

Non-consolidated Financial Statements for the Fiscal Year Ended 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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Scheduled date of Annual General Meeting of Shareholders :	June 24, 2011		
Scheduled date of filing of Quarterly Report	: June 24, 2011		
Scheduled date of payment of dividend	: —		

(1) Balance Sheets

	(Thousands of yen)	
	FY2009 (As of Mar. 31, 2010)	FY2010 (As of Mar. 31, 2011)
Assets		
Current assets		
Cash and deposits	121,504	209,246
Notes receivable-trade	73,146	30,901
Accounts receivable - trade	239,999	294,956
Short-term investment securities	112,846	133,005
Finished goods	8,138	38,373
Work in process	31,952	12,749
Raw materials	3,374	3,855
Prepaid expenses	11,366	40,774
Accounts receivable - other	3,158	3,488
Consumption taxes receivable	4,108	4,945
Other current assets	902	987
Allowance for doubtful accounts	(2,120)	(1,040)
Total current assets	608,379	772,244
Noncurrent assets		
Property, plant and equipment		
Buildings	93,526	93,139
Accumulated depreciation	(46,725)	(48,902)
Buildings (net)	46,800	44,236
Structures	1,367	1,367
Accumulated depreciation	(1,137)	(1,185)
Structures (net)	230	182
Tools, furniture and fixtures	152,446	144,433
Accumulated depreciation	(127,010)	(128,978)
Tools, furniture and fixtures (net)	25,435	15,455
Land	39,014	38,906
Total property, plant and equipment	111,480	98,780

	(Thousands of yen)	
	FY2009 (As of Mar. 31, 2010)	FY2010 (As of Mar. 31, 2011)
Intangible assets		
Software	40,743	35,913
Telephone subscription right	5,164	5,164
Software in progress	3,237	—
Total intangible assets	49,146	41,078
Investments and other assets		
Investment securities	691,525	113,010
Stocks of subsidiaries and affiliates	3,500	—
Long-term loans receivable from employees	200	—
Claims provable in bankruptcy, claims provable in rehabilitation and other	12,026	—
Lease and guarantee deposits	8,517	7,220
Membership	8,150	8,150
Long-term prepaid expenses	—	29,995
Allowance for doubtful accounts	(15,961)	(3,925)
Total investments and other assets	707,958	154,450
Total noncurrent assets	868,584	294,309
Total assets	1,476,963	1,066,554

	(Thousands of yen)	
	FY2009 (As of Mar. 31, 2010)	FY2010 (As of Mar. 31, 2011)
Liabilities		
Current liabilities		
Accounts payable - trade	60,171	64,552
Accounts payable - other	18,320	40,409
Accrued expenses	16,954	9,192
Income tax payable	8,368	6,311
Advance received	415	3,780
Deposits received	4,366	5,402
Unearned revenue	17,196	54,860
Provision for bonuses	76,536	38,359
Provision for product warranties	34,771	40,291
Total current liabilities	237,102	263,160
Noncurrent liabilities		
Long-term accounts payable-other	15,074	3,431
Guarantee deposits	190	820
Long-term unearned revenue	—	42,633
Deferred tax liabilities	—	2,415
Provision for retirement benefits	3,770	2,998
Asset retirement obligations	—	5,738
Total noncurrent liabilities	19,034	58,036
Total liabilities	256,137	321,197
Net assets		
Shareholders' equity		
Capital stock	1,202,036	1,202,036
Capital surplus		
Legal capital surplus	300,000	81,886
Other capital surplus	777,567	—
Total capital surplus	1,077,567	81,886
Retained earnings		
Legal retained earnings	509	—
Other retained earnings		
Retained earnings brought forward	(996,189)	(540,000)
Total retained earnings	(995,680)	(540,000)
Treasury stock	—	—
Total shareholders' equity	1,283,922	743,921
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(63,096)	1,434
Total valuation and translation adjustments	(63,096)	1,434
Total net assets	1,220,826	745,356
Total liabilities and net assets	1,476,963	1,066,554

(2) Statements of Income

(Thousands of yen)

	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)
Net sales		
Net sales of finished goods	1,204,209	1,009,578
Net sales of goods	12,597	15,463
Total net sales	1,216,806	1,025,041
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	19,890	8,138
Cost of products manufactured	899,385	718,222
Amortization of software	9,503	9,986
Total	928,779	736,347
Transfer to other account	—	101
Ending finished goods	8,138	38,373
Total cost of finished goods sold	920,641	697,872
Cost of goods sold		
Cost of purchased goods	13,380	10,711
Total	13,380	10,711
Total cost of goods sold	13,380	10,711
Total cost of sales	934,022	708,583
Gross profit	282,784	316,458
Selling, general and administrative expenses		
Advertising expenses	23,198	23,569
Promotion expenses	71,770	49,623
Directors' compensations	43,768	33,987
Wages and allowances	255,470	241,464
Welfare expenses	38,736	38,734
Bonuses	17,225	17,068
Provision for bonuses	21,587	15,136
Provision for directors' retirement benefits	866	—
Traveling and transportation expenses	28,742	31,454
Rent expenses	45,400	36,644
Depreciation	13,605	13,709
Research and development expenses	81,974	133,835
Compensations	37,648	28,929
Training expenses	123,601	95,917
Other expenses	49,178	45,754
Total Selling, general and administrative expenses	852,772	805,829
Operating loss	(569,988)	(489,371)

	(Thousands of yen)	
	FY2009	FY2010
	(Apr. 1, 2009 – Mar. 31, 2010)	(Apr. 1, 2010 – Mar. 31, 2011)
Non-operating income		
Interest income	194	46
Interest on securities	20,511	20,567
Dividends income	230	240
Subsidy income	9,618	22,749
Others income	2,153	4,311
Total non-operating income	32,707	47,915
Non-operating expenses		
Loss on investments in partnership	2,788	5,251
Foreign exchange losses	275	1,845
Total non-operating expenses	3,064	7,096
Ordinary loss	(540,345)	(448,552)
Extraordinary income		
Reversal of allowance for doubtful accounts	880	4,461
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	3,664	32,055
Extraordinary loss		
Loss on retirement of noncurrent assets	567	1,508
Loss on sales of investment securities	390	89,307
Loss on sales of noncurrent assets	—	812
Impairment loss	—	2,306
Special retirement expenses	48,164	22,852
Corporate divestiture expenses	19,988	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,659
Total extraordinary losses	69,111	118,446
Net loss before income taxes	(605,791)	(534,943)
Income taxes-current	4,530	3,622
Income taxes-deferred	—	1,434
Total income taxes	4,530	5,057
Net loss	(610,321)	(540,000)

Manufacturing Statement

	(Thousands of yen)	
	FY2009	FY2010
	(Apr. 1, 2009 – Mar. 31, 2010)	(Apr. 1, 2010 – Mar. 31, 2011)
Materials cost	1,209	4,776
Labor cost	593,223	399,829
Other costs	577,745	583,182
Total manufacturing cost	1,172,179	987,788
Beginning work in process	42,928	31,952
Transfer of work in process by corporate division	2,084	—
Total	1,217,192	1,019,741
Ending work in process	31,952	12,749
Transfer to other accounts	285,854	288,769
Cost of goods manufactured for the period	899,385	718,222

(3) Statements of Changes in Net Assets

(Thousands of yen)

	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)
Shareholders' equity		
Capital stock		
Balance as of Mar.31, 2010	1,202,036	1,202,036
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of Mar.31, 2011	1,202,036	1,202,036
Capital surplus		
Legal capital surplus		
Balance as of Mar.31, 2010	300,000	300,000
Changes of items during the period		
Reversal of legal capital surplus	—	(218,113)
Total changes of items during the period	—	(218,113)
Balance as of Mar.31, 2011	300,000	81,886
Other capital surplus		
Balance as of Mar.31, 2010	731,862	777,567
Changes of items during the period		
Reversal of legal capital surplus	—	218,113
Deficit disposition	—	(995,680)
Increase by corporate division	45,704	—
Total changes of items during the period	45,704	(777,567)
Balance as of Mar.31, 2011	777,567	—
Total capital surplus		
Balance as of Mar.31, 2010	1,031,862	1,077,567
Changes of items during the period		
Reversal of legal capital surplus	—	—
Deficit disposition	—	(995,680)
Increase by corporate division	45,704	—
Total changes of items during the period	45,704	(995,680)
Balance as of Mar.31, 2011	1,077,567	81,886
Retained earnings		
Legal retained earnings		
Balance as of Mar.31, 2010	509	509
Changes of items during the period		
Reversal of legal retained earnings	—	(509)
Total changes of items during the period	—	(509)
Balance as of Mar.31, 2011	509	—
Other retained earnings		
Retained earnings brought forward		
Balance as of Mar.31, 2010	(385,867)	(996,189)
Changes of items during the period		
Reversal of legal retained earnings	—	509
Deficit disposition	—	995,680
Net loss	(610,321)	(540,000)
Total changes of items during the period	(610,321)	456,189
Balance as of Mar.31, 2011	(996,189)	(540,000)
Total retained earnings		
Balance as of Mar.31, 2010	(385,358)	(995,680)
Changes of items during the period		
Reversal of legal retained earnings	—	—
Deficit disposition	—	995,680
Net loss	(610,321)	(540,000)
Total changes of items during the period	(610,321)	455,680
Balance as of Mar.31, 2011	(995,680)	(540,000)

(Thousands of yen)

	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)
Treasury stock		
Balance as of Mar.31, 2010	(99,206)	—
Changes of items during the period		
Change in equity in affiliates accounted for by corporate division	99,236	—
Total changes of items during the period	99,236	—
Balance as of Mar.31, 2011	—	—
Total shareholders' equity		
Balance as of Mar.31, 2010	1,749,303	1,283,922
Changes of items during the period		
Reversal of legal capital surplus	—	—
Reversal of legal retained earnings	—	—
Deficit disposition	—	—
Net loss	(610,321)	(540,000)
Increase by corporate division	45,704	—
Change in equity in affiliates accounted for by corporate division	99,236	—
Total changes of items during the period	(465,380)	(540,000)
Balance as of Mar.31, 2011	1,283,922	743,921
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance as of Mar.31, 2010	(106,251)	(63,096)
Changes of items during the period		
Net changes of items other than shareholders' equity	43,155	64,530
shareholders' equity		
Total changes of items during the period	43,155	64,530
Balance as of Mar.31, 2011	(63,096)	1,434
Total valuation and translation adjustments		
Balance as of Mar.31, 2010	(106,251)	(63,096)
Changes of items during the period		
Net changes of items other than shareholders' equity	43,155	64,530
Total changes of items during the period	43,155	64,530
Balance as of Mar.31, 2011	(63,096)	1,434
Net assets		
Balance as of Mar.31, 2010	1,643,051	1,220,826
Changes of items during the period		
Reversal of legal capital surplus	—	—
Reversal of legal retained earnings	—	—
Deficit disposition	—	—
Net loss	(610,321)	(540,000)
Increase by corporate division	45,704	—
Change in equity in affiliates accounted for by corporate division	99,236	—
Net changes of items other than shareholders' equity	43,155	64,530
Total changes of items during the period	(422,224)	(475,469)
Balance as of Mar.31, 2011	1,220,826	745,356

(4) Statements of Cash Flows

(Thousands of yen)

	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)
Cash flows from operating activities		
Net loss before income taxes	(605,791)	(534,943)
Depreciation and amortization	40,613	38,070
Impairment loss	—	2,306
Increase (decrease) in allowance for doubtful accounts	(2,224)	(9,744)
Increase (decrease) in provision for bonuses	42,142	(38,177)
Increase (decrease) in provision for product warranties	19,080	5,520
Increase (decrease) in provision for loss on order received	(4,232)	—
Increase (decrease) in provision for retirement benefits	—	(772)
Increase (decrease) in provision for directors' retirement benefits	(9,310)	—
Interest and dividend income	(20,935)	(20,854)
Loss (gain) on investments in partnership	2,788	5,251
Foreign exchange losses (gains)	178	340
Extra retirement payment	48,164	22,852
Loss on retirement of noncurrent assets	567	1,508
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	(850)
Loss (gain) on sales of investment securities	282	82,245
Loss (gain) on sales of property, plant and equipment	—	812
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,659
Decrease (increase) in notes and accounts receivable-trade	193,345	(12,712)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	—	8,654
Decrease (increase) in inventories	22,376	(11,513)
Increase (decrease) in notes and accounts payable-trade	(27,242)	4,381
Decrease (increase) in other assets	70,865	(59,721)
Increase (decrease) in other liabilities	(31,119)	64,335
Decrease (increase) in consumption taxes refund receivable	(4,108)	(837)
Increase (decrease) in accrued consumption taxes	(406)	—
Subtotal	(264,964)	(452,187)
Interest and dividends income received	19,550	18,423
Payments for extra retirement payments	(95,027)	—
Income taxes paid	(4,210)	(5,487)
Net cash provided by (used in) operating activities	(344,651)	(439,251)

(Thousands of yen)

	FY2009 (Apr. 1, 2009 – Mar. 31, 2010)	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)
Cash flows from investing activities		
Proceeds from sales of stocks of subsidiaries and affiliates	—	4,350
Purchase of property, plant and equipment	(7,538)	(6,899)
Purchase of intangible assets	(31,919)	(11,369)
Proceeds from sales of property, plant and equipment	—	1,300
Purchase of investment securities	(782,905)	—
Proceeds from sales of investment securities	595,350	452,455
Proceeds from dividends on investments in partnership	—	10,000
Proceeds from redemption of investment securities	50,000	50,000
Payments of long-term loans receivable	(800)	—
Collection of long-term loans receivable	1,234	430
Proceeds from collection of lease and guarantee deposits	14,813	409
Payments for lease and guarantee deposits	(1,272)	(162)
Proceeds from guarantee deposits received	—	630
Net cash provided by (used in) investing activities	(163,037)	501,143
Cash flows from financing activities		
Cash dividends paid	(139)	(47)
Net cash provided by (used in) financing activities	(139)	(47)
Effect of exchange rate change on cash and cash equivalents	(178)	(340)
Increase (decrease) in cash and cash equivalents	(508,007)	61,504
Cash and cash equivalents at beginning of period	718,764	210,756
Cash and cash equivalents at end of period	210,756	272,260