

**Non-consolidated Financial Statements**  
**for the First Half 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)

	First half of FY2010 (As of Sep. 30, 2010)	FY2009 selected data (As of Mar. 31, 2010)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	168,245	121,504
Notes and accounts receivable - trade	216,565	313,146
Securities	153,867	112,846
Finished goods	29,231	8,138
Work in process	25,561	31,952
Raw materials	4,590	3,374
Other current assets	79,499	19,536
Reserve for doubtful receivables	(1,090)	(2,120)
<b>Total current assets</b>	<b>676,472</b>	<b>608,379</b>
<b>Fixed assets</b>		
Property, plant and equipment	111,344	111,480
Intangible assets	47,423	49,146
<b>Investments and other assets</b>		
Investment securities	410,333	691,525
Other investments and other assets	60,543	32,393
Reserve for doubtful receivables	(3,935)	(15,961)
<b>Total other investments and other assets</b>	<b>466,941</b>	<b>707,958</b>
<b>Total fixed assets</b>	<b>625,709</b>	<b>868,584</b>
<b>Total assets</b>	<b>1,302,181</b>	<b>1,476,963</b>

(Thousands of yen)

	First half of FY2010 (As of Sep. 30, 2010)	FY2009 selected data (As of Mar. 31, 2010)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	42,406	60,171
Income taxes payable	4,363	8,368
Reserve for accrued bonuses	40,743	76,536
Allowance for product warranty	27,960	34,771
Other current liabilities	104,462	57,254
<b>Total current liabilities</b>	<b>219,935</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	63,663	-
Other long-term liabilities	5,864	190
<b>Total long-term liabilities</b>	<b>76,728</b>	<b>19,034</b>
<b>Total liabilities</b>	<b>296,664</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	(212,351)	(995,680)
<b>Total shareholders' equity</b>	<b>1,071,570</b>	<b>1,283,922</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	(66,053)	(63,096)
<b>Total valuation and translation adjustments</b>	<b>(66,053)</b>	<b>(63,096)</b>
<b>Total net assets</b>	<b>1,005,517</b>	<b>1,220,826</b>
<b>Total liabilities and net assets</b>	<b>1,302,181</b>	<b>1,476,963</b>

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

(Thousands of yen)

	First half of FY2009 (Apr. 1, 2009 – Sep. 30, 2009)	First half of FY2010 (Apr. 1, 2010 – Sep. 30, 2010)
Net sales	573,238	464,070
Cost of sales	459,985	272,254
Gross profit	113,253	191,815
SG&A expenses	452,322	444,985
Operating loss	(339,069)	(253,169)
Non-operating income		
Interest income	8,307	12,858
Dividend income	110	120
Others	2,329	4,356
Total non-operating income	10,746	17,334
Non-operating expenses		
Foreign exchange losses	273	1,079
Loss on investments in partnership	-	1,593
Total non-operating expenses	273	2,672
Ordinary loss	(328,596)	(238,508)
Extraordinary income		
Reversal of allowance for doubtful accounts	960	4,401
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	6,884
Directors' retirement benefits long-term accounts payable gain on forgiveness of debts	-	4,115
Total extraordinary income	3,744	31,818
Extraordinary loss		
Loss on sales of noncurrent assets	-	723
Loss on retirement of noncurrent assets	310	1,224
Loss on valuation of investment securities	-	321
Corporate divestiture expenses	19,988	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,659
Total extraordinary losses	20,299	3,929
Net loss before income taxes	(345,150)	(210,619)
Income taxes –current	3,145	1,732
Total income taxes	3,145	1,732
Net loss	(348,295)	(212,351)

**(For the Three-month Period)**

(Thousands of yen)

	2Q FY2009 (Jul. 1, 2009 – Sep. 30, 2009)	2Q FY2010 (Jul. 1, 2010 – Sep. 30, 2010)
Net sales	359,841	218,656
Cost of sales	297,801	124,865
Gross profit	62,040	93,790
SG&A expenses	201,731	205,992
Operating income	(139,691)	(112,202)
Non-operating income		
Interest income	3,220	4,961
Subsidy income	-	2,878
Others	753	527
Total non-operating income	3,974	8,367
Non-operating expenses		
Foreign exchange losses	199	421
Total non-operating expenses	199	421
Ordinary income	(135,916)	(104,255)
Extraordinary income		
Reversal of allowance for doubtful accounts	270	4,191
Gain on sales of investment securities	-	868
Total extraordinary income	270	5,060
Extraordinary loss		
Loss on sales of noncurrent assets	-	723
Loss on retirement of noncurrent assets	267	51
Loss on valuation of investment securities	-	321
Corporate divestiture expenses	7,503	-
Total extraordinary loss	7,771	1,096
Net income before income taxes	(143,418)	(100,291)
Income taxes –current	1,493	945
Total income taxes	1,493	945
Net income	(144,911)	(101,236)

### (3) Statements of Cash Flows

(Thousands of yen)

	First half of FY2009 (Apr. 1, 2009 – Sep. 30, 2009)	First half of FY2010 (Apr. 1, 2010 – Sep. 30, 2010)
Cash flows from operating activities		
Net loss before income taxes	(345,150)	(210,619)
Depreciation and amortization	17,470	17,400
Increase (decrease) in allowance for doubtful accounts	(960)	(13,056)
Increase (decrease) in provision for bonuses	54,369	(35,792)
Increase (decrease) in provision for product warranties	3,018	(6,810)
Increase (decrease) in provision for loss on order received	(4,232)	-
Increase (decrease) in provision for directors' retirement benefits	(9,310)	-
Interest and dividend income	(8,417)	(12,978)
Foreign exchange losses (gains)	275	317
Loss (gain) on investments in partnership	-	1,593
Loss (gain) on sales of noncurrent assets	-	723
Loss on removal of fixed assets	310	1,224
Loss (gain) on valuation of investment securities	-	321
Loss (gain) on sales of investment securities	(108)	(6,884)
Loss (gain) on sales of stocks of subsidiaries and affiliates	-	(850)
Decrease (increase) in accounts receivable	234,355	96,580
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	-	12,026
Decrease (increase) in inventories	16,483	(15,919)
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,659
Increase (decrease) in notes and accounts payable-trade	(28,516)	(17,764)
Others	1,918	(9,089)
Decrease/increase in consumption taxes receivable/payable	-	3,666
Subtotal	(68,494)	(194,251)
Interests and dividends received	8,375	10,131
Payments for extra retirement payments	(46,862)	-
Income taxes paid	(3,750)	(4,171)
Net cash provided by (used in) operating activities	(110,731)	(188,292)

Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(4,963)	(6,899)
Proceeds from sales of property, plant and equipment	-	1,300
Payments for acquisition of intangible assets	(15,295)	(7,183)
Purchase of investment securities	(346,550)	-
Proceeds from sales of investment securities	298,800	217,500
Proceeds from sales of stocks of subsidiaries and affiliates	-	4,350
Payments of loans receivable	(800)	-
Proceeds from collection of loans receivable	352	115
Payments for leasehold and security deposits	(1,154)	(50)
Proceeds from collection of lease and guarantee deposits	9,761	-
Net cash provided by (used in) investing activities	(59,849)	209,132
Cash flows from financing activities		
Cash dividends paid	(89)	(46)
Net cash provided by (used in) financing activities	(89)	(46)
Effect of exchange rate changes on cash and cash equivalents	(275)	(317)
Increase (decrease) in cash and cash equivalents	(170,946)	20,476
Cash and cash equivalents at beginning of period	718,764	210,756
Cash and cash equivalents at end of period	547,817	231,232