SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the Third Quarter Ended December 31, 2010

Presented January 31, 2011

MACNICA, Inc.

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1. Financial Results for the Third Quarter of Fiscal Year Ended December 31, 2010 - *(April 1, 2010 to December 31, 2010)*

(1) Consolidated Operating Results

(Millions of yen)

	April 1 to December 31, 2010		April 1 to December 31, 2009	
	Amount	% Change	Amount	% Change
Net sales	142,913	29.0	110,780	4.4
Operating income	4,715	96.0	2,405	(12.9)
Ordinary income	4,877	96.0	2,488	(19.7)
Net income	3,259	159.0	1,258	(19.7)
Net income per share (yen)	184.09		71.07	
Potential post-adjustment net income value per share (yen)	—		—	

(2) Consolidated Financial Position

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010
Total Assets	114,171	101,807
Shareholders’ Equity	58,490	56,687
Equity Ratio (%)	50.1	54.3
Shareholder’s Equity per Share (yen)	3,230.30	3,122.50

Equity (consolidated): End of third quarter, FY2011: 57,187 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
End of term (yen)	—	15.00	15.00
Third quarter (yen)	—	—	—
Mid term (yen)	15.00	15.00	—
First quarter (yen)	—	—	—

Note: Revisions to dividend forecast in the quarter: None

3. Consolidated Forecast for the Year Ending March 31, 2011 *- (April 1, 2010 - March 31, 2011)*

	Millions of yen	
	Year Ending March 31, 2011	
Net sales	186,400	24.9%
Operating income	5,800	75.0%
Ordinary income	6,000	79.1%
Net income	4,000	126.4%
Net income per share (yen)	225.94	

Note: Revisions to financial forecast in the quarter: Yes

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 (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

(4) Number of outstanding shares (common shares)

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

Third Quarter 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

Third Quarter FY2011: 406,699 shares End Fiscal Year 2010: 406,473 shares

(iii) Average number of treasury stock during the period

Third Quarter FY2011: 17,703,631 shares Third Quarter FY2010: 17,703,889 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.

II. Business Results and Financial Position

(1) Business Results

1. Consolidated Third Quarter Overview

During the first three quarters of the fiscal year under review, the overall Japanese economic recovery appeared to have hit a plateau. The economy was supported by both growing demand in emerging market economies such as China and a boost from government stimulus measures, and there was a recovery in some manufacturing industries and consumer spending. However, the pace of the recovery slowed in the second half as the impact of government measures faded and growth in exports began to slacken for several reasons including inventory corrections in major Japanese export destinations, particularly China, and the stronger yen.

The Macnica Group is active in the electronics industry, and there were various developments in this industry. Both the mobile phone market and computer market were firm as the use of mobile computing products spread, particularly smartphones and tablet computers. The automobile and flat screen TV markets were also healthy on account of domestic stimulus measures in Japan. The overall market for industrial equipment was firm as demand for semiconductors continued to experience robust growth although adjustments in production of liquid crystal panels for TVs and computer monitors resulted in a slowdown in some areas.

These factors resulted in a 29.0% year-on-year increase in sales to 142,913 million yen, a 96.0% year-on-year increase in operating income to 4,715 million yen, a 96.0% year-on-year increase in ordinary income to 4,877 million yen, and a 159.0% year-on-year increase in net income to 3,259 million yen.

IC, Electronic Devices and Other Business

In the communications infrastructure market, sales of programmable logic devices (PLDs) and application specific standard products (ASSPs) for communication infrastructure were robust as communication systems used in mobile phone base stations expanded. In the computer market, sales of analog ICs for notebook battery packs were firm as inventory corrections ran their course, and sales of ASSPs for storage devices were also strong. In the consumer electronics market, sales contracted as a result of the end of business with Taiwanese liquid crystal panel manufacturers even though sales of products such as PLDs for LCD TVs and analog ICs for digital still cameras were strong due to stimulus measures and the Christmas season. In the industrial equipment market, sales of PLDs and analog ICs for a wide range of products such as semiconductor manufacturing equipment continued to be firm because of greater demand for semiconductors, and sales of products used in cars were also strong.

As a result, sales in IC and Electronic Devices were 133,767 million yen and operating income was 3,915 million yen.

Network Business

Corporate IT investment continued to be weak and a full recovery in the business failed to materialize even though some companies that benefited from the stronger economy increased their IT investment and sales of other products including Internet related equipment were strong.

Resulting sales in Network-related Products were 9,163 million yen and operating income was 1,325 million yen.

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

2. Consolidated Financial Position

Total assets as of the end of the third quarter rose 12,363 million yen compared with the end of the previous consolidated fiscal year; net assets increased 1,802 million yen, and the equity ratio was 50.1%.

Cash outflow from operating activities was 9,427 million yen. While there were various items contributing to the increase of the cash flow, including an increase in income before income taxes of 4,787 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 4,223 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 9,201 million yen for various reasons including long-term loans.

As a result, cash and cash equivalents at the end of this quarter were 9,967 million yen, a year-on-year decrease of 5,194 million yen, resulting from an increase of 117 million yen due to the increase of newly consolidated subsidiaties.

3. Outlook for the Fiscal Year

The electronics industry was firm for several reasons including stimulus measures implemented by governments throughout the world and growing demand in emerging market economies such as China. Under these conditions, the Macnica Group was able to win a larger number of orders for its products for the communication infrastructure market, OA peripheral equipment market, and industrial equipment market. In addition, business in China has been robust as evident by the bustling communication infrastructure market.

Earnings forecasts for the full fiscal year ending March 31, 2011, were revised on account of these business conditions and the company's earnings.

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 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:

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.

III. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010
ASSETS		
Current assets		
Cash and deposits	9,967	15,141
Notes & accounts receivable	45,559	38,567
Securities	500	757
Inventories	38,042	28,338
Other current assets	6,140	5,799
Allowance for doubtful accounts	(117)	(130)
Total current assets	**100,091**	**88,474**
Fixed assets		
Buildings and structures (Net)	3,175	3,288
Machinery, equipment and vehicles (Net)	18	21
Land	3,839	2,746
Other fixed assets (Net)	896	853
Tangible assets	**7,930**	**6,909**
Goodwill	1,827	1,998
Other	1,383	1,500
Intangible assets	**3,210**	**3,499**
Investments and other assets		
Investment in securities	1,165	1,242
Other	1,933	1,906
Allowance for doubtful accounts	(160)	(225)
Investments and other assets	**2,939**	**2,924**
Total fixed assets	**14,079**	**13,332**
Total Assets	**114,171**	**101,807**

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010
LIABILITIES		
Current liabilities		
Notes & accounts payable	23,975	22,632
Short-term loans payable	12,000	12
Accrued income taxes	1,006	677
Accrued bonuses	671	1,141
Accrued bonuses for directors	7	7
Other current liabilities	7,144	7,900
Total current liabilities	**44,803**	**32,372**
Long-term liabilities		
Long-term debt	8,000	10,000
Accrued retirement benefits	2,269	2,088
Retirement benefits for directors	428	415
Other current liabilities	178	243
Total long-term liabilities	**10,876**	**12,746**
Total Liabilities	**55,680**	**45,119**
Shareholders Equity		
Paid-in capital	11,194	11,194
Additional paid-in capital	19,476	19,476
Retained earnings	29,201	26,406
Treasury stock	(1,089)	(1,089)
Total shareholders' equity	58,783	55,987
Appraisal and translation differences		
Unrealized holding gain on securities	(65)	(75)
Gain on deferred hedge	141	(296)
Translation adjustments	(1,671)	(335)
Total appraisal and translation differences	(1,595)	(707)
New share subscription right	11	—
Minority interests	1,290	1,407
Total Net Assets	**58,490**	**56,687**
Total Liabilities & Net Assets	**114,171**	**101,807**

2. Consolidated Statements of Income

(Millions of yen)

	April 1 to December 31, 2010	April 1 to December 31, 2009
Net sales	**142,913**	110,780
Cost of sales	122,633	94,924
Gross profit	20,279	15,856
Selling, general & administrative expenses	15,563	13,450
Operating income	**4,715**	**2,405**
Non-operating income		
Interest income	14	30
Translation gain	96	247
Gain on investment in investment association	110	—
Amortization of negative goodwill	—	12
Other	234	185
Total non-operating income	455	**475**
Non-operating income		
Interest paid	178	170
Loss on transfer of receivables	64	—
Product warranty related expenses	—	84
Other	49	137
Total non-operating expenses	**293**	**393**
Ordinary income	**4,877**	**2,488**
Extraordinary income		
Proceeds from sales of fixed assets	3	1
Proceeds from sale of investment securities	—	4
Gain from redemption of investment securities	—	17
Allowance for bad debt	32	—
Total extraordinary income	**35**	**23**
Extraordinary losses		
Provision for allowance for bad debt	1	—
Loss on valuation of investment securities	46	81
Loss on devaluation of investments	—	57
Loss on devaluation of investment to affiliated companies	70	34
Other	8	26
Total extraordinary losses	**126**	**201**
Income before income taxes	**4,787**	**2,310**
Corporate, inhabitant and enterprise taxes	1,445	1,052
Total corporate tax etc.	**1,445**	**1,052**
Income before minority interests	**3,341**	**—**
Minority interests	**82**	**—**
Net income	**3,259**	**1,258**

3. Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 – Dec 31, 2010	April 1 – Dec 31, 2009
1. Operating activities		
Income before income taxes	4,787	2,310
Depreciation and amortization	848	799
Interest and dividend income	(19)	(39)
Interest expense	178	170
Decrease (increase) in notes and accounts receivable trade	(8,051)	(13,180)
Decrease (increase) in inventories	(10,236)	(1,836)
Increase (decrease) in trade payable	2,091	6,045
Other	2,142	(158)
Sub-total	**(8,259)**	**(5,889)**
Interest and dividends received	29	46
Interest paid	(211)	(195)
Corporate tax Payment (refund)	(985)	(1,289)
Net cash provided by (used in) operating activities	**(9,427)**	**(7,328)**
2. Investing Activities		
Payments for purchase of time deposits	—	(109)
Increase in time deposits	83	449
Disbursement of loans	(419)	(225)
Proceeds from collection of loans	110	100
Purchases of property and equipment	(1,423)	(313)
Proceeds from sales of property and equipment	9	3
Purchases of intangible assets	(406)	(113)
Purchases of marketable securities	(17)	(4)
Proceeds from sales of marketable securities	174	7
Purchases of shares of affiliated companies	(2,352)	—
Other	18	(514)
Net cash provided by (used in) investing activities	**(4,223)**	**(720)**

(Millions of yen)

	April 1 – Dec 30, 2010	April 1 – Dec 30, 2009
3. Financing activities		
Change in short-term loans	2,500	(28)
Proceeds from long-term loans	7,500	—
Repayment of long-term debt	(12)	(25)
Cash dividends paid	(529)	(529)
Cash dividends paid to minority shareholders	(73)	—
Other	(182)	(14)
Net cash provided by (used in) financing activities	**9,201**	**(597)**
4. Effect of exchange rate changes on cash and cash equivalents	**(746)**	**(269)**
5. Net increase (decrease) in cash and cash equivalents	**(5,194)**	**(8,915)**
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	**9,967**	**11,570**

IV. Notes regarding Going Concern

None

V. Segment Information

1. Segment Information by Business Type

Previous Consolidated Third Quarter – (April 1, 2009 – December 31, 2009) *(Millions of yen)*

	IC and electronic devices business	Network-related products business	Total	Eliminations or Corporate	Consolidated
Sales					
(1) Sales to external customers	102,321	8,459	110,780	—	110,780
(2) Internal sales or transfers between segments	—	—	—	—	—
Total	102,321	8,459	110,780	—	110,780
Operating income	1,194	984	2,179	226	2,405

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 Third Quarter – (April 1, 2009 – December 31, 2009) *(Millions of yen)*

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
Sales					
(1) Sales to external customers	80,308	30,472	110,780	—	110,780
(2) Internal sales or transfers between segments	20,241	0	20,241	(20,241)	—
Total	100,550	30,472	131,022	(20,241)	110,780
Operating income	1,560	883	2,444	(38)	2,405

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 Third Quarter – (April 1, 2009 – December 31, 2009) *(Millions of yen)*

	Asia	Other	Total
I. Overseas sales	32,409	299	32,709
II. Consolidated sales	—	—	110,780
III. Overseas sales ratio （%）	29.3	0.2	29.5

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.

VI. 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 Third Quarter – (April 1, 2010 – December 31, 2010) *(Millions of yen)*

	Segment			Other	Total
	IC, electronic devices and other business	Network business	Sub-total		
Sales (1) Sales to external customers	133,767	9,146	142,913	—	142,913
(2) Internal sales or transfers between segments	—	17	17	—	17
Total	133,767	9,163	142,931	—	142,931
Operating income by segment	3,915	1,325	5,240	—	5,240

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	5,240
Elimination of intersegment income	92
Corporate-wide expenses	(617)
Operating income in the consolidated statements of income	4,715

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

VII. Significant Change in Shareholder’s Equity

None