foreign exchange losses (gains)	210	397
Extra retirement payment	48,164	-
Loss (gain) on investments in partnership	2,788	3,551
Loss (gain) on sales of noncurrent assets	-	723
Loss on removal of fixed assets	559	1,278
Loss (gain) on valuation of investment securities	-	321
Loss (gain) on sales of investment securities	(108)	(7,061)
Loss (gain) on sales of stocks of subsidiaries and affiliates	-	(850)
Decrease (increase) in accounts receivable	288,923	141,415
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	-	12,026
Decrease (increase) in inventories	(11,308)	(28,826)
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,659
Increase (decrease) in notes and accounts payable-trade	(33,749)	(14,122)
Others	45,857	12,079
Decrease/increase in consumption taxes receivable/payable	-	(1,142)
Subtotal	(158,352)	(293,604)
Interests and dividends received	14,484	15,502
Payments for extra retirement payments	(95,027)	-
Income taxes paid	(4,478)	(5,123)
Net cash provided by (used in) operating activities	(243,373)	(283,225)

(Thousands of yen)

	3Q of FY2009 (Apr. 1, 2009 – Dec. 31, 2009)	3Q of FY2010 (Apr. 1, 2010 – Dec. 31, 2010)
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(6,587)	(6,899)
Proceeds from sales of property, plant and equipment	-	1,300
Payments for acquisition of intangible assets	(32,939)	(8,524)
Purchase of investment securities	(442,960)	-
Proceeds from sales of investment securities	298,800	316,800
Proceeds from sales of stocks of subsidiaries and affiliates	-	4,350
Payments of loans receivable	(800)	-
Proceeds from collection of loans receivable	1,204	430
Payments for leasehold and security deposits	(1,204)	(162)
Proceeds from collection of lease and guarantee deposits	13,891	239
Net cash provided by (used in) investing activities	(170,595)	307,533
Cash flows from financing activities		
Cash dividends paid	(135)	(47)
Net cash provided by (used in) financing activities	(135)	(47)
Effect of exchange rate changes on cash and cash equivalents	(210)	(397)
Increase (decrease) in cash and cash equivalents	(414,315)	23,863
Cash and cash equivalents at beginning of period	718,764	210,756
Cash and cash equivalents at end of period	304,448	234,619