

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

Company name:	Zuken Elmic, Inc.	Listing:	TSE Mothers Market
Stock code:	4770	URL:	<a href="http://www.elwsc.co.jp/">http://www.elwsc.co.jp/</a>
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Contact:	Shinichi Eguchi, Director, Administration		

**(1) Balance Sheets**

(Thousands of yen)

	1Q of FY2010 (As of Jun. 30, 2010)	FY2009 selected data (As of Mar. 31, 2010)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	115,898	121,504
Notes and accounts receivable - trade	281,872	313,146
Securities	62,973	112,846
Finished goods	9,554	8,138
Work in process	29,662	31,952
Raw materials	6,325	3,374
Other current assets	78,072	19,536
Reserve for doubtful receivables	(1,910)	(2,120)
<b>Total current assets</b>	<b>582,449</b>	<b>608,379</b>
<b>Fixed assets</b>		
Property, plant and equipment	111,501	111,480
Intangible assets	59,147	49,146
<b>Investments and other assets</b>		
Investment securities	584,617	691,525
Other investments and other assets	81,037	32,393
Reserve for doubtful receivables	(15,961)	(15,961)
<b>Total other investments and other assets</b>	<b>649,693</b>	<b>707,958</b>
<b>Total fixed assets</b>	<b>820,343</b>	<b>868,584</b>
<b>Total assets</b>	<b>1,402,793</b>	<b>1,476,963</b>

(Thousands of yen)

	1Q of FY2010 (As of Jun. 30, 2010)	FY2009 selected data (As of Mar. 31, 2010)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	23,929	60,171
Income tax payable	2,185	8,368
Reserve for accrued bonuses	41,356	76,536
Allowance for product warranty	28,753	34,771
Other current liabilities	125,158	57,254
<b>Total current liabilities</b>	<b>221,382</b>	<b>237,102</b>
<b>Long-term liabilities</b>		
Provision for retirement benefits	3,770	3,770
Long-term accounts payable-other	3,431	15,074
Long-term unearned revenue	74,235	-
Other long-term liabilities	7,042	190
<b>Total long-term liabilities</b>	<b>88,479</b>	<b>19,034</b>
<b>Total liabilities</b>	<b>309,861</b>	<b>256,137</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	1,202,036	1,202,036
Capital surplus	81,886	1,077,567
Retained earnings	(111,114)	(995,680)
<b>Total shareholders' equity</b>	<b>1,172,807</b>	<b>1,283,922</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	(79,876)	(63,096)
<b>Total valuation and translation adjustments</b>	<b>(79,876)</b>	<b>(63,096)</b>
<b>Total net assets</b>	<b>1,092,931</b>	<b>1,220,826</b>
<b>Total liabilities and net assets</b>	<b>1,402,793</b>	<b>1,476,963</b>

**(2) Statements of Income**

(Thousands of yen)

	1Q of FY2009 (Apr. 1, 2009 – Jun. 30, 2009)	1Q of FY2010 (Apr. 1, 2010 – Jun. 30, 2010)
Net sales	213,396	245,414
Cost of sales	162,184	147,389
Gross profit	51,212	98,024
SG&A expenses	250,590	238,992
Operating loss	(199,378)	(140,967)
Non-operating income		
Interest income	5,086	7,896
Dividend income	110	120
Others	1,575	950
Total non-operating income	6,772	8,966
Non-operating expenses		
Foreign exchange losses	73	657
Loss on investments in partnership	-	1,593
Total non-operating expenses	73	2,251
Ordinary loss	(192,679)	(134,252)
Extraordinary income		
Reversal of allowance for doubtful accounts	690	210
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	6,015
Directors' retirement benefits long-term accounts payable gain on forgiveness of debts	-	4,115
Total extraordinary income	3,474	26,757
Extraordinary loss		
Loss on removal of fixed assets	42	1,172
Corporate divestiture expenses	12,485	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,659
Total extraordinary loss	12,527	2,832
Net loss before income taxes	(201,732)	(110,327)
Income taxes –current	1,651	787
Total income taxes	1,651	787
Net loss	(203,384)	(111,114)

### (3) Statements of Cash Flows

(Thousands of yen)

	1Q of FY2009 (Apr. 1, 2009 – Jun. 30, 2009)	1Q of FY2010 (Apr. 1, 2010 – Jun. 30, 2010)
Cash flows from operating activities		
Net loss before income taxes	(201,732)	(110,327)
Depreciation and amortization	6,890	8,538
Increase (decrease) in allowance for doubtful accounts	(690)	(210)
Increase (decrease) in provision for bonuses	10,439	(35,180)
Increase (decrease) in provision for product warranties	860	(6,018)
Increase (decrease) in provision for loss on order received	(4,232)	-
Increase (decrease) in provision for retirement benefits	(9,310)	-
Interest and dividend income	(5,196)	(8,016)
Loss (gain) on investments in partnership	-	1,593
Foreign exchange loss (gain)	76	156
Loss (gain) on sales of investment securities	(108)	(6,015)
Loss (gain) on sales of stocks of subsidiaries and affiliates	-	(850)
Loss on removal of fixed assets	42	1,172
Decrease (increase) in accounts receivable	206,197	31,273
Decrease (increase) in inventories	22,927	(2,077)
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,659
Increase (decrease) in notes and accounts payable-trade	(55,406)	(36,241)
Others	(2,989)	12,415
Decrease/increase in consumption taxes receivable/payable	-	7,473
Subtotal	(32,231)	(140,653)
Interests and dividends received	5,188	5,923
Payments for extra retirement payments	(46,862)	-
Income taxes paid	(6,343)	(5,932)
Net cash provided by (used in) operating activities	(80,249)	(140,662)

	(Thousands of yen)	
	1Q of FY2009 (Apr. 1, 2009 – Jun. 30, 2009)	1Q of FY2010 (Apr. 1, 2010 – Jun. 30, 2010)
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(1,364)	(290)
Payments for acquisition of intangible assets	(5,000)	(14,363)
Purchase of investment securities	(296,550)	-
Proceeds from sales of investment securities	298,800	119,200
Proceeds from sales of stocks of subsidiaries and affiliates	-	4,350
Proceeds from collection of loans receivable	85	85
Payments for leasehold and security deposits	(1,104)	-
Proceeds from collection of lease and guarantee deposits	610	-
Net cash provided by (used in) investing activities	(4,523)	108,981
Cash flows from financing activities		
Cash dividends paid	(83)	(46)
Net cash provided by (used in) financing activities	(83)	(46)
Effect of exchange rate changes on cash and cash equivalents	(76)	(156)
Increase (decrease) in cash and cash equivalents	(84,932)	(31,884)
Cash and cash equivalents at beginning of period	718,764	210,756
Cash and cash equivalents at end of period	633,831	178,872