SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the First Half Ended September 30, 2010

Presented October 25, 2010

MACNICA, Inc.

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Expected date of Quarterly Financial Report submission	November 12, 2010
Scheduled dividend payment date	December 2, 2010
Supplementary explanatory material for Quarterly Earnings	Yes
Quarterly Earnings explanatory meeting	Yes (for institutional investors and analysts)

1. Financial Results for the First Half of Fiscal Year Ended March 31, 2011 – *(April 1, 2010 to September 30, 2010)*

(1) Consolidated Operating Results

(Millions of yen)

	April 1 to September 30, 2010		April 1 to September 30, 2009	
	Amount	% Change	Amount	% Change
Net Sales	93,445	31.9	70,846	(4.6)
Operating Income	2,982	167.4	1,115	(59.2)
Ordinary Income	3,156	127.3	1,388	(42.6)
Net Income	2,146	237.8	635	(52.0)
Net Income per Share (yen)	121.26		35.90	
Potential post-adjustment net income value per share (yen)	—		—	

(2) Consolidated Financial Position

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010
Total Assets	109,372	101,807
Shareholders' Equity	57,675	56,687
Equity Ratio (%)	51.6	54.3
Shareholder's Equity per Share (yen)	3,186.96	3,122.50

Equity (consolidated): End of first half, FY2011: 56,420 million yen; End of FY2010: 55,280 million yen

2. Dividends

	April 1 to March 31,		
	2011	2010	2011 (forecast)
Annual Dividends per Share (yen)	—	30.00	30.00
First Quarter (yen)	—	—	—
Mid Term (yen)	15.00	15.00	—
Third Quarter (yen)	—	—	—
End of Term (yen)	—	15.00	15.00

Note: Revisions to dividend forecast in the quarter: None

3. Consolidated Profit Forecast for the Year Ending March 31, 2011

	Millions of yen	
	Year Ending March 31, 2011	
Net Sales	182,650	22.4%
Operating Income	5,090	53.6%
Ordinary Income	5,160	54.0%
Net Income	3,380	91.3%
Net income per share (yen)	190.92	

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

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

(i) Changes accompanying amendments to accounting standards: Yes

(ii) Changes other than those in (i) above: None

(4) Number of outstanding shares (common shares)

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

First Half FY2011: 18,110,252 shares End Fiscal Year 2010: 18,110,252 shares

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

First Half FY2011: 406,674 shares End Fiscal Year 2010: 406,473 shares

(iii) Average number of treasury stock during the period

First Half FY2011: 17,703,658 shares First Half FY2010: 17,703,911 shares

Implementation of quarterly review procedures

The quarterly review procedures stipulated in the Financial Instruments and Exchange Act are not applicable to this quarterly financial result (abbreviated earnings report), but the procedures were being implemented when this quarterly financial result was released.

Note: Profit forecasts are based on information available to management at the time they are made, and assumptions which are considered to be reasonable. Actual results may differ materially from forecasts for a number of reasons.

I. Business Results and Financial Position

1. Business Results

(1) Consolidated First Half Overview

During the first half of the fiscal year under review, the Japanese economy continued to recover but at a slower pace. Although last year the Japanese economy rapidly rebounded due to exports and a boost from economic stimulus measures, the pace of recovery gradually slowed for various reasons including slower growth in exports as the yen appreciated and the fading impact of measures to stimulate the purchase of durable goods. On the other hand, various industries, particularly the manufacturing industry, recorded strong performance as a result of several factors including strong demand for air conditioners due to the hot weather and last-minute purchases of cars right before subsidies for replacing existing ones expired. At the same time, although some companies saw utilization rates improve, there was only a gradual recovery in corporate capital expenditures as a strong sense of over investment in capital goods persisted. There were also signs of an improvement in consumer sentiment as consumers made last-minute purchases of cars and flat-screen TVs, and personal consumption rose because of the hot weather.

The Macnica Group is active in the electronics industry, and there were various developments in this industry. The consumer electronics market, particularly flat-screen TVs and major appliances, was firm for various reasons including last year's economic stimulus measures and the impact of the hot weather. In addition, the mobile phone market continued to be strong, driven by smartphones and greater replacement demand in Asia. The overall computer market was robust as mobile computing centered on tablet PCs took hold even though there were signs of adjustments in production because of overproduction of notebook PCs. The overall market for industrial equipment, particularly semiconductor manufacturing equipment, was healthy as demand for semiconductors remained firm, but there was a visible fall-off in demand for some semiconductors used for notebook PCs and liquid crystal panels.

The above factors resulted in a 31.9% year-on-year increase in sales to 93,445 million yen, 167.4% year-on-year increase in operating income to 2,982 million yen, and a 127.3% year-on-year increase in ordinary income to 3,156 million yen for the first half. Net income for the first half increased 237.8% year-on-year to 2,146 million yen.

IC, Electronic Devices and Other Business

The communications infrastructure market was healthy as sales of programmable logic devices (PLD) increased due to the large growth in mobile phone base stations in China and sales of PLDs and application specific standard products (ASSP) for optical transmitters were firm. However, in the computer market, sales of ASSPs for storage devices were strong but those of analog ICs for battery packs used in notebook computers declined in the second half as manufacturers adjusted production of notebook computers. As for the consumer electronics market, overall sales declined as business with Taiwanese liquid crystal panel manufacturers drew to an end even though sales of some products such as PLDs for flat-screen TVs and analog ICs for digital still cameras were healthy. There was a broad-based recovery in the industrial equipment market, particularly for semiconductor manufacturing equipment, because of greater demand generated by the economic recovery, and sales of analog ICs and PLDs for the same market were firm.

The above factors resulted in 87,302 million yen in sales, and 2,485 million yen in operating income by segment.

Network Business

There continued to be firm demand for Internet-related products within the government and financial industry and some companies increased IT investments in response to the stronger economy. However, corporate IT investments remained weak, and corporate sales of products such as security software were also lackluster.

The above factors resulted in 6,156 million yen in sales, and 925 million yen in operating income by segment.

Note: Consumption tax is not included in the above figures.

(2) Consolidated Financial Position

Total assets as of the end of the first half of the current fiscal year rose 7,564 million yen compared with the end of the previous consolidated fiscal year; net assets increased 987 million yen, and the capital adequacy ratio was 51.6%.

Cash outflow from operating activities was 5,694 million yen. While there were various items contributing to the increase of the cash flow, including an increase in income before income taxes of 3,126 million yen and trade payable, such factors as an increase in notes and accounts receivable - trade and an increase in inventories weighed down cash flow.

There was a net cash outflow from investing activities of 3,016 million yen due to the purchase of shares of Galaxy Far East Corporation, which was transformed into a consolidated subsidiary at the end of the previous fiscal year.

There was a net cash inflow from financing activities of 3,112 million yen for various reasons including long-term loans.

As a result, cash and cash equivalents at the end of this first half were 8,907 million yen, a year-on-year decrease of 6,254 million yen, resulting from an increase of 117 million yen due to the increase of newly consolidated subsidiaries.

(3) Outlook for the Fiscal Year

There have been no changes in projections for consolidated earnings for the full fiscal year released on October 20, 2010. 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: None

2. Application of simplified accounting treatment and unique accounting treatment:

i) Simplified accounting treatment:

- Inventories

Inventories write-down are based on the current net sales value of items on which profit margins have declined significantly.

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 half, 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:

Application of accounting standard for asset retirement obligations

Starting with the first quarter of the current fiscal year, Accounting Standard for Asset Retirement Obligations (Accounting Standard No. 18 issued on March 31, 2008) and its implementation guidance (Implementation Guideline No. 21 issued on March 31, 2008) were applied.

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

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010
ASSETS		
Current assets		
Cash and deposits	8,907	15,141
Notes & accounts receivable	44,023	38,567
Securities	618	757
Inventories	36,878	28,338
Other current assets	5,754	5,799
Allowance for doubtful accounts	(112)	(130)
Total current assets	**96,069**	**88,474**
Fixed assets		
Buildings and structures (Net)	3,203	3,288
Machinery, equipment and vehicles (Net)	19	21
Land	2,746	2,746
Other fixed assets (Net)	1,034	853
Tangible assets	**7,004**	**6,909**
Goodwill	1,884	1,998
Other	1,424	1,500
Intangible assets	**3,308**	**3,499**
Investments and other assets		
Investment in securities	1,200	1,242
Other	1,969	1,906
Allowance for doubtful accounts	(180)	(225)
Investments and other assets	**2,989**	**2,924**
Total fixed assets	**13,302**	**13,332**
Total Assets	**109,372**	**101,807**

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010
LIABILITIES		
Current liabilities		
Notes & accounts payable	26,275	22,632
Short-term loans payable	—	12
Accrued income taxes	958	677
Accrued bonuses	1,324	1,141
Accrued bonuses for directors	4	7
Other current liabilities	6,828	7,900
Total current liabilities	**35,391**	**32,372**
Long-term liabilities		
Long-term debt	13,500	10,000
Accrued retirement benefits	2,206	2,088
Retirement benefits for directors	424	415
Other current liabilities	174	243
Total long-term liabilities	**16,305**	**12,746**
Total Liabilities	**51,696**	**45,119**
Shareholders Equity		
Paid-in capital	11,194	11,194
Additional paid-in capital	19,476	19,476
Retained earnings	28,354	26,406
Treasury stock	(1,089)	(1,089)
Total shareholders' equity	57,936	55,987
Appraisal and translation differences		
Unrealized holding gain on securities	(88)	(75)
Gain on deferred hedge	61	(296)
Translation adjustments	(1,488)	(335)
Total appraisal and translation differences	(1,515)	(707)
New share subscription right	2	—
Minority interests	1,251	1,407
Total Net Assets	**57,675**	**56,687**
Total Liabilities & Net Assets	**109,372**	**101,807**

2. Consolidated Statements of Income

(Millions of yen)

	April 1 to September 30, 2010	April 1 to September 30, 2009
Net sales	**93,445**	70,846
Cost of sales	80,113	60,985
Gross profit	13,332	9,860
Selling, general & administrative expenses	10,349	8,744
Operating income	**2,982**	**1,115**
Non-operating income		
Interest income	9	24
Translation gain	165	413
Amortization of negative goodwill	—	8
Other	182	121
Total non-operating income	357	**567**
Non-operating income		
Interest paid	112	116
Loss on transfer of receivables	40	—
Product warranty related expenses	—	83
Other	31	94
Total non-operating expenses	**184**	**294**
Ordinary income	**3,156**	**1,388**
Extraordinary income		
Proceeds from sales of fixed assets	2	1
Gain from redemption of investment securities		17
Allowance for bad debt		—
Total extraordinary income	**25**	**19**
Extraordinary losses		
Provision for allowance for bad debt	4	—
Loss on valuation of investment securities	46	81
Loss on devaluation of investment to affiliated companies	—	34
Other	5	8
Total extraordinary losses	**55**	**125**
Income before income taxes		**1,282**
Corporate, inhabitant and enterprise taxes	911	647
Total corporate tax etc.	**911**	**647**
Income before minority interests	**2,215**	—
Minority interests	**68**	—
Net income	**2,146**	**635**

3. Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 – Sept 30, 2010	April 1 – Sept 30, 2009
1. Operating activities		
Income before income taxes	3,126	1,282
Depreciation and amortization	550	524
Interest and dividend income	(14)	(33)
Interest expense	112	116
Decrease (increase) in notes and accounts receivable trade	(6,369)	(9,493)
Decrease (increase) in inventories	(9,035)	(2,165)
Increase (decrease) in trade payable	4,286	8,621
Other	2,295	(929)
Sub-total	**(5,047)**	**(2,077)**
Interest and dividends received	24	34
Interest paid	(123)	(114)
Corporate tax Payment (refund)	(547)	(800)
Net cash provided by (used in) operating activities	**(5,694)**	**(2,957)**
2. Investing Activities		
Payments for purchase of time deposits	—	(103)
Increase in time deposits	83	134
Disbursement of loans	(188)	(81)
Proceeds from collection of loans	60	42
Purchases of property and equipment	(324)	(143)
Proceeds from sales of property and equipment	7	3
Purchases of intangible assets	(270)	(81)
Purchases of marketable securities	(17)	(4)
Proceeds from sales of marketable securities	28	5
Purchases of shares of affiliated companies	(2,352)	—
Other	(43)	(79)
Net cash provided by (used in) investing activities	**(3,016)**	**(308)**

(Millions of yen)

	April 1 – Sept 30, 2010	April 1 – Sept 30, 2009
3. Financing activities		
Change in short-term loans	—	(67)
Proceeds from long-term loans	3,500	—
Repayment of long-term debt	(12)	(12)
Cash dividends paid	(265)	(266)
Other	(109)	(9)
Net cash provided by (used in) financing activities	**3,112**	**(355)**
4. Effect of exchange rate changes on cash and cash equivalents	**(655)**	**(432)**
5. Net increase (decrease) in cash and cash equivalents	**(6,254)**	**(4,054)**
6. Cash and cash equivalents at beginning of the year	**15,044**	**20,022**
7. Increase in cash and cash equivalents due to the increase of newly consolidated subsidiaries	**—**	**463**
8. Increase in cash and cash equivalents upon change of fiscal term of consolidated subsidiary	**117**	**—**
9. Cash and cash equivalents at year end	**8,907**	**16,431**

III. Notes regarding Going Concern

None

IV. Segment Information

1. Segment Information by Business Type

Previous Consolidated First Half – (April 1, 2009 – September 30, 2009) *(Millions of yen)*

	IC and electronic devices business	Network-related products business	Total	Eliminations or Corporate	Consolidated
Sales					
(1) Sales to external customers	65,131	5,714	70,846	—	70,846
(2) Internal sales or transfers between segments	—	—	—	—	—
Total	65,131	5,714	70,846	—	70,846
Operating income	300	632	932	182	1,115

Notes:

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

2. Segment Information by Geographical Area

Previous Consolidated First Half – (April 1, 2009 – September 30, 2009) *(Millions of yen)*

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
Sales					
(1) Sales to external customers	50,728	20,117	70,846	—	70,846
(2) Internal sales or transfers between segments	13,684	—	13,684	(13,684)	—
Total	64,412	20,117	84,530	(13,684)	70,846
Operating income	575	633	1,208	(93)	1,115

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

Previous Consolidated First Half – (April 1, 2009 – September 30, 2009) *(Millions of yen)*

	Asia	Other	Total
I. Overseas sales	21,373	241	21,614
II. Consolidated sales	—	—	70,846
III. Overseas sales ratio （%）	30.2	0.3	30.5

Notes:

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

V. Additional Notes

Starting with the first quarter of the current fiscal year, Accounting Standards for Disclosures about Segments of an Enterprise and Related information (Accounting Standard No. 17 issued on March 21, 2008) and its implementation guidance (Implementation Guidance No. 20 issued on March 31, 2008) were applied.

1. Segment outline

Segment are parts of the business for which it is possible to obtain separate financial information and that the board of directors regularly examines in order to evaluate decisions on allocation of business resources and earnings.

The Group has operations related to integrated circuits, electronic devices, networks, and other operations, and the company and its subsidiaries were established based on the products and services they handle. Each is an independent business unit, develops comprehensive strategies for both Japan and overseas, and undertakes business activities.

Therefore, the Group is composed of two business segments according to the particular products and services they handle–the IC and electronic device business and the network business.

The IC and electronic device business handles the sales of products such as ICs and electronic devices and the network business is responsible for the sales of network-related hardware, software, and services.

2. Sales and profit by segment

Current Consolidated First Half – (April 1, 2010 – September 30, 2010) *(Millions of yen)*

	Segment			Other	Total
	IC, electronic devices and other business	Network business	Sub-total		
Sales (1) Sales to external customers	87,302	6,143	93,445	—	93,445
(2) Internal sales or transfers between segments	—	12	12	—	12
Total	87,302	6,156	93,458	—	93,458
Operating income by segment	2,485	925	3,410	—	3,410

3. Main differences between the sum of profits for the various segments and the profit appearing in the quarterly consolidated statement of income (adjustments for differences)

(Millions of yen)

Income	Amount
Total segment income	3,410
Elimination of intersegment income	60
Corporate-wide expenses	(487)
Operating income in the consolidated statements of income	2,982

Note:
Corporate-wide expenses are mainly general and administrative expenses not allocated to segments.

VI. Significant Change in Shareholder’s Equity

None