

SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the First Quarter Ended June 30, 2011

Presented July 25, 2011

MACNICA, Inc.

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1. Financial Results for the First Quarter of Fiscal Year Ending March 31, 2012 – (April 1, 2011 to June 30, 2011)

(1) Consolidated Operating Results

(Millions of yen)

	April 1 to June 30, 2011		April 1 to June 30, 2010	
	Amount	% Change	Amount	% Change
Net Sales	47,202	2.9	45,861	42.2
Operating Income	1,747	53.6	1,137	648.4
Ordinary Income	1,506	19.9	1,255	212.6
Net Income	883	12.8	783	—
Net Income per Share (yen)	49.91		44.25	
Potential post-adjustment net income value per share (yen)	—		—	

Comprehensive income: End of 1st quarter, FY2012: 719 mil yen (14.2%); End of 1st quarter, FY2011: 630 mil yen (- %)

(2) Consolidated Financial Position

(Millions of yen)

	As of June 30, 2011	As of March 31, 2011
Total Assets	109,013	103,305
Shareholders' Equity	60,109	59,719
Equity Ratio (%)	54.0	56.6

Equity (consolidated): End of 1st quarter, FY2012: 58,912 million yen; End of FY2011: 58,476 million yen

2. Dividends

	April 1 to March 31,		
	2012	2011	2012 (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, 2012

(Millions of yen)

	Millions of yen			
	Half Ending Sept. 30, 2011		Year Ending March 31, 2012	
Net Sales	92,100	(1.4%)	200,000	6.1%
Operating Income	2,750	(7.8%)	6,500	2.2%
Ordinary Income	2,700	(14.5%)	6,400	0.1%
Net Income	1,780	(17.1%)	4,260	(4.8%)
Net income per share (yen)	100.54		240.63	

Note: Revisions to financial forecast in the quarter: None

4. Additional Notes

- (1) Transfers of leading subsidiaries during the period (transfers of specified subsidiaries 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 for the details.)
- (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
 - (iii) Change in accounting estimates
 - (iv) Restatement (Please refer to pages 5-6 for the details.)
- (4) Number of outstanding shares (common shares)
 - (i) Number of shares issued and outstanding at end of period (including treasury stock)

First Quarter FY2012:	18,110,252 shares	End Fiscal Year 2011:	18,110,252 shares
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 - (ii) Number of shares of treasury stock issued and outstanding at end of period

First Quarter FY2012:	406,749 shares	End Fiscal Year 2011:	406,749 shares
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 - (iii) Average number of treasury stock during the period

First Quarter FY2012:	17,703,503 shares	First Quarter FY2011:	17,703,698 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 Japanese economy suddenly weakened, which was evidenced by the dramatic decline in domestic production, particularly within the manufacturing industry, due to the Great East Japan Earthquake that hit on March 11. However, there was a visible improvement in economic conditions as the level of production within the manufacturing industry gradually recovered, exports showed signs of improvements as production rose, and other developments emerged. The outlook for the economy remains uncertain since there are lingering concerns about various issues including power shortages.

The Macnica Group is active in the electronics industry, and there were various developments in this industry. The consumer electronics market was firm for various reasons including replacement demand for flat screen TVs due to the end of analog broadcasting even though the market was negatively impacted by several factors including a decline in the production volume of digital still cameras because of part shortages following the earthquake and other reasons. The automobile industry was one of the manufacturing industries that were hit particularly hard by the earthquake but showed signs of a recovery, which included relaunching operations more rapidly than expected. In the mobile phone market, sales of smartphones were firm, particularly in emerging market economies, and the computer market was robust mainly because of tablet PCs. The market for industrial equipment was strong due to continuing

demand in emerging market economies such as China.

The above factors resulted in a 2.9% year-on-year increase in sales to 47,202 million yen, a 53.6% year-on-year increase in operating income to 1,747 million yen, and a 19.9% year-on-year increase in ordinary income to 1,506 million yen for the first quarter. Net income for the quarter recorded a 12.8% year-on-year increase to 883 million yen.

IC, Electronic Devices and Other Business

In this business, the market for communications infrastructure was firm as sales of programmable logical devices (PLDs) for mobile phone base stations in China were strong, sales of PLDs and application specific standard products (ASSPs) grew on account of the launch of LTE base stations and communication systems for mobile phone base stations, and sales of ASSPs for optical transmission devices were healthy. On the other hand, in the computer market, orders for analog ICs used in notebook computer battery packs declined on account of production adjustments following the earthquake but sales of ASSPs for storage devices were strong. In the consumer electronics market, sales declined since business with Taiwanese liquid crystal panel manufacturers drew to an end. As for the market for industrial equipment, sales of both PLDs and analog ICs used in a wide-range of fields were strong due to greater demand in emerging market economies.

The above factors resulted in 44,211 million yen in sales and 1,497 million yen in operating income by segment.

Network Business

In the network business, sales of switchboards for communication equipment were firm as communication traffic rose due to the spread of smartphones. There was also greater demand for data centers due to the spread of cloud computing and the use of data centers as part of business continuation plans in the case of disasters such as earthquakes, and sales of communication equipment for these facilities rose. However, sales of software to corporations fell because of a decline in demand for large new projects.

The above factors resulted in 2,992 million yen in sales, and 337 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 increased 5,708 million yen compared with the end of the previous consolidated fiscal year; net assets increased 389 million yen, and the capital adequacy ratio was 54.0%.

Cash inflow from operating activities was 5,866 million yen. While various items weighted down the cash flow, including an increase in notes and accounts receivable trade, various other items boosted the cash flow, including an increase of 1,485 million yen in an income before income taxes and an increase in trade payable.

There was a net cash outflow from investing

activities of 454 million yen due to the purchases of property and equipment and the purchases of shares of affiliated companies.

Cash outflow from financing activities was 287 million yen due to the payment of dividends among other factors.

The closing balance of cash and cash equivalents rose 4,893 million yen year on year to 16,870 million yen for various reasons including an increase of 66 million yen due to the increase of newly consolidated subsidiaries.

(3) Outlook for the Fiscal Year

The outlook is expected to remain unclear for various reasons including stagnant economic activity and power shortages as a result of the Great East Japan Earthquake. Since earnings for the first quarter were in line with projections, no revisions were made to earnings projections for the first half and the full fiscal year announced on April 25, 2011.

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

(4) Matters regarding Summery (Others)

1. Transfers of leading subsidiaries during the period: None

2. Application of simplified accounting treatment and 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.

3. Change in accounting policy, change in accounting estimates and restatement (Application of Accounting Standards for Earnings Per Share):

Starting in the first quarter of the fiscal year under review, Accounting Standards for Earnings Per Share (Accounting Standards Board of Japan (ASBJ) Statement No. 2, issued June 30, 2010) and the Guidance on Accounting Standards for Earnings Per Share (ASBJ Guidance on Accounting Standard No. 4, issued June 30, 2010) were applied.

A change was made in how stock options whose rights are finalized after a certain period of service are accounted for when calculating diluted income per share. With the new method, the portion of the fair value of stock options related to future services provided by the company is included in the capital that is assumed to have been paid in when the stock options are exercised.

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, 2011	As of March 31, 2011
ASSETS		
Current assets		
Cash and deposits	16,870	11,910
Notes & accounts receivable	36,331	35,665
Securities	814	622
Inventories	35,058	35,491
Other current assets	6,130	5,474
Allowance for doubtful accounts	(108)	(133)
Total current assets	95,097	89,031
Fixed assets		
Buildings and structures (Net)	3,125	3,153
Machinery, equipment and vehicles (Net)	23	24
Land	3,866	3,866
Other fixed assets (Net)	953	913
Tangible assets	7,967	7,958
Goodwill	1,712	1,770
Other	1,236	1,361
Intangible assets	2,949	3,131
Investments and other assets		
Investment in securities	1,217	1,160
Other	1,920	2,206
Allowance for doubtful accounts	(138)	(182)
Investments and other assets	2,998	3,184
Total fixed assets	13,916	14,274
Total Assets	109,013	103,305

(Millions of yen)

	As of June 30, 2011	As of March 31, 2011
LIABILITIES		
Current liabilities		
Notes & accounts payable	20,704	15,184
Short-term loans payable	11,500	11,500
Accrued income taxes	608	1,409
Accrued bonuses	684	1,381
Accrued bonuses for directors	39	32
Other current liabilities	7,895	6,636
Total current liabilities	41,431	36,143
Long-term liabilities		
Long-term debt	4,500	4,500
Accrued retirement benefits	2,333	2,288
Retirement benefits for directors	408	432
Other current liabilities	230	220
Total long-term liabilities	7,472	7,442
Total Liabilities	48,904	43,585
Shareholders Equity		
Paid-in capital	11,194	11,194
Additional paid-in capital	19,476	19,476
Retained earnings	31,025	30,419
Treasury stock	(1,089)	(1,089)
Total shareholders' equity	60,606	60,000
Other comprehensive income		
Unrealized holding gain on securities	(16)	(30)
Gain on deferred hedge	42	(85)
Translation adjustments	(1,720)	(1,407)
Total comprehensive income	(1,694)	(1,523)
Stock acquisition right	29	20
Minority interests	1,167	1,221
Total Net Assets	60,109	59,719
Total Liabilities & Net Assets	109,013	103,305

2. Consolidated Statements of Income

(Millions of yen)

	April 1 – June 30, 2011	April 1 – June 30, 2010
Net sales	47,202	45,861
Cost of sales	40,192	39,632
Gross profit	7,010	6,229
Selling, general & administrative expenses	5,263	5,092
Operating income	1,747	1,137
Non-operating income		
Interest income	7	5
Translation gain	—	66
Allowance for bad debt	23	—
Other	54	132
Total non-operating income	84	204
Non-operating income		
Interest paid	61	54
Translation gain	201	—
Other	63	31
Total non-operating expenses	326	86
Ordinary income	1,506	1,255
Extraordinary income		
Proceeds from sales of fixed assets	—	0
Allowance for bad debt	—	5
Total extraordinary income	—	5
Extraordinary losses		
Provision for allowance for bad debt	—	39
Loss on valuation of investment securities	9	—
Loss on valuation of golf membership	10	—
Other	0	3
Total extraordinary losses	20	42
Income before income taxes	1,485	1,218
Corporate, inhabitant and enterprise taxes	584	401
Total corporate tax etc.	584	401
Income before minority interests	901	817
Minority interests	18	33
Net income	883	783

	April 1 – June 30, 2011		April 1 – June 30, 2010	
Income before minority interests		901		817
Other comprehensive income				
Unrealized holding gain on securities		14		13
Gain(loss) on deferred hedge		127		510
Translation adjustments		(324)		(710)
Total comprehensive income		(182)		(187)
Comprehensive income		719		630
(Breakdown of comprehensive income)				
Comprehensive income attributable to the shareholders of the parent company		713		678
Comprehensive income attributable to minority shareholders		6		(48)

3. Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 – June 30, 2011	April 1 – June 30, 2010
1. Operating activities		
Income before income taxes	1,485	1,218
Depreciation and amortization	282	267
Interest and dividend income	(7)	(5)
Interest expense	61	54
Decrease (increase) in notes and accounts receivable trade	(343)	(3,409)
Decrease (increase) in inventories	897	(4,219)
Increase (decrease) in trade payable	5,293	929
Other	(400)	2,069
Sub-total	7,268	(3,093)
Interest and dividends received	11	18
Interest paid	(98)	(94)
Corporate tax Payment (refund)	(1,315)	(506)
Net cash provided by (used in) operating activities	5,866	(3,675)
2. Investing Activities		
Purchases of securities	(198)	(144)
Proceeds from sales of securities	—	86
Disbursement of loans	(50)	(59)
Proceeds from collection of loans	57	59
Purchases of property and equipment	(113)	(120)
Proceeds from sales of property and equipment	—	1
Purchases of intangible assets	(65)	(192)
Purchases of marketable securities	(3)	(13)
Proceeds from sales of marketable securities	10	15
Purchases of shares of affiliated companies	(100)	(2,321)
Other	8	(120)
Net cash provided by (used in) investing activities	(454)	(2,808)

(Millions of yen)

	April 1 – June 30, 2011	April 1 – June 30, 2010
3. Financing activities		
Repayment of long-term debt	—	(12)
Cash dividends paid	(259)	(252)
Other	(28)	(51)
Net cash provided by (used in) financing activities	(287)	(315)
4. Effect of exchange rate changes on cash and cash equivalents	(231)	(434)
5. Net increase (decrease) in cash and cash equivalents	4,893	(7,234)
6. Cash and cash equivalents at beginning of the year	11,910	15,044
7. Increase in cash and cash equivalents due to the increase of newly consolidated subsidiaries	66	—
8. Increase in cash and cash equivalents upon change of fiscal term of consolidated subsidiary	—	117
9. Cash and cash equivalents at year end	16,870	7,927

4. Notes regarding Going Concern Assumption

Not applicable

Segment Information

1. Sales and profit by segment

Current Consolidated First Quarter (April 1, 2011 – June 30, 2011)

(Millions of yen)

	Segment			Other	Total
	IC, electronic devices and other business	Network business	Sub-total		
Sales					
(1) Sales to external customers	44,211	2,991	47,202	—	47,202
(2) Internal sales or transfers between segments	—	0	0	—	0
Total	44,211	2,992	47,203	—	47,203
Operating income by segment	1,497	337	1,835	—	1,835

Previous 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

2. 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	Current Consolidated First Quarter	Previous Consolidated First Quarter
Total segment income	1,835	1,335
Elimination of intersegment income	33	30
Corporate-wide expenses *	(120)	(228)
Operating income in the consolidated statements of income	1,747	1,137

* Corporate-wide expenses mainly refers to "general & administrative expenses," not included in segment.

Note on Significant Change in Shareholders' Equity

Not applicable