

**Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2010**

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>
President:	Kimio Ando		
Contact:	Shinichi Eguchi, Manager, Administration	Telephone:	+81-(0)-45-624-8111
Scheduled date of Annual General Meeting of Shareholders :	June 25, 2010		
Scheduled date of filing of Quarterly Report	: June 25, 2010		
Scheduled date of payment of dividend	: —		

**(1) Balance Sheets**

(Thousands of yen)

	FY2008 (As of Mar. 31, 2009)	FY2009 (As of Mar. 31, 2010)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	372,093	121,504
Notes receivable-trade	56,663	73,146
Accounts receivable - trade	378,782	239,999
Short-term investment securities	346,671	112,846
Finished goods	19,890	8,138
Work in process	42,928	31,952
Raw materials	938	3,374
Prepaid expenses	7,821	11,366
Accounts receivable - other	11,639	3,158
Consumption taxes receivable	—	4,108
Other current assets	1,828	902
Allowance for doubtful accounts	(3,000)	(2,120)
<b>Total current assets</b>	<b>1,236,255</b>	<b>608,379</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings	93,741	93,526
Accumulated depreciation	(42,041)	(46,725)
Buildings (net)	51,700	46,800
Structures	1,367	1,367
Accumulated depreciation	(1,077)	(1,137)
Structures (net)	289	230
Tools, furniture and fixtures	71,049	152,446
Accumulated depreciation	(62,135)	(127,010)
Tools, furniture and fixtures (net)	8,913	25,435
Land	39,014	39,014
<b>Total property, plant and equipment</b>	<b>99,918</b>	<b>111,480</b>

	(Thousands of yen)	
	FY2008 (As of Mar. 31, 2009)	FY2009 (As of Mar. 31, 2010)
Intangible assets		
Software	24,346	40,743
Telephone subscription right	4,899	5,164
Software in progress	1,464	3,237
Total intangible assets	30,711	49,146
Investments and other assets		
Investment securities	536,162	691,525
Stocks of subsidiaries and affiliates	3,500	3,500
Long-term loans receivable from employees	634	200
Claims provable in bankruptcy, claims provable in rehabilitation and other	13,370	12,026
Lease and guarantee deposits	22,058	8,517
Membership	8,150	8,150
Allowance for doubtful accounts	(17,305)	(15,961)
Total investments and other assets	566,570	707,958
Total noncurrent assets	697,200	868,584
Total assets	1,933,456	1,476,963

	(Thousands of yen)	
	FY2008 (As of Mar. 31, 2009)	FY2009 (As of Mar. 31, 2010)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	85,437	60,171
Accounts payable - other	96,814	18,320
Accrued expenses	5,620	16,954
Income tax payable	8,159	8,368
Accrued consumption taxes	406	—
Advance received	4,671	415
Deposits received	11,618	4,366
Unearned revenue	6,359	17,196
Provision for bonuses	23,049	76,536
Provision for product warranties	15,690	34,771
Provision for loss on order received	4,232	—
<b>Total current liabilities</b>	<b>262,059</b>	<b>237,102</b>
<b>Noncurrent liabilities</b>		
Long-term accounts payable-other	—	15,074
Guarantee deposits	190	190
Provision for retirement benefits	3,770	3,770
Provision for directors' retirement benefits	24,384	—
<b>Total noncurrent liabilities</b>	<b>28,345</b>	<b>19,034</b>
<b>Total liabilities</b>	<b>290,405</b>	<b>256,137</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,202,036	1,202,036
<b>Capital surplus</b>		
Legal capital surplus	300,000	300,000
Other capital surplus	731,862	777,567
<b>Total capital surplus</b>	<b>1,031,862</b>	<b>1,077,567</b>
<b>Retained earnings</b>		
Legal retained earnings	509	509
<b>Other retained earnings</b>		
Retained earnings brought forward	(385,867)	(996,189)
<b>Total retained earnings</b>	<b>(385,358)</b>	<b>(995,680)</b>
Treasury stock	(99,236)	—
<b>Total shareholders' equity</b>	<b>1,749,303</b>	<b>1,283,922</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	(106,251)	(63,096)
<b>Total valuation and translation adjustments</b>	<b>(106,251)</b>	<b>(63,096)</b>
<b>Total net assets</b>	<b>1,643,051</b>	<b>1,220,826</b>
<b>Total liabilities and net assets</b>	<b>1,933,456</b>	<b>1,476,963</b>

**(2) Statements of Income**

(Thousands of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
Net sales		
Net sales of finished goods	1,612,144	1,204,209
Net sales of goods	27,584	12,597
Total net sales	1,639,728	1,216,806
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	31,332	19,890
Cost of products manufactured	1,052,127	899,385
Amortization of software	25,812	9,503
Total	1,109,272	928,779
Transfer to other account	253	—
Ending finished goods	19,890	8,138
Total cost of finished goods sold	1,089,128	920,641
Cost of goods sold		
Beginning goods	16	—
Cost of purchased goods	23,883	13,380
Total	23,900	13,380
Ending goods	—	—
Total cost of goods sold	23,900	13,380
Total cost of sales	1,113,028	934,022
Gross profit	526,699	282,784
Selling, general and administrative expenses		
Advertising expenses	20,599	23,198
Promotion expenses	76,498	71,770
Directors' compensations	64,100	43,768
Wages and allowances	235,965	255,470
Welfare expenses	38,623	38,736
Bonuses	9,156	17,225
Provision for bonuses	6,447	21,587
Provision of allowance for doubtful accounts	14,926	—
Provision for directors' retirement benefits	6,696	866
Traveling and transportation expenses	23,125	28,742
Rent expenses	41,584	45,400
Depreciation	22,997	13,605
Research and development expenses	68,914	81,974
Compensations	47,557	37,648
Training expenses	88,679	123,601
Other expenses	36,324	49,178
Total Selling, general and administrative expenses	802,195	852,772
Operating loss	(275,495)	(569,988)

	(Thousands of yen)	
	FY2008	FY2009
	(Apr. 1, 2008 – Mar. 31, 2009)	(Apr. 1, 2009 – Mar. 31, 2010)
Non-operating income		
Interest income	379	194
Interest on securities	15,410	20,511
Dividends income	200	230
Subsidy income	—	9,618
Others income	2,748	2,153
Total non-operating income	18,739	32,707
Non-operating expenses		
Loss on investments in partnership	2,735	2,788
Foreign exchange losses	125	275
Total non-operating expenses	2,861	3,064
Ordinary loss	(259,617)	(540,345)
Extraordinary income		
Reversal of allowance for doubtful accounts	—	880
Reversal of provision for directors' retirement benefits	—	2,676
Gain on sales of investment securities	359	108
Gain on sales of noncurrent assets	246	—
Total extraordinary income	605	3,664
Extraordinary loss		
Loss on retirement of noncurrent assets	5,246	567
Loss on valuation of investment securities	33,630	—
Loss on sales of investment securities	—	390
Head office transfer cost	36,753	—
Impairment loss	16,727	—
Special retirement expenses	46,862	48,164
Corporate divestiture expenses	—	19,988
Total extraordinary losses	139,220	69,111
Net loss before income taxes	(398,232)	(605,791)
Income taxes –current	5,762	4,530
Income taxes –deferred	34,001	—
Total income taxes	39,763	4,530
Net loss	(437,995)	(610,321)

## Manufacturing Statement

	(Thousands of yen)	
	FY2008	FY2009
	(Apr. 1, 2008 – Mar. 31, 2009)	(Apr. 1, 2009 – Mar. 31, 2010)
Materials cost	11,037	1,209
Labor cost	626,782	593,223
Other costs	663,568	577,745
Total manufacturing cost	1,301,388	1,172,179
Beginning work in process	35,535	42,928
Transfer of work in process by corporate division	—	2,084
Total	1,336,923	1,217,192
Ending work in process	42,928	31,952
Transfer to other accounts	241,867	285,854
Cost of goods manufactured for the period	1,052,127	899,385

**(3) Statements of Changes in Net Assets**

(Thousands of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
Shareholders' equity		
Capital stock		
Balance as of Mar.31, 2009	1,202,036	1,202,036
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2010	1,202,036	1,202,036
Capital surplus		
Legal capital surplus		
Balance as of Mar.31, 2009	300,000	300,000
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2010	300,000	300,000
Other capital surplus		
Balance as of Mar.31, 2009	731,862	731,862
Changes of items during the period		
Increase by corporate division	—	45,704
Total changes of items during the period	—	45,704
Balance as of Mar.31, 2010	731,862	777,567
Total capital surplus		
Balance as of Mar.31, 2009	1,031,862	1,031,862
Changes of items during the period		
Increase by corporate division	—	45,704
Total changes of items during the period	—	45,704
Balance as of Mar.31, 2010	1,031,862	1,077,567
Retained earnings		
Legal retained earnings		
Balance as of Mar.31, 2009	509	509
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2010	509	509
Other retained earnings		
Retained earnings brought forward		
Balance as of Mar.31, 2009	91,409	(385,867)
Changes of items during the period		
Dividends from surplus	(39,281)	—
Net loss	(437,995)	(610,321)
Total changes of items during the period	(477,277)	(610,321)
Balance as of Mar.31, 2010	(385,867)	(996,189)
Total retained earnings		
Balance as of Mar.31, 2009	91,918	(385,358)
Changes of items during the period		
Dividends from surplus	(39,281)	—
Net loss	(437,995)	(610,321)
Total changes of items during the period	(477,277)	(610,321)
Balance as of Mar.31, 2010	(385,358)	(995,680)

(Thousands of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
<b>Treasury stock</b>		
Balance as of Mar.31, 2009	(99,206)	(99,236)
Changes of items during the period		
Purchase of treasury stock	(30)	—
Change in equity in affiliates accounted for by corporate division	—	99,236
Total changes of items during the period	(30)	99,236
Balance as of Mar.31, 2010	(99,236)	—
<b>Total shareholders' equity</b>		
Balance as of Mar.31, 2009	2,226,611	1,749,303
Changes of items during the period		
Dividends from surplus	(39,281)	—
Net loss	(437,995)	(610,321)
Increase by corporate division	—	45,704
Purchase of treasury stock	(30)	—
Change in equity in affiliates accounted for by corporate division	—	99,236
Total changes of items during the period	(477,307)	(465,380)
Balance as of Mar.31, 2010	1,749,303	1,283,922
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities		
Balance as of Mar.31, 2009	(95,427)	(106,251)
Changes of items during the period		
Net changes of items other than shareholders' equity	(10,824)	43,155
Total changes of items during the period	(10,824)	43,155
Balance as of Mar.31, 2010	(106,251)	(63,096)
<b>Total valuation and translation adjustments</b>		
Balance as of Mar.31, 2009	(95,427)	(106,251)
Changes of items during the period		
Net changes of items other than shareholders' equity	(10,824)	43,155
Total changes of items during the period	(10,824)	43,155
Balance as of Mar.31, 2010	(106,251)	(63,096)
<b>Net assets</b>		
Balance as of Mar.31, 2009	2,131,183	1,643,051
Changes of items during the period		
Dividends from surplus	(39,281)	—
Net loss	(437,995)	(610,321)
Increase by corporate division	—	45,704
Purchase of treasury stock	(30)	—
Change in equity in affiliates accounted for by corporate division	—	99,236
Net changes of items other than shareholders' equity	(10,824)	43,155
Total changes of items during the period	(488,132)	(422,224)
Balance as of Mar.31, 2010	1,643,051	1,220,826

#### (4) Statements of Cash Flows

(Thousands of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
Cash flows from operating activities		
Net loss before income taxes	(398,232)	(605,791)
Depreciation and amortization	35,335	40,613
Amortization of goodwill	16,727	—
Impairment loss	16,727	—
Increase (decrease) in allowance for doubtful accounts	14,926	(2,224)
Increase (decrease) in provision for bonuses	(11,800)	42,142
Increase (decrease) in provision for product warranties	2,249	19,080
Increase (decrease) in provision for loss on order received	4,232	(4,232)
Increase (decrease) in Provision for retirement benefits	(28,444)	—
Increase (decrease) in provision for directors' retirement benefits	(28,167)	(9,310)
Interest and dividend income	(15,990)	(20,935)
Loss (gain) on investments in partnership	2,735	2,788
Foreign exchange losses (gains)	67	178
Extra retirement payment	46,862	48,164
Loss on retirement of noncurrent assets	5,246	567
Loss (gain) on valuation of investment securities	33,630	—
Loss (gain) on sales of investment securities	(359)	282
Loss (gain) on sales of property, plant and equipment	(246)	—
Decrease (increase) in notes and accounts receivable-trade	144,701	193,345
Decrease (increase) in inventories	15,125	22,376
Increase (decrease) in notes and accounts payable-trade	13,405	(27,242)
Decrease (increase) in other assets	(5,720)	70,865
Increase (decrease) in other liabilities	13,322	(31,119)
Decrease (increase) in consumption taxes refund receivable	—	(4,108)
Increase (decrease) in accrued consumption taxes	(7,896)	(406)
Subtotal	(131,563)	(264,964)
Interest and dividends income received	16,076	19,550
Payments for extra retirement payments	—	(95,027)
Income taxes paid	(5,056)	(4,210)
Net cash used in operating activities	(120,542)	(344,651)



(Thousands of yen)

	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,365)	(7,538)
Purchase of intangible assets	(4,105)	(31,919)
Proceeds from sales of property, plant and equipment	929	—
Purchase of investment securities	(298,692)	(782,905)
Proceeds from sales of investment securities	30,453	595,350
Proceeds from redemption of investment securities	—	50,000
Payments of long-term loans receivable	—	(800)
Collection of long-term loans receivable	508	1,234
Proceeds from collection of lease and guarantee deposits	19,027	14,813
Payments for lease and guarantee deposits	(6,042)	(1,272)
Net cash provided by investing activities	(280,286)	(163,037)
Cash flows from financing activities		
Purchase of treasury stock	(30)	—
Cash dividends paid	(39,255)	(139)
Net cash used in financing activities	(39,286)	(139)
Effect of exchange rate change on cash and cash equivalents	(67)	(178)
Increase (decrease) in cash and cash equivalents	(440,183)	(508,007)
Cash and cash equivalents at beginning of period	1,158,947	718,764
Cash and cash equivalents at end of period	718,764	210,756