

SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the First Quarter Ended June 30, 2010

Presented July 26, 2010

MACNICA, Inc.

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1. Financial Results for the First Quarter of Fiscal Year Ending March 31, 2011 – (April 1, 2010 to June 30, 2010)

(1) Consolidated Operating Results

(Millions of yen)

	April 1 to June 30, 2010		April 1 to June 30, 2009	
	Amount	% Change	Amount	% Change
Net Sales	45,861	42.2	32,249	(10.4)
Operating Income	1,137	648.4	151	(86.2)
Ordinary Income	1,255	212.6	401	(58.5)
Net Income	783	—	3	(99.3)
Net Income per Share (yen)	44.25		0.18	
Potential post-adjustment net income value per share (yen)	—		—	

(2) Consolidated Financial Position

(Millions of yen)

	As of June 30, 2010	As of March 31, 2010
Total Assets	101,799	101,807
Shareholders' Equity	57,084	56,687
Equity Ratio (%)	54.8	54.3
Shareholder's Equity per Share (yen)	3,149.67	3,122.50

Equity (consolidated): End of 1st quarter, FY2011: 55,760 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)

	Millions of yen			
	Half Ending Sept. 30, 2010		Year Ending March 31, 2011	
Net Sales	81,600	15.2%	160,000	7.2%
Operating Income	2,150	92.8%	4,050	22.2%
Ordinary Income	2,110	52.0%	4,000	19.4%
Net Income	1,330	109.4%	2,450	38.7%
Net income per share (yen)	75.12		138.39	

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
- (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 Quarter FY2011:	18,110,252 shares	End Fiscal Year 2010:	18,110,252 shares
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 - (ii) Number of shares of treasury stock issued and outstanding at end of period

First Quarter FY2011:	406,597 shares	End Fiscal Year 2010:	406,473 shares
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 - (iii) Average number of treasury stock during the period

First Quarter FY2011:	17,703,698 shares	First Quarter FY2010:	17,703,922 shares
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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 the 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. Please consult "I. Business Results, 3. Outlook for the Fiscal Year" on page 5 of this document for additional discussion concerning forecasts.

I. Business Results and Financial Position

1. Business Results

(1) Consolidated First Quarter Overview

During the first quarter of the fiscal year under review, the overall Japanese economy was on a gradual recovery trend due to the following developments. Exports, particularly to Asia including China, remained firm for several reasons such as the stimulus measures implemented by the various countries since last year. There was a visible improvement in business for several industries, particularly the manufacturing industry, driven mainly by overseas sales. Although there were signs of a relaunch of some capital expenditure plans and an improvement in equipment utilization rates because of this increase in exports and production, there was still a strong sense of overcapacity, and a full recovery failed to materialize. There was also a visible recovery in consumer sentiment as a result of various economic stimulus measures such as a tax break for the purchase of environment friendly cars and the introduction of an eco-point system (a program allows buyers of certain types of energy-efficient air conditioners, refrigerators, and television sets to exchange the points later for other goods and services).

The Macnica Group is active in the electronics industry, and there were various developments in this industry. The consumer electronics market, which includes products such as LCD TVs and digital still cameras, remained robust due to the benefits of the economic stimulus measures implemented last year both within Japan and overseas and the resulting improvement in economic conditions. In Asia there was also an

increase in replacement demand and firm demand for mobile phones, particularly smart phones. Signs of a recovery in the industrial equipment market were apparent as companies, particularly those in the manufacturing industry, had a stronger desire to make capital expenditures.

The above factors resulted in a 42.2% year-on-year increase in sales to 45,861 million yen, a 648.4% year-on-year increase in operating income to 1,137 million yen, and a 212.6% year-on-year increase in ordinary income to 1,255 million yen for the first quarter. Net income for the quarter recorded 783 million yen, compared with 3 million yen a year ago.

IC, Electronic Devices and Other Business

Demand for communication application specific standard products (ASSPs) for the mobile phone market grew as the market strengthened, and in the communications infrastructure market, demand was firm for ASSPs used in optical transmission system and programmable logic devices (PLDs) for mobile phone base stations in China. As sales of notebook computers for individuals rose, demand for analog ICs used in battery packs expanded and orders for ASSPs used in storage devices increased. In the consumer electronics market, demand for PLDs used in LCD TVs and analog ICs used in digital still cameras was healthy as a result of the economic stimulus measures implemented last year and the resulting economic recovery. With capital expenditures by some corporations recovering, demand for PLDs in the industrial equipment market continued to strengthen and sales of analog ICs used in cars also increased.

The above factors resulted in 42,982 million yen in sales and 971 million yen in operating income by segment.

Network Business

Although corporate IT investments remained weak, there were signs of a recovery in demand for various types of products such as Internet related ones and software for corporations as parts of the market, such as finance, recovered.

The above factors resulted in 2,885 million yen in sales, and 364 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 quarter of the current fiscal year decreased 7 million yen compared with the end of the previous consolidated fiscal year; net assets increased 396 million yen, and the capital adequacy ratio was 54.8%.

Cash inflow from operating activities was 3,675 million yen. While various items boosted the cash flow, including an increase in income before income taxes and minority interests and an increase in trade payable, various other items weighted down the cash flow, including an increase in notes and accounts receivable trade and inventories.

There was a net cash outflow from investing activities of 2,808 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.

Cash outflow from financing activities was 315 million yen due to the payment of dividends among other factors.

The closing balance of cash and cash equivalents fell 7,234 million yen year on year to 7,927 million yen for various reasons including the ones mentioned above and an increase of 117 million yen due to changes in the fiscal year of consolidated subsidiaries.

(3) Outlook for the Fiscal Year

As for the outlook going forward, the global economy is expected to recover, and exports, particularly to emerging market economies in Asia, such as China, will likely remain robust due to the benefits of growth in these same countries. On the other hand, conditions will likely be uncertain with demand for durables such as flat-screen TVs and cars projected to decline as the impact of both domestic and overseas stimulus measures fades. No revisions were made to the earnings projections for either the first half or the full fiscal year announced on April 26, 2010, as earnings for the first quarter were in line with projections.

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 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:

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 June 30, 2010	As of March 31, 2010
ASSETS		
Current assets		
Cash and deposits	8,010	15,141
Notes & accounts receivable	41,477	38,567
Securities	763	757
Inventories	32,248	28,338
Other current assets	6,125	5,799
Allowance for doubtful accounts	(152)	(130)
Total current assets	88,473	88,474
Fixed assets		
Buildings and structures (Net)	3,244	3,288
Machinery, equipment and vehicles (Net)	20	21
Land	2,746	2,746
Other fixed assets (Net)	845	853
Tangible assets	6,857	6,909
Goodwill	1,941	1,998
Other	1,463	1,500
Intangible assets	3,404	3,499
Investments and other assets		
Investment in securities	1,273	1,242
Other	1,988	1,906
Allowance for doubtful accounts	(198)	(225)
Investments and other assets	3,063	2,924
Total fixed assets	13,325	13,332
Total Assets	101,799	101,807

(Millions of yen)

	As of June 30, 2010	As of March 31, 2010
LIABILITIES		
Current liabilities		
Notes & accounts payable	23,226	22,632
Short-term loans payable	—	12
Accrued income taxes	423	677
Accrued bonuses	591	1,141
Accrued bonuses for directors	10	7
Other current liabilities	7,658	7,900
Total current liabilities	31,909	32,372
Long-term liabilities		
Long-term debt	10,000	10,000
Accrued retirement benefits	2,142	2,088
Retirement benefits for directors	419	415
Other current liabilities	244	243
Total long-term liabilities	12,805	12,746
Total Liabilities	44,715	45,119
Shareholders Equity		
Paid-in capital	11,194	11,194
Additional paid-in capital	19,476	19,476
Retained earnings	26,991	26,406
Treasury stock	(1,089)	(1,089)
Total shareholders' equity	56,573	55,987
Appraisal and translation differences		
Unrealized holding gain on securities	(62)	(75)
Gain on deferred hedge	213	(296)
Translation adjustments	(963)	(335)
Total appraisal and translation differences	(812)	(707)
Minority interests	1,324	1,407
Total Net Assets	57,084	56,687
Total Liabilities & Net Assets	101,799	101,807

2. Consolidated Statements of Income

(Millions of yen)

	April 1 – June 30, 2010	April 1 – June 30, 2009
Net sales	45,861	32,249
Cost of sales	39,632	27,682
Gross profit	6,229	4,567
Selling, general & administrative expenses	5,092	4,415
Operating income	1,137	151
Non-operating income		
Interest income	5	12
Amortization of negative goodwill	—	4
Translation gain	66	263
Other	132	72
Total non-operating income	204	353
Non-operating income		
Interest paid	54	56
Loss on transfer of receivables	21	23
Other	9	23
Total non-operating expenses	86	103
Ordinary income	1,255	401
Extraordinary income		
Proceeds from sales of fixed assets	0	1
Allowance for bad debt	5	—
Total extraordinary income	5	1
Extraordinary losses		
Loss on valuation of investment securities	—	55
Provision for allowance for bad debt	39	—
Other	3	7
Total extraordinary losses	42	62
Income before income taxes	1,218	340
Corporate, inhabitant and enterprise taxes	401	337
Total corporate tax etc.	401	337
Income before minority interests	817	—
Minority interests	33	—
Net income	783	3

3. Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 – June 30, 2010	April 1 – June 30, 2009
1. Operating activities		
Income before income taxes	1,218	340
Depreciation and amortization	267	259
Interest and dividend income	(5)	(12)
Interest expense	54	56
Decrease (increase) in notes and accounts receivable trade	(3,409)	(3,347)
Decrease (increase) in inventories	(4,219)	1,370
Increase (decrease) in trade payable	929	3,905
Other	2,069	(719)
Sub-total	(3,093)	1,851
Interest and dividends received	18	15
Interest paid	(94)	(81)
Corporate tax Payment (refund)	(506)	(853)
Net cash provided by (used in) operating activities	(3,675)	932
2. Investing Activities		
Purchases of securities	(144)	—
Proceeds from sales of securities	86	—
Increase in time deposits	—	134
Disbursement of loans	(59)	(81)
Proceeds from collection of loans	59	32
Purchases of property and equipment	(120)	(95)
Proceeds from sales of property and equipment	1	4
Purchases of intangible assets	(192)	(48)
Purchases of marketable securities	(13)	—
Proceeds from sales of marketable securities	15	5
Purchases of shares of affiliated companies	(2,321)	—
Other	(120)	0
Net cash provided by (used in) investing activities	(2,808)	(47)

(Millions of yen)

	April 1 – June 30, 2010	April 1 – June 30, 2009
3. Financing activities		
Change in short-term loans	—	(67)
Repayment of long-term debt	(12)	(12)
Cash dividends paid	(252)	(248)
Other	(51)	(4)
Net cash provided by (used in) financing activities	(315)	(333)
4. Effect of exchange rate changes on cash and cash equivalents	(434)	(76)
5. Net increase (decrease) in cash and cash equivalents	(7,234)	476
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	7,927	20,961

III. Notes regarding Going Concern

None

IV. Segment Information

1. Segment Information by Business Type

Previous Consolidated First Quarter – (April 1, 2009 – June 30, 2009)

(Millions of yen)

	IC, electronic devices and other business	Network business	Total	Eliminations or Corporate	Consolidated
Sales					
(1) Sales to external customers	29,553	2,695	32,249	—	32,249
(2) Internal sales or transfers between segments	—	—	—	—	—
Total	29,553	2,695	32,249	—	32,249
Operating income	(198)	198	(0)	152	151

Notes:

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

2. Segment Information by Geographical Area

Previous Consolidated First Quarter – (April 1, 2009 – June 30, 2009)

(Millions of yen)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
Sales					
(1) Sales to external customers	23,383	8,866	32,249	—	32,249
(2) Internal sales or transfers between segments	5,601	—	5,601	(5,601)	—
Total	28,985	8,866	37,851	(5,601)	32,249
Operating income	(10)	215	204	(52)	151

Notes:

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

3. Overseas Sales

Previous Consolidated First Quarter – (April 1, 2009 – June 30, 2009) *(Millions of yen)*

	Asia	Other	Total
I. Overseas sales	9,436	167	9,604
II. Consolidated sales	—	—	32,249
III. Overseas sales ratio (%)	29.3	0.5	29.8

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 Quarter – (April 1, 2010 – June 30, 2010)

(Millions of yen)

	Segment			Other	Total
	IC, electronic devices and other business	Network business	Sub-total		
Sales					
(1) Sales to external customers	42,982	2,879	45,861	—	45,861
(2) Internal sales or transfers between segments	—	5	5	—	5
Total	42,982	2,885	45,867	—	45,867
Operating income by segment	971	364	1,335	—	1,335

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	1,335
Elimination of intersegment income	30
Corporate-wide expenses	(228)
Operating income in the consolidated statements of income	1,137

Note:

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

VI. Significant Change in Shareholder's Equity

None