

Non-consolidated Financial Statements
for the First Half of the Fiscal Year Ending March 31, 2010

| | | | |
|---------------|---|------------|---|
| Company name: | Zuken Elmic, Inc. | Listing: | TSE Mothers Market |
| Stock code: | 4770 | URL: | http://www.elwsc.co.jp/ |
| President: | Kimio Ando | Telephone: | +81-(0)-45-624-8111 |
| Contact: | Naotaka Asakawa, Director, Administration | | |

(1) Balance Sheets

(Thousands of yen)

| | First half of FY2009 (As of Sep. 30, 2009) | FY2008 selected data (As of Mar. 31, 2009) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 250,869 | 372,093 |
| Notes and accounts receivable - trade | 272,136 | 435,445 |
| Securities | 296,948 | 346,671 |
| Finished goods | 15,931 | 19,890 |
| Work in process | 32,675 | 42,928 |
| Raw materials | 751 | 938 |
| Other current assets | 87,474 | 21,289 |
| Reserve for doubtful receivables | (2,040) | (3,000) |
| Total current assets | 954,747 | 1,236,255 |
| Fixed assets | | |
| Property, plant and equipment | 122,799 | 99,918 |
| Intangible assets | 56,361 | 30,711 |
| Investments and other assets | | |
| Investment securities | 606,354 | 536,162 |
| Other investments and other assets | 39,153 | 47,713 |
| Reserve for doubtful receivables | (17,305) | (17,305) |
| Total other investments and other assets | 628,202 | 566,570 |
| Total fixed assets | 807,364 | 697,200 |
| Total assets | 1,762,112 | 1,933,456 |

(Thousands of yen)

| | First half of FY2009 (As of Sep. 30, 2009) | FY2008 selected data (As of Mar. 31, 2009) |
|--|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 58,896 | 85,437 |
| Income tax payable | 5,548 | 8,159 |
| Reserve for accrued bonuses | 88,762 | 23,049 |
| Allowance for product warranty | 18,709 | 15,690 |
| Allowance for loss on order received | - | 4,232 |
| Other current liabilities | 109,130 | 125,489 |
| Total current liabilities | 281,046 | 262,059 |
| Long-term liabilities | | |
| Reserve for employees' retirement benefits | 3,770 | 3,770 |
| Reserve for directors' retirement benefits | - | 24,384 |
| Other long-term liabilities | 15,264 | 190 |
| Total long-term liabilities | 19,034 | 28,345 |
| Total liabilities | 300,081 | 290,405 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 1,202,036 | 1,202,036 |
| Capital surplus | 1,077,567 | 1,031,862 |
| Retained earnings | (733,654) | (385,358) |
| Treasury stock | - | (99,236) |
| Total shareholders' equity | 1,545,948 | 1,749,303 |
| Valuation and translation adjustments | | |
| Net unrealized gain (loss) on other securities | (83,917) | (106,251) |
| Total valuation and translation adjustments | (83,917) | (106,251) |
| Total net assets | 1,462,030 | 1,643,051 |
| Total liabilities and net assets | 1,762,112 | 1,933,456 |

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

(Thousands of yen)

| | First half of FY2008 (Apr. 1, 2008 – Sep. 30, 2008) | First half of FY2009 (Apr. 1, 2009 – Sep. 30, 2009) |
|--|--|--|
| Net sales | 790,098 | 573,238 |
| Cost of sales | 542,492 | 459,985 |
| Gross profit | 247,606 | 113,253 |
| SG&A expenses | 357,617 | 452,322 |
| Operating loss | (110,011) | (339,069) |
| Non-operating income | | |
| Interest income | 8,999 | 8,307 |
| Dividend income | 90 | 110 |
| Foreign exchange gain | 57 | - |
| Others | 1,916 | 2,329 |
| Total non-operating income | 11,063 | 10,746 |
| Non-operating expenses | | |
| Loss on investments in partnership | 1,349 | - |
| Foreign exchange losses | - | 273 |
| Total non-operating expenses | 1,349 | 273 |
| Ordinary loss | (100,297) | (328,596) |
| Extraordinary income | | |
| Reversal of allowance for doubtful accounts | - | 960 |
| Reversal of provision for directors' retirement benefits | - | 2,676 |
| Gain on sales of investment securities | 359 | 108 |
| Gain on sales of fixed assets | 246 | - |
| Total extraordinary income | 605 | 3,744 |
| Extraordinary loss | | |
| Loss on removal of fixed assets | 27 | 310 |
| Corporate divestiture expenses | - | 19,988 |
| Total extraordinary loss | 27 | 20,299 |
| Net loss before income taxes | (99,719) | (345,150) |
| Income taxes –current | 2,881 | 3,145 |
| Income taxes –deferred | (6,598) | - |
| Total income taxes | (3,717) | 3,145 |
| Net loss | (96,001) | (348,295) |

(For the Three-month Period)

(Thousands of yen)

| | 2Q FY2008 (Jul. 1, 2008 – Sep. 30, 2008) | 2Q FY2009 (Jul. 1, 2009 – Sep. 30, 2009) |
|---|---|---|
| Net sales | 578,942 | 359,841 |
| Cost of sales | 360,955 | 297,801 |
| Gross profit | 217,987 | 62,040 |
| SG&A expenses | 180,512 | 201,731 |
| Operating income | 37,474 | (139,691) |
| Non-operating income | | |
| Interest income | 4,561 | 3,220 |
| Others | 672 | 753 |
| Total non-operating income | 5,233 | 3,974 |
| Non-operating expenses | | |
| Loss on investments in partnership | 1,349 | - |
| Foreign exchange losses | 98 | 199 |
| Total non-operating expenses | 1,447 | 199 |
| Ordinary income | 41,260 | (135,916) |
| Extraordinary income | | |
| Reversal of allowance for doubtful accounts | - | 270 |
| Gain on sales of investment securities | 359 | - |
| Gain on sales of fixed assets | 246 | - |
| Total extraordinary income | 605 | 270 |
| Extraordinary loss | | |
| Loss on removal of fixed assets | 16 | 267 |
| Corporate divestiture expenses | - | 7,503 |
| Total extraordinary loss | 16 | 7,771 |
| Net income before income taxes | 41,849 | (143,418) |
| Income taxes –current | 1,440 | 1,493 |
| Income taxes –deferred | (5,940) | - |
| Total income taxes | (4,500) | 1,493 |
| Net income | 46,349 | (144,911) |

(3) Statements of Cash Flows

(Thousands of yen)

| | First half of FY2008 (Apr. 1, 2008 – Sep. 30, 2008) | First half of FY2009 (Apr. 1, 2009 – Sep. 30, 2009) |
|---|--|--|
| Cash flows from operating activities | | |
| Net loss before income taxes | (99,719) | (345,150) |
| Depreciation and amortization | 14,561 | 17,470 |
| Amortization of goodwill | 8,363 | - |
| Increase (decrease) in allowance for doubtful accounts | - | (960) |
| Increase (decrease) in reserve for accrued bonuses | 3,044 | 54,369 |
| Increase (decrease) in allowance for product warranty | 673 | 3,018 |
| Increase (decrease) in allowance for loss on order received | 7,540 | (4,232) |
| Increase (decrease) in reserve for employees' retirement benefits | (592) | - |
| Increase (decrease) in reserve for directors' retirement benefits | (30,662) | (9,310) |
| Interest and dividend income | (9,089) | (8,417) |
| Foreign exchange loss (gain) | (115) | 275 |
| Loss (gain) on investments in partnership | 1,349 | - |
| Loss (gain) on sales of fixed assets | (246) | - |
| Loss on removal of fixed assets | 27 | 310 |
| Loss (gain) on sales of investment securities | (359) | (108) |
| Decrease (increase) in accounts receivable | 48,349 | 234,355 |
| Decrease (increase) in inventories | (70,404) | 16,483 |
| Increase (decrease) in accounts payable | 11,399 | (28,516) |
| Others | (15,927) | 1,918 |
| Subtotal | (131,808) | (68,494) |
| Interests and dividends received | 9,211 | 8,375 |
| Payments for extra retirement payments | - | (46,862) |
| Income taxes paid | (3,570) | (3,750) |
| Net cash used in operating activities | (126,166) | (110,731) |
| Cash flows from investing activities | | |
| Payments for acquisition of property, plant and equipment | (1,218) | (4,963) |
| Proceeds from sales of property, plant and equipment | 929 | - |
| Payments for acquisition of intangible assets | (1,129) | (15,295) |
| Purchase of investment securities | - | (346,550) |
| Proceeds from sales of investment securities | 30,453 | 298,800 |
| Payments of loans receivable | - | (800) |
| Proceeds from collection of loans receivable | 393 | 352 |
| Payments for leasehold and security deposits | (5,532) | (1,154) |
| Proceeds from collection of lease and guarantee deposits | - | 9,761 |
| Net cash provided by investing activities | 23,896 | (59,849) |
| Cash flows from financing activities | | |
| Payments for acquisition of treasury stock | (30) | - |
| Cash dividends paid | (39,070) | (89) |
| Net cash used in financing activities | (39,101) | (89) |
| Effect of exchange rate changes on cash and cash equivalents | 115 | (275) |
| Increase (decrease) in cash and cash equivalents | (141,255) | (170,946) |
| Cash and cash equivalents at beginning of period | 1,158,947 | 718,764 |
| Cash and cash equivalents at end of period | 1,017,691 | 547,817 |