

**Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2012**

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:	Joe Asakura		
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Scheduled date of Annual General Meeting of Shareholders :	June 26, 2012		
Scheduled date of filing of Quarterly Report	: June 26, 2012		
Scheduled date of payment of dividend	: -		

**(1) Balance Sheets**

	(Thousands of yen)	
	FY2010 (As of Mar. 31, 2011)	FY2011 (As of Mar. 31, 2012)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	209,246	274,998
Notes receivable-trade	30,901	20,223
Accounts receivable - trade	294,956	437,187
Short-term investment securities	133,005	63,069
Finished goods	38,373	9,812
Work in process	12,749	39,346
Raw materials	3,855	1,610
Prepaid expenses	40,774	51,934
Accounts receivable - other	3,488	498
Consumption taxes receivable	4,945	-
Other current assets	987	1,090
Allowance for doubtful accounts	(1,040)	(513)
<b>Total current assets</b>	<b>772,244</b>	<b>899,257</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings	93,139	23,447
Accumulated depreciation	(48,902)	(12,141)
Buildings (net)	44,236	11,306
Structures	1,367	-
Accumulated depreciation	(1,185)	-
Structures (net)	182	-
Tools, furniture and fixtures	144,433	127,051
Accumulated depreciation	(128,978)	(119,566)
Tools, furniture and fixtures (net)	15,455	7,485
Land	38,906	-
<b>Total property, plant and equipment</b>	<b>98,780</b>	<b>18,792</b>

	(Thousands of yen)	
	FY2010 (As of Mar. 31, 2011)	FY2011 (As of Mar. 31, 2012)
Intangible assets		
Right of trademark	—	515
Software	35,913	26,484
Telephone subscription right	5,164	5,164
Software in progress	—	410
Total intangible assets	41,078	32,574
Investments and other assets		
Investment securities	113,010	12,310
Real estate for investment	-	69,244
Lease and guarantee deposits	7,220	3,785
Membership	8,150	4,850
Long-term prepaid expenses	29,995	485
Long-term accounts receivable - other	—	2,498
Allowance for doubtful accounts	(3,925)	(6,649)
Total investments and other assets	154,450	86,523
Total noncurrent assets	294,309	137,891
Total assets	1,066,554	1,037,148

	(Thousands of yen)	
	FY2010 (As of Mar. 31, 2011)	FY2011 (As of Mar. 31, 2012)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	64,552	86,955
Accounts payable - other	40,409	20,740
Accrued expenses	9,192	13,570
Income taxes payable	6,311	8,278
Accrued consumption taxes	-	25,793
Advances received	3,780	-
Deposits received	5,402	10,122
Unearned revenue	54,860	62,303
Provision for bonuses	38,359	50,771
Provision for product warranties	40,291	53,569
<b>Total current liabilities</b>	<b>263,160</b>	<b>332,105</b>
<b>Noncurrent liabilities</b>		
Long-term accounts payable-other	3,431	3,431
Guarantee deposited	820	820
Long-term unearned revenue	42,633	744
Deferred tax liabilities	2,415	1,206
Provision for retirement benefits	2,998	2,998
Asset retirement obligations	5,738	5,199
<b>Total noncurrent liabilities</b>	<b>58,036</b>	<b>14,401</b>
<b>Total liabilities</b>	<b>321,197</b>	<b>346,506</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,202,036	1,202,036
Capital surplus		
Legal capital surplus	81,886	81,886
<b>Total capital surplus</b>	<b>81,886</b>	<b>81,886</b>
<b>Retained earnings</b>		
Other retained earnings		
Retained earnings brought forward	(540,000)	(592,731)
<b>Total retained earnings</b>	<b>(540,000)</b>	<b>(592,731)</b>
<b>Total shareholders' equity</b>	<b>743,921</b>	<b>691,191</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	1,434	(550)
<b>Total valuation and translation adjustments</b>	<b>1,434</b>	<b>(550)</b>
<b>Total net assets</b>	<b>745,356</b>	<b>690,641</b>
<b>Total liabilities and net assets</b>	<b>1,066,554</b>	<b>1,037,148</b>

**(2) Statements of Income**

(Thousands of yen)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Net sales		
Net sales of finished goods	1,009,578	1,460,420
Net sales of goods	15,463	38,247
Total net sales	1,025,041	1,498,667
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	8,138	38,373
Cost of products manufactured	718,222	813,977
Amortization of software	9,986	7,550
Total	736,347	859,900
Transfer to other account	101	-
Ending finished goods	38,373	9,812
Total cost of finished goods sold	697,872	850,088
Cost of goods sold		
Cost of purchased goods	10,711	31,359
Total	10,711	31,359
Total cost of goods sold	10,711	31,359
Total cost of sales	708,583	881,448
Gross profit	316,458	617,219
Selling, general and administrative expenses		
Advertising expenses	23,569	12,339
Promotion expenses	49,623	59,847
Directors' compensations	33,987	43,725
Wages and allowances	241,464	173,173
Welfare expenses	38,734	33,265
Bonuses	17,068	13,616
Provision for bonuses	15,136	19,645
Traveling and transportation expenses	31,454	29,042
Rent expenses	36,644	31,989
Depreciation	13,709	10,886
Research and development expenses	133,835	51,484
Compensations	28,929	25,008
Training expenses	95,917	43,302
Other expenses	45,754	45,785
Total Selling, general and administrative expenses	805,829	593,110
Operating (loss) income	(489,371)	24,109

(Thousands of yen)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Non-operating income		
Interest income	46	41
Interest on securities	20,567	2,938
Dividends income	240	260
Subsidy income	22,749	8,485
Rent income	—	4,645
Reversal of allowance for doubtful accounts	—	526
Others income	4,311	1,397
Total non-operating income	47,915	18,294
Non-operating expenses		
Loss on investments in partnership	5,251	3,232
Foreign exchange losses	1,845	2,001
Rent expenses	-	2,950
Total non-operating expenses	7,096	8,184
Ordinary (loss) income	(448,552)	34,219
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	850	-
Gain on sales of investment securities	7,061	-
Reversal of allowance for doubtful accounts	4,461	-
Reversal of provision for bonuses	15,566	-
Directors' retirement benefits long-term accounts payable gain on forgiveness of debts	4,115	-
Total extraordinary income	32,055	-
Extraordinary loss		
Loss on retirement of noncurrent assets	1,508	249
Loss on sales of noncurrent assets	812	-
Loss on sales of investment securities	89,307	80,423
Provision of allowance for doubtful accounts	—	2,724
Impairment loss	2,306	-
Special retirement expenses	22,852	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,659	—
Total extraordinary losses	118,446	83,397
Net loss before income taxes	(534,943)	(49,178)
Income taxes-current	3,622	3,780
Income taxes-deferred	1,434	(228)
Total income taxes	5,057	3,551
Net loss	(540,000)	(52,730)

**Manufacturing Statement**

(Thousands of yen)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Materials cost	4,776	6,956
Labor cost	399,829	358,819
Other costs	583,182	634,277
Total manufacturing cost	987,788	1,000,053
Beginning work in process	31,952	12,749
Total	1,019,741	1,012,803
Ending work in process	12,749	39,346
Transfer to other accounts	288,769	159,479
Cost of goods manufactured for the period	718,222	813,977

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

(Thousands of yen)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Shareholders' equity		
Capital stock		
Balance as of Mar.31, 2011	1,202,036	1,202,036
Changes of items during the period		
Total changes of items during the period	-	-
Balance as of Mar.31, 2012	1,202,036	1,202,036
Capital surplus		
Legal capital surplus		
Balance as of Mar.31, 2011	300,000	81,886
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, 2012	81,886	81,886
Other capital surplus		
Balance as of Mar.31, 2011	777,567	-
Changes of items during the period		
Reversal of legal capital surplus	218,113	-
Deficit disposition	(995,680)	-
Total changes of items during the period	(777,567)	-
Balance as of Mar.31, 2012	-	-
Total capital surplus		
Balance as of Mar.31, 2011	1,077,567	81,886
Changes of items during the period		
Reversal of legal capital surplus	-	-
Deficit disposition	(995,680)	-
Total changes of items during the period	(995,680)	-
Balance as of Mar.31, 2012	81,886	81,886
Retained earnings		
Legal retained earnings		
Balance as of Mar.31, 2011	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, 2012	-	-
Other retained earnings		
Retained earnings brought forward		
Balance as of Mar.31, 2011	(996,189)	(540,000)
Changes of items during the period		
Reversal of legal retained earnings	509	-
Deficit disposition	995,680	-
Net loss	(540,000)	(52,730)
Total changes of items during the period	456,189	(52,730)
Balance as of Mar.31, 2012	(540,000)	(592,731)
Total retained earnings		
Balance as of Mar.31, 2011	(995,680)	(540,000)
Changes of items during the period		
Reversal of legal retained earnings	-	-
Deficit disposition	995,680	-
Net loss	(540,000)	(52,730)
Total changes of items during the period	455,680	(52,730)
Balance as of Mar.31, 2012	(540,000)	(592,731)

(Thousands of yen)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Total shareholders' equity		
Balance as of Mar.31, 2011	1,283,922	743,921
Changes of items during the period		
Reversal of legal capital surplus	-	-
Reversal of legal retained earnings	-	-
Deficit disposition	-	-
Net loss	(540,000)	(52,730)
Total changes of items during the period	(540,000)	(52,730)
Balance as of Mar.31, 2012	743,921	691,191
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance as of Mar.31, 2011	(63,096)	1,434
Changes of items during the period		
Net changes of items other than shareholders' equity	64,530	(1,984)
Total changes of items during the period	64,530	(1,984)
Balance as of Mar.31, 2012	1,434	(550)
Total valuation and translation adjustments		
Balance as of Mar.31, 2011	(63,096)	1,434
Changes of items during the period		
Net changes of items other than shareholders' equity	64,530	(1,984)
Total changes of items during the period	64,530	(1,984)
Balance as of Mar.31, 2012	1,434	(550)
Net assets		
Balance as of Mar.31, 2011	1,220,826	745,356
Changes of items during the period		
Reversal of legal capital surplus	-	-
Reversal of legal retained earnings	-	-
Deficit disposition	-	-
Net loss	(540,000)	(52,730)
Net changes of items other than shareholders' equity	64,530	(1,984)
Total changes of items during the period	(475,469)	(54,715)
Balance as of Mar.31, 2012	745,356	690,641

#### (4) Statements of Cash Flows

(Thousands of yen)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Cash flows from operating activities		
Net loss before income taxes	(534,943)	(49,178)
Depreciation and amortization	38,070	26,658
Impairment loss	2,306	-
Increase (decrease) in allowance for doubtful accounts	(9,744)	2,198
Increase (decrease) in provision for bonuses	(38,177)	12,412
Increase (decrease) in provision for product warranties	5,520	13,278
Increase (decrease) in provision for retirement benefits	(772)	—
Interest and dividends income	(20,854)	(3,239)
Rent income	-	(4,645)
Rent expenses	-	2,950
Loss (gain) on investments in partnership	5,251	3,232
Foreign exchange losses (gains)	340	33
Extra retirement payment	22,852	-
Loss on retirement of noncurrent assets	1,508	249
Loss (gain) on sales of stocks of subsidiaries and affiliates	(850)	-
Loss (gain) on sales of investment securities	82,245	80,423
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	(12,712)	(131,552)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	8,654	-
Decrease (increase) in inventories	(11,513)	4,208
Increase (decrease) in notes and accounts payable-trade	4,381	22,403
Decrease (increase) in consumption taxes refund receivable	(837)	4,945
Increase (decrease) in accrued consumption taxes	-	25,793
Decrease (increase) in other assets	(59,721)	18,002
Increase (decrease) in other liabilities	64,335	(25,873)
Subtotal	(452,187)	2,300
Interest and dividends income received	18,423	2,659
Payments for extra retirement payments	-	(22,799)
Income taxes paid	(5,487)	(1,529)
Net cash provided by (used in) operating activities	(439,251)	(19,369)



(Thousands of yen)

	FY2010 (Apr. 1, 2010 – Mar. 31, 2011)	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)
Cash flows from investing activities		
Proceeds from sales of stocks of subsidiaries and affiliates	4,350	-
Purchase of property, plant and equipment	(6,899)	(1,996)
Purchase of intangible assets	(11,369)	(5,904)
Proceeds from sales of property, plant and equipment	1,300	30
Proceeds from sales of investment securities	452,455	18,600
Proceeds from dividends on investments in partnership	10,000	66,758
Proceeds from redemption of investment securities	50,000	-
Proceeds from rental of real estate for investment	-	4,645
Payment from rental of real estate for investment	-	(1,159)
Collection of long-term loans receivable	430	-
Proceeds from collection of lease and guarantee deposits	409	3,537
Payments for lease and guarantee deposits	(162)	(103)
Proceeds from guarantee deposits received	630	-
Other, net	-	801
Net cash provided by (used in) investing activities	501,143	85,209
Cash flows from financing activities		
Cash dividends paid	(47)	-
Net cash provided by (used in) financing activities	(47)	-
Effect of exchange rate change on cash and cash equivalents	(340)	(33)
Increase (decrease) in cash and cash equivalents	61,504	65,806
Cash and cash equivalents at beginning of period	210,756	272,260
Cash and cash equivalents at end of period	272,260	338,067