SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the First Half Ended September 30, 2008

Presented October 27, 2008

MACNICA, Inc.

Listed exchanges	Tokyo Stock Exchange
Stock code	7631
Head office	Kanagawa Prefecture
URL	www.macnica.co.jp
President	Mr. Kiyoshi Nakashima
Inquiries	Shigeyuki Sano, Position Director
Telephone	+81 45 470 9870
Expected date of quarterly financial report submission	November 10, 2008
Parent company	—
Parent's ownership stake	—%
U.S. GAAP accounting principles	Not adopted
Scheduled dividend payment date	December 2, 2008

1. Financial Results for the First Half of Fiscal Year Ended September 30, 2008 - *(April 1, 2008 to September 30, 2008)*

(1) Consolidated Operating Results

(Millions of yen)

	April 1 to September 30, 2008		April 1 to September 30, 2007	
	Amount	% Change	Amount	% Change
Net sales	74,225	—	78,027	(9.7)
Operating income	2,736	—	2,378	(37.3)
Ordinary income	2,417	—	2,119	(44.8)
Net income	1,322	—	1,083	(53.4)
Net income per share (yen)	74.73		61.21	
Potential post-adjustment net income value per share (yen)	—		—	

(2) Consolidated Financial Position

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008
Total Assets	88,277	80,073
Shareholders' Equity	56,400	55,808
Equity Ratio (%)	63.9	69.7
Shareholder's Equity per Share (yen)	3,185.78	3,152.30

Equity (consolidated): End of first half, FY2009: 56,400 million yen; End of FY2008: 55,808 million yen

2. Dividends

	April 1 to March 31,		
	2009	2008	2009 (forecast)
Annual dividends per share (yen)	—	30.00	30.00
End of term (yen)	—	30.00	15.00
Third quarter (yen)	—	—	—
Mid term (yen)	15.00	—	—
First quarter (yen)	—	—	—

Note: Revisions to dividend forecast in the quarter: None

3. Consolidated Forecast for the Year Ending March 31, 2009 *- (April 1, 2008 - March 31, 2009)*

	Millions of yen	
	Year Ending March 31, 2009	
Net sales	144,000	(6.6%)
Operating income	4,000	(8.6%)
Ordinary income	3,500	51.5%
Net income	1,870	109.4%
Net income per share (yen)	105.63	

Note: Revisions to financial forecast in the quarter: None

4. Additional Notes

(1) Transfers of leading subsidiaries during the period (transfers of specified subsidiaries accompanies by changes in the scope of consolidation): None

(2) Application of simplified accounting treatment and unique accounting treatment when creating quarterly consolidated financial statements: Yes (please refer to page 5.)

(3) Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly consolidated financial statements (Record under Changes to Significant Matters Forming the Basis for the Preparation of Quarterly Consolidated Financial Statements)

(i) Changes accompanying amendments to accounting standards: Yes

(ii)Changes other than those in (i) above: None (please refer to page 5.)

(4) Number of outstanding shares (common shares)

(i) Number of shares issued and outstanding at end of period (including treasury stock)

First Half FY2009: 18,110,252 shares　End Fiscal Year 2008: 18,110,252 shares

(ii) Number of shares of treasury stock issued and outstanding at end of period

First Half FY2009: 406,415 shares　End Fiscal Year 2008: 406,063 shares

(iii) Average number of treasury stock during the period

First Half FY2009: 17,704,052 shares　First Half FY2008: 17,704,329 shares

Note: Effective from the fiscal period under review, the Company has adopted the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12) and the Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No.14). In addition, the quarterly consolidated financial report is prepared in accordance with the Regulation for Quarterly Consolidated Financial Statements.

II. Business Results and Financial Position

(1) Business Results

1. Consolidated First Half Overview

During the second quarter of the current fiscal year, the stock market dropped dramatically and the foreign currency market was extremely volatile as a result of global financial instability stemming from the sub-prime mortgage problem that surfaced in the second half of last year. Under these economic conditions, the overall Japanese economy began to contract with exports, particularly to the U.S. and Europe, declining, corporations holding back on capital expenditures as a result of a deterioration in earnings and uncertainty about the future, and a visible decline in personal consumption due to the cooling off of consumer sentiment.

The Macnica Group is active in the electronics industry. Although sales of laptop PCs and low-end mobile phones, particularly in emerging markets such as BRICs, continued to grow rapidly, a series of revisions were made to production plans related to consumer electronics, such as digital still cameras, due to a decline in personal consumption. In the network infrastructure market, investments in next generation networks gradually recovered, but there were no signs of a rebound in the overall industrial equipment market because of efforts by corporations to restrain capital expenditures as the outlook for earnings deteriorated.

The above factors resulted in a 4.9% year-on-year decline in sales to 74,225 million yen. For various reasons including an increase in sales of highly profitable service products related to network equipment and a decline in sales of semiconductors for consumer electronics, which have relatively low profit margins, Macnica's gross profit margin improved, leading to a 15.1% year-on-year increase in operating income to 2,736 million yen and 14.1% year-on-year growth in ordinary income to 2,417 million yen. Net income for the first half grew 22.1% year-on-year to 1,322 million yen.

IC and Electronic Devices Business

Demand for analog ICs for laptop computer battery packs was firm and that for application specific standard products (ASSPs) for disk arrays increased because of growth in the storage market. In the network infrastructure market, since there was a gradual recovery in investment in next generation networks, demand for communication equipment related ASSPs was healthy, excluding a decline (in demand) related to the conclusion of contracts with some vendors. In the consumer electronics sector, there was firm demand for electronic devices due to a broadening of the SLR camera market, but demand for programmable logic devices (PLDs) for flat-screen TVs and custom ICs for liquid crystal display panels weakened due to fiercer competition. Overall demand in the industrial equipment sector was stagnant as a result of efforts by corporations to restrain capital spending.

As a result, sales in IC and Electronic Devices declined 6.2% year-on-year in the second quarter to 67,880 million yen while operating income declined 16.7% year-on-year to 1,453 million yen.

Network-related Products Business

While there were visible efforts to hold down IT investment by some financial institutions, demand for security appliances was strong as a result of healthy IT security investments, mainly by manufacturers and the government. In addition, there were signs of a gradually recovery in demand for communication switchboards accompanying the recovery in the investment in next generation networks. As for security software, there was firm growth in demand among medium-size companies, although there was a visible break since the government and major corporations completed a round of purchases. For the service business, a business that Macnica is focusing on, demand expanded as a result of the expansion of security devices and software.

Resulting sales in Network-related Products increased 12.8% year-on-year in this second quarter to 6,344 million yen with operating income increasing 113.1% to 1,221 million yen.

Japan

As for the PLDs, a product that Macnica is focusing on, demand for mobile phone base station related products recovered, while demand for flat-screen TV related products declined as a result of fiercer competition. There was healthy demand for analog ICs for laptop computer battery packs as the market expanded, and demand for electronic devices rose supported by firm growth in the SLR camera market. On the other hand, there was a dramatic fall off in demand for custom ICs as a result of fiercer competition related to custom ICs for compact digital still cameras. Demand for communication equipment related ASSPs also concluded since contracts with some vendors were terminated last year.

As a result, sales in Japan declined 5.5% year on year to 72,821 million yen and operating income rose 11.1% year on year to 2,356 million yen.

Asia

As for custom ICs for liquid crystal panel manufacturers, fiercer competition in Taiwan, the main market, resulted in a decline in demand.

As a result, sales in Asia fell 12.4% year on year to 11,119 million yen and operating income fell 16.3% year on year to 277 million yen.
(Consumption tax is not included in these figures.)

2. Consolidated Financial Position

Total assets as of the end of the second quarter rose 8,203 million yen compared with the end of the previous consolidated fiscal year; net assets increased 591 million yen, and the equity ratio was 63.9%.

Cash outflow from operating activities was 220 million yen. While various items boosted the cash flow, including the recording of 2,180 million in net income before taxes and adjustments and an increase of trade notes and accounts payable, various other items weighted down the cash flow, including an increase in trade notes and accounts receivable and inventories.

Cash outflow from investing activities was 1,724 million yen due to the purchase of tangible fixed assets and intangible fixed assets.

Cash outflow from financing activities was 122 million yen due to the payment of dividends and short-term loans payable, among other factors.
As a result, Cash and cash equivalents at the end of this quarter were 9,727 million yen, a year-on-year decrease of 2,211 million yen.

3. Outlook for the Fiscal Year

It is expected that business conditions in the electronics industry, in which the Macnica Group operates, will continue to be harsh due to the economic slowdown stemming from the global financial crisis. While it is difficult to forecast how these factors will affect Macnica's earnings, they are not presently expected to impact earnings, and the earnings projections for the full fiscal year announced on October 23, 2008, have been left unchanged.

The Company will disclose information in a timely manner following the occurrence of facts that require disclosure.

4. Other

1. Transfers of leading subsidiaries during the period (transfers of specified subsidiaries accompanies by changes in the scope of consolidation): None

2. Application of simplified accounting treatment and unique accounting treatment when creating quarterly consolidated financial statements:

i) Simplified accounting treatment:

- Inventory valuation method

Concerning the write-down of the book value of inventories, only for those items whose drop in profitability was apparent, an estimate of net sale value was made and book values were written down.

ii) Unique accounting treatment when creating quarterly consolidated financial statements:

- Calculating tax expense:

A rational estimate is made of the effective tax rate following application of tax effect accounting to net income before income taxes for the consolidated fiscal year, which includes the current second quarter, and then the tax expense is calculated by multiplying the net income before income taxes by the estimated effective tax rate.

The given adjustment to corporate income tax includes corporate taxes.

3. Changes in accounting principles, procedures and methods of presentation relating to the preparation of quarterly consolidated financial statements:

i) Effective from the fiscal period under review, the Company has adopted the "Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12)" and the "Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No.14)." In addition, the quarterly consolidated financial report is prepared in accordance with the "Regulation for Quarterly Consolidated Financial Statements."

ii) Changes in criteria and method for valuing assets

- Inventories

Prior to April 1, 2008, inventories held for sale in the ordinary course of business were stated at cost, determined by moving average method. The Accounting Standard Board of Japan (ASBJ) issued ASBJ Statement No.9, July 5, 2006, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008, which requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value. The Company adopted the new accounting standard for measurement of inventories from this first quarter.

The effect of adopting this standard was decreased operating income by 53 million yen, increased ordinary income by 60 million yen, and decreased income before income taxes by 153 million yen, respectively.

The effect of this change on segment information is stated in the relevant sections.

iii) Application of accounting standards for lease transactions

Effective from this fiscal year, Macnica has implemented early adoption of the "Accounting Standard for Lease Transactions (Statement No.13, issued by the Accounting Standards Board of Japan on June 17, 1993 and last revised on March 30, 2007)" and the "Guidance on Accounting Standard for Lease Transactions (Guidance No.16, issued by Accounting Standards Board of Japan; January 18, 1994 and last revised on March 30, 2007)".

Under the new accounting standard, finance lease transactions in which there is no transfer of ownership are amortized by the straight-line method over the term of the lease, with a residual value of zero.

Regards finance lease transactions in which there is no transfer of ownership which occurred prior to the beginning of this fiscal year in which the new standards are applied, Macnica continues to apply accounting methods conforming to regular lease transactions.

The effect of adopting this standard on the current second quarter was to record a 52 million yen of lease assets as tangible fixed assets.

This change has minor effect on the Company's loss.

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008
ASSETS		
Current assets		
Cash and deposits	9,863	11,426
Notes & accounts receivable	34,606	28,477
Securities	12	511
Inventories	26,233	22,868
Other current assets	5,404	5,403
Allowance for doubtful accounts	(74)	(72)
Total current assets	**76,046**	**68,615**
Fixed assets		
Buildings and structures (Net)	3,367	3,441
Machinery, equipment and vehicles (Net)	23	25
Land	2,745	2,745
Other fixed assets (Net)	810	709
Tangible assets	**6,948**	**6,922**
Intangible assets	**1,872**	**1,810**
Investments and other assets		
Investment in securities	1,396	1,428
Other	2,037	1,320
Allowance for doubtful accounts	(24)	(23)
Investments and other assets	**3,409**	**2,725**
Total fixed assets	**12,230**	**11,457**
TOTAL ASSETS	**88,277**	**80,073**

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008
LIABILITIES		
Current liabilities		
Notes & accounts payable	16,653	10,226
Short-term loans payable	6,342	5,827
Accrued income taxes	904	345
Accrued bonuses	889	566
Accrued bonuses for directors	3	—
Provision for loss on guarantees	9	—
Other current liabilities	4,365	4,419
Total current liabilities	**29,169**	**21,385**
Long-term liabilities		
Long-term debt	25	37
Accrued retirement benefits	1,785	1,712
Retirement benefits for directors	387	377
Negative goodwill	306	428
Other current liabilities	202	322
Total long-term liabilities	**2,707**	**2,878**
TOTAL LIABILITIES	**31,876**	**24,264**
Shareholders Equity		
Paid-in capital	11,194	11,194
Additional paid-in capital	19,476	19,476
Retained earnings	26,990	26,186
Treasury stock	(1,089)	(1,088)
Total shareholders' equity	56,572	55,768
Appraisal and translation differences		
Unrealized holding gain on securities	(30)	(35)
Translation adjustments	(141)	76
Total appraisal & translation differences	(172)	40
Total net assets	56,400	55,808
TOTAL LIABILITIES & NET ASSETS	**88,277**	**80,073**

(2) Consolidated Statements of Income

(Millions of yen)

	April 1 to Sept 30, 2008
Net sales	**74,225**
Cost of sales	62,394
Gross profit	11,831
Selling, general & administrative expenses	9,094
Operating income	**2,736**
Non-operating income	
Interest income	47
Amortization of negative goodwill	122
Other	222
Total non-operating income	**392**
Non-operating expenses	
Interest paid	75
Loss on translation	446
Other	188
Total non-operating expenses	**711**
Ordinary income	**2,417**
Extraordinary income	
Proceeds from sale of investment securities	48
Total extraordinary income	**48**
Extraordinary losses	
Loss on valuation of inventory	214
Loss on devaluation of investment securities	23
Provision of allowance for doubtful accounts	24
Provision for reserve for loss on guarantees	9
Other	12
Total extraordinary losses	**285**
Income before income taxes and minority interests	**2,180**
Corporate, inhabitant and enterprise taxes	857
Total corporate tax etc.	**857**
Net income	**1,322**

(3) Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 to Sept 30, 2008
1. Operating activities	
Income before income taxes	2,180
Depreciation and amortization	491
Interest and dividend income	(52)
Interest expense	75
Change in notes and accounts receivable trade	(6,455)
Change in inventories	(3,250)
Changes in trade payable	6,450
Other	131
Sub-total	**(430)**
Interest and dividends received	55
Interest paid	(77)
Corporate tax, etc. repaid	232
Net cash provided by (used in) operating activities	**(220)**

	April 1 to Sept 30, 2008
2. Investing Activities	
Payments for purchase of time deposits	(167)
Disbursement of loans	(1,109)
Proceeds from collection of loans	901
Purchases of property and equipment	(209)
Purchases of intangible assets	(598)
Purchases of marketable securities	(23)
Proceeds from sales of marketable securities	55
Other	(573)
Net cash provided by (used in) investing activities	**(1,724)**
3. Financing activities	
Change in short-term loans	420
Repayment of long-term debt	(12)
Cash dividends paid	(530)
Other	0
Net cash provided by (used in) financing activities	**(122)**
4. Effect of exchange rate changes on cash and cash equivalents	**(143)**
5. Net increase (decrease) in cash and cash equivalents	**(2,211)**
6. Cash and cash equivalents at beginning of the year	**11,938**
7. Cash and cash equivalents at year end	**9,727**

Effective from the fiscal period under review, the Company has adopted the “Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12)” and the “Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No.14)”. In addition, the quarterly consolidated financial report is prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements”.

IV. Notes regarding continuing concern

None

V. Segment Information

1) Segment Information by Business Type

Current Consolidated First Half – (April 1, 2008 – Sept 30, 2008) *(Millions of yen)*

	IC and electronic devices business	Network-related products business	Total	Cancellation or general	Consolidated
Sales (1) Sales to external customers	67,880	6,344	74,225	—	74,225
(2) Internal sales or transfers between segments	—	—	—	—	—
Total	67,880	6,344	74,225	—	74,225
Sales expenses	66,426	5,122	71,549	(60)	71,488
Operating income	1,453	1,221	2,675	60	2,736

1. Business segments are segments the Company uses for internal management.
2. Main products in each segment:
   a) IC and electronic device business: PLD, ASIC, ASSP, Analog IC, Memory, other electronics devices
   b) Network-related products business: network-related hardware, software and services
3. Prior to April 1, 2008, inventories held for sale in the ordinary course of business were stated at cost, determined by moving average method. The Accounting Standard Board of Japan (ASBJ) issued ASBJ Statement No.9, July 5, 2006, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008, which requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value. The Company adopted the new accounting standard for measurement of inventories from this first quarter. This effect of adopting this standard was to decrease operating income in IC and electronic devices business by 34 million yen and Network-related products business by 18 million yen, respectively, during the second quarter of the current fiscal year.

Previous Consolidated First Half – (April 1, 2007 – Sept 30, 2007) *(Millions of yen)*

	IC and electronic devices business	Network-related products business	Total	Cancellation or general	Consolidated
Sales (1) Sales to external customers	72,401	5,626	78,027	—	78,027
(2) Internal sales or transfers between segments	—	—	—	—	—
Total	72,401	5,626	78,027	—	78,027
Sales expenses	70,656	5,053	75,710	(60)	75,649
Operating income	1,744	573	2,317	60	2,378

1. Business segments are segments the Company uses for internal management.
2. Main products in each segment:
   a) IC and electronic device business: PLD, ASIC, ASSP, Analog IC, Memory, and other electronics devices
   b) Network-related products business: network-related hardware, software and services

2) Segment Information by Geographical Area

Current Consolidated First Half – (April 1, 2008 – Sept 30, 2008)

(Millions of yen)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
Sales					
(1) Sales to external customers	63,105	11,119	74,225	—	74,225
(2) Internal sales or transfers between segments	9,715	—	9,715	(9,715)	—
Total	72,821	11,119	83,940	(9,715)	74,225
Sales expenses	70,465	10,842	81,307	(9,818)	71,488
Operating income	2,356	277	2,633	103	2,736

1. Countries and regions classified by geographical proximity.
2. Countries and regions belonging to Asia: China, Hong Kong, Taiwan, Singapore.
3. Prior to April 1, 2008, inventories held for sale in the ordinary course of business were stated at cost, determined by moving average method. The Accounting Standard Board of Japan (ASBJ) issued ASBJ Statement No.9, July 5, 2006, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008, which requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value. The Company adopted the new accounting standard for measurement of inventories from this first quarter. This effect of adopting this standard was to decrease operating income by 38 million yen in Japan and by 14 million yen in Asia, respectively, during the second quarter of the current fiscal year.

Previous Consolidated First Half – (April 1, 2007 – Sept 30, 2007)

(Millions of yen)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
Sales					
(1) Sales to external customers	65,360	12,667	78,027	—	78,027
(2) Internal sales or transfers between segments	11,710	27	11,738	(11,738)	—
Total	77,071	12,694	89,765	(11,738)	78,027
Sales expenses	74,950	12,363	87,313	(11,664)	75,649
Operating income	2,120	331	2,452	(73)	2,378

1. Countries and regions classified by geographical proximity.
2. Countries and regions belonging to Asia: China, Hong Kong, Taiwan, Singapore.

3) Overseas Sales

Current Consolidated First Half – (April 1, 2008 – Sept 30, 2008) *(Millions of yen)*

	Asia	Other	Total
I. Overseas sales	13,140	446	13,587
II. Consolidated sales	—	—	74,225
III. Overseas sales ratio （%）	17.7	0.6	18.3

Notes:
1. Countries and regions classified by geographical proximity.
2. Countries and regions belonging to each classification:
   Asia: China, Hong Kong, Taiwan, Singapore.
   Others: U.S.A.

Previous Consolidated First Half – (April 1, 2007 – Sept 30, 2007) *(Millions of yen)*

	Asia	Other	Total
I. Overseas sales	14,041	251	14,292
II. Consolidated sales	—	—	78,027
III. Overseas sales ratio （%）	18.0	0.3	18.3

Notes:
1. Countries and regions classified by geographical proximity.
2. Countries and regions belonging to each classification:
   Asia: China, Hong Kong, Taiwan, Singapore.
   Others: U.S.A.

VI. Significant change in shareholders’ equity

None

Reference

Consolidated Interim Statements of Income (Summary)

(Millions of yen)

	April 1, 2007 to Sept 30, 2007
Net sales	**78,027**
Cost of goods sold	66,878
Gross profit	**11,149**
Selling, general and administrative expenses	8,771
Operating income	**2,378**
Interest income	77
Dividend income	101
Negative goodwill	122
Translation gain	44
Other	79
Non-operating income	**425**
Interest paid	118
Other	566
Non-operating expenses	**685**
Ordianry income	**2,119**
Extraordinary income	**4**
Extraordinary losses	**330**
Income before income taxes	**1,793**
Corporate, inhabitant and enterprise taxes	728
Income tax adjustment	(18)
Corporate tax, etc.	709
Net income	**1,083**