

SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the First Quarter Ended June 30, 2008

Presented July 28, 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	August 11, 2008
Parent company	--
Parent's ownership stake	--%
U.S. GAAP accounting principles	Not adopted

1. Financial Results for the First Quarter of Fiscal Year Ending March 31, 2009 - (April 1, 2008 to June 30, 2008)

(1) Consolidated Operating Results

(Millions of yen)

	April 1 to June 30, 2008		April 1 to June 30, 2007	
	Amount	% Change	Amount	%Change
Net Sales	35,999	—	39,163	(7.0)
Operating Income	1,103	—	1,164	(29.4)
Ordinary Income	967	—	1,489	(24.6)
Net Income	467	—	917	(30.0)
Net Income per Share (yen)	26.39		51.83	
Potential post-adjustment net income value per share (yen)	—		51.80	

(2) Consolidated Financial Position

(Millions of yen)

	As of June 30, 2008	As of March 31, 2008
Total Assets	84,147	80,073
Shareholders' Equity	55,379	55,808
Equity Ratio (%)	65.8	69.7
Shareholder's Equity per Share (yen)	3,128.05	3,152.30

Equity (consolidated): End of 1st quarter, FY2009: 55,379 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 Profit Forecast for the Year Ending March 31, 2009 - (April 1, 2008 - March 31, 2009)

	Millions of yen			
	Half Ending Sept. 30, 2008		Year Ending March 31, 2009	
Net Sales	77,000	(1.3%)	157,000	1.8%
Operating Income	1,730	(27.3%)	3,790	(13.4%)
Ordinary Income	1,550	(26.9%)	3,200	38.5%
Net Income	870	(19.7%)	1,730	93.5
Net income per share (yen)	49.14		97.72	

Note: Revisions to financial forecast in the quarter: None

4. Additional Notes

- (1) Transfers of leading subsidiaries during the period (transfers of specified subsidiaries accompanied 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 Quarter FY2009:	18,110,252 shares	End Fiscal Year 2008:	18,110,252 shares
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 - (ii) Number of shares of treasury stock issued and outstanding at end of period

First Quarter FY2009:	406,198 shares	End Fiscal Year 2008:	406,063 shares
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 - (iii) Average number of treasury stock during the period

First Quarter FY2009:	17,704,137 shares	End Fiscal Year 2008:	17,704,316 shares
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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 Quarter Overview

During the first quarter of the current fiscal year, global economic uncertainty increased as a result of increases in the price of raw materials and the subprime mortgage problem. The decline in exports, particularly of products such as cars to Europe and the U.S., accelerated, there was no recovery in capital expenditure, due to deterioration in corporate earnings, and consumer spending failed to expand as a result of the expected surge in demand accompanying the Olympics. Therefore, the overall downward trend in Japanese economic growth strengthened.

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, in the consumer electronics market, which includes products such as flat-screen TVs, growth (in the value of sales) slackened as a result of various factors such as the decline in sales prices. In addition, the industrial equipment market continued to stagnate because of weak corporate capital expenditures, and as for the network infrastructure market, investments in next generation networks showed signs of only a minor recovery.

The above factors resulted in a 8.1% year-on-year decline in sales to 35,999 million yen, a 5.3% year-on-year decline in operating income to 1,103 million yen, and a 35.0% year-on-year decline in ordinary income to 967 million yen for the first quarter. Net income for the quarter declined 49.1% year-on-year to 467 million yen.

IC and Electronic Devices Business

In the consumer electronics sector, demand for ICs for laptop computer battery packs was firm, but there was a major decline in the demand for custom ICs for digital still cameras and for programmable logic devices (PLDs) for flat-screen TVs as a result of fiercer competition. In the communication equipment sector, there was an increase in demand for PLDs following the recovery in investments in mobile phone base stations, and demand for application specific standard products (ASSPs) for network infrastructure, such as fiber optic communication equipment, showed signs of a gradual recovery.

On the other hand, in the industrial equipment sector, the Company's core sector that includes products such as semiconductor manufacturing equipment and testing instrument, demand for PLDs shrank because of the decline in capital expenditures, and demand for custom ICs for liquid crystal panel manufacturers fell as a result of the fiercer competition in Taiwan, the main market.

The above factors resulted in a 9.5% year-on-year decline in sales for the first quarter of the current fiscal year to 32,918 million yen and a 45.2% year-on-year decline in operating income to 492 million yen.

Network-related Products Business

There was a steady increase in demand for security devices because of continuing IT security investments, particularly by the government. 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 remained strong as a result of the expansion of security devices and software.

The above factors resulted in a 10.5% year-on-year increase in sales for the first quarter of the current fiscal year to 3,080 million yen and a 146.8% year-on-year decline in operating income to 580 million yen.

Japan

In the PLD market, 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, and demand for electronic devices for single lens reflex cameras grew. However, there was a dramatic decline in demand for custom ICs for digital still cameras.

As a result, sales in Japan declined 9.3% year on year to 35,193 million yen and operating income fell 13.3% year on year to 928 million yen.

Asia

Business related to custom ICs for Taiwanese liquid crystal panel manufacturers shrank as a result of a heightened competition, and demand for analog ICs for digital still cameras fell as some manufacturers adjusted inventories.

As a result, sales in Asia fell 9.1% year on year to 5,404 million yen and operating income contracted 25.3% year on year to 104 million yen. (Consumption tax is not included in these figures.)

2. Consolidated Financial Position

Total assets as of the end of the first quarter of the current fiscal year rose 4,073 million yen compared with the end of the previous consolidated fiscal year; net assets fell 429 million yen, and the capital adequacy ratio was 65.8%.

Cash outflow from operating activities was 1,989 million yen. While various items boosted the cash flow, including the recording of 796 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 542 million yen due to the purchase intangible fixed assets.

Cash outflow from financing activities was 501 million yen due to the payment of dividends among other factors.

As a result, Cash and cash equivalents at the end of this quarter were 8,917 million yen, a year-on-year decrease of 3,021 million yen.

3. Outlook for the Fiscal Year

As economic conditions remain uncertain due to the increase in the price of crude oil and raw materials, the industrial equipment market, which includes products such as semiconductor manufacturing equipment and testing equipment, is expected to remain slow; however, parts of the network infrastructure market are showing signs of a gradual recovery. In addition, the consumer electronics market, which includes products such

as flat-screen TVs, is projected to continue to grow at a firm, although slower, pace.

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 May 7, 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: No
- 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 first 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) 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 adoption of this standard was to increase operating income by 2 million yen, ordinary income by 3 million yen, and decrease income before income taxes by 211 million yen, respectively.

The effect of adoption of this accounting standard to the segment information was not material.

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2008	As of March 31, 2008
ASSETS		
Current assets		
Cash and deposits	8,904	11,426
Notes & accounts receivable	32,945	28,477
Securities	13	511
Finished goods	24,384	22,868
Other current assets	6,349	5,330
Total current assets	72,597	68,615
Fixed assets		
Buildings and structures	3,401	3,441
Machinery, equipment and vehicles	24	25
Land	2,745	2,745
Other fixed assets	756	709
Tangible assets	6,929	6,922
Intangible assets	1,800	1,810
Investments and other assets		
Investment in securities	1,082	1,428
Other	1,738	1,297
Allowance for loss on investment in affiliates	2,820	2,725
Total fixed assets	11,550	11,457
TOTAL ASSETS	84,147	80,073

(Millions of yen)

	As of June 30, 2008		As of March 31, 2008	
LIABILITIES				
Current liabilities				
Notes & accounts payable		14,338		10,226
Short-term loans payable		5,921		5,827
Accrued income taxes		382		345
Accrued bonuses		424		566
Accrued bonuses for directors		3		—
Other current liabilities		4,932		4,419
Total current liabilities		26,001		21,385
Long-term liabilities				
Long-term debt		25		37
Accrued retirement benefits		1,743		1,712
Retirement benefits for directors		382		377
Negative goodwill		367		428
Other current liabilities		247		322
Total long-term liabilities		2,766		2,878
TOTAL LIABILITIES		28,768		24,264
Shareholders Equity				
Paid-in capital		11,194		11,194
Additional paid-in capital		19,476		19,476
Retained earnings		26,134		26,186
Treasury stock		(1,089)		(1,088)
Total shareholders' equity		55,717		55,768
Appraisal and translation differences				
Unrealized holding gain on securities		(28)		(35)
Translation adjustments		(309)		76
Total appraisal & translation differences		(337)		40
Total net assets		55,379		55,808
TOTAL LIABILITIES & NET ASSETS		84,147		80,073

(2) Consolidated Statements of Income

(Millions of yen)

	April 1 to June 30, 2008	
Net sales		35,999
Cost of sales		30,378
Gross profit		5,620
Selling, general & administrative expenses		4,517
Operating income		1,103
Non-operating income		
Interest income		12
Amortization of negative goodwill		61
Valuation gains on interest-rate swaps		73
Other		71
Total non-operating income		218
Non-operating expenses		
Interest paid		40
Loss on translation		214
Other		98
Total non-operating expenses		353
Ordinary income		967
Extraordinary income		
Proceeds from sale of investment securities		48
Total extraordinary income		48
Extraordinary losses		
Loss on valuation of inventory		214
Other		4
Total extraordinary losses		219
Income before income taxes and minority interests		796
Corporate, inhabitant and enterprise taxes		329
Net income		467

(3) Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 to June 30, 2008
1. Operating activities	
Income before income taxes	796
Depreciation and amortization	236
Interest and dividend income	(17)
Interest expense	40
Change in notes and accounts receivable trade	(4,777)
Change in inventories	(1,391)
Changes in trade payable	3,937
Other	(448)
Sub-total	(1,622)
Interest and dividends received	25
Interest paid	(30)
Corporate tax payment (refund)	(361)
Net cash provided by (used in) operating activities	(1,989)

	April 1 to June 30, 2008
2. Investing Activities	
Disbursement of loans	(890)
Proceeds from collection of loans	901
Purchases of property and equipment	(108)
Purchases of intangible assets	(389)
Purchases of marketable securities	(10)
Proceeds from sales of marketable securities	55
Other	(101)
Net cash provided by (used in) investing activities	(542)
3. Financing activities	
Change in short-term loans	0
Repayment of long-term debt	(12)
Cash dividends paid	(488)
Other	0
Net cash provided by (used in) financing activities	(501)
4. Effect of exchange rate changes on cash and cash equivalents	12
5. Net increase (decrease) in cash and cash equivalents	(3,021)
6. Cash and cash equivalents at beginning of the year	11,938
7. Cash and cash equivalents at year end	8,917

IV. Notes regarding continuing concern

None

V. Segment Information

1) Segment Information by Business Type

Current Consolidated First Quarter – (April 1, 2008 – June 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	32,918	3,080	35,999	—	35,999
(2) Internal sales or transfers between segments	—	—	—	—	—
Total	32,918	3,080	35,999	—	35,999
Sales expenses	32,425	2,500	34,926	(30)	34,895
Operating income	492	580	1,072	30	1,103

Notes:

1. Business segments are segments the Company uses for internal management.
2. Main products in each segment:
 - a) Integrated circuit 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

Previous Consolidated First Quarter – (April 1, 2007 – June 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	36,375	2,788	39,163	—	39,163
(2) Internal sales or transfers between segments	—	—	—	—	—
Total	36,375	2,788	39,163	—	39,163
Sales expenses	35,476	2,552	38,029	(30)	37,998
Operating income	898	235	1,134	30	1,164

Notes: Same as above

2) Segment Information by Geographical Area

Current Consolidated First Quarter -- (April 1, 2008 – June 30, 2008) (Millions of yen)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
Sales					
(1) Sales to external customers	30,594	5,404	35,999	—	35,999
(2) Internal sales or transfers between segments	4,599	—	4,599	(4,599)	—
Total	35,193	5,404	40,598	(4,599)	35,999
Sales expenses	34,265	5,300	39,565	(4,669)	34,895
Operating income	928	104	1,032	70	1,103

Notes:

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

Previous Consolidated First Quarter – (April 1, 2007 – June 30, 2007) (Millions of yen)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
Sales					
(1) Sales to external customers	33,227	5,936	39,163	—	39,163
(2) Internal sales or transfers between segments	5,581	10	5,591	(5,591)	—
Total	38,809	5,946	44,755	(5,591)	39,163
Sales expenses	37,738	5,863	43,601	(5,602)	37,998
Operating income	1,070	83	1,153	10	1,164

Notes:

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

3) Overseas Sales

Current Consolidated First Quarter – (April 1, 2008 – June 30, 2008)

(Millions of yen)

	Asia	Other	Total
I. Overseas sales	6,223	183	6,407
II. Consolidated sales	—	—	35,999
III. Overseas sales ratio (%)	17.2	0.5	17.8

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 Quarter – (April 1, 2007 – June 30, 2007)

(Millions of yen)

	Asia	Other	Total
I. Overseas sales	6,519	120	6,640
II. Consolidated sales	—	—	39,163
III. Overseas sales ratio (%)	16.7	0.3	17.0

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 Quarterly Statements of Income (Summary)

(Millions of Yen)

	April 1 to June 30, 2007
Net sales	39,163
Cost of goods sold	33,366
Gross profit	5,797
Selling, general and administrative expenses	4,632
Operating income	1,164
Interest income	8
Negative goodwill	61
Translation gain	271
Other	194
Non-operating income	535
Interest paid	57
Other	154
Non-operating expenses	211
Ordinary income	1,489
Extraordinary income	0
Extraordinary losses	0
Income before income taxes	1,489
Corporate, inhabitant and enterprise taxes	424
Income tax adjustment	147
Corporate tax, etc.	571
Net income	917