

## SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the First Half Ended September 30, 2012

Presented October 29, 2012

MACNICA, Inc.

Listed Exchanges	Tokyo Stock Exchange
Stock Code	7631
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Expected date of Quarterly Financial Report submission	November 14, 2012
Scheduled dividend payment date	December 4, 2012
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 Ending March 31, 2013 –

(April 1, 2012 to September 30, 2012)

#### (1) Consolidated Operating Results

(Millions of yen)

	April 1 to September 30, 2012		April 1 to September 30, 2011	
	Amount	% Change	Amount	% Change
Net Sales	101,014	3.9	97,229	4.0
Operating Income	3,220	(16.7)	3,864	29.6
Ordinary Income	3,278	0.8	3,252	3.0
Net Income	2,116	35.1	1,566	(27.0)
Net Income per Share (yen)	119.53		88.49	
Potential post-adjustment net income value per share (yen)	—		—	

Comprehensive income: End of first half, FY2013: 1,484 million yen (209.5%); End of first half, FY2012: 479 million yen (-63.0%)

#### (2) Consolidated Financial Position

(Millions of yen)

	As of September 30, 2012	As of March 31, 2012
Total Assets	109,559	110,979
Shareholders' Equity	63,802	62,724
Equity Ratio (%)	57.2	55.4

Equity (consolidated): End of first half, FY2013: 62,656 million yen; End of FY2012: 61,501 million yen

## 2. Dividends

	April 1 to March 31,		
	2013	2012	2013 (forecast)
Annual Dividends per Share (yen)	—	40.00	40.00
First Quarter (yen)	—	—	—
Mid Term (yen)	20.00	20.00	—
Third Quarter (yen)	—	—	—
End of Term (yen)	—	20.00	20.00

Note: Revisions to dividend forecast in the quarter: None

## 3. Consolidated Profit Forecast for the Year Ending March 31, 2013

	Millions of yen	
	Year Ending March 31, 2013	
Net Sales	200,000	5.9%
Operating Income	7,000	1.6%
Ordinary Income	6,800	2.4%
Net Income	4,370	30.9%
Net income per share (yen)	246.85	

Note: Revisions to financial forecast in the quarter: None

## 4. Additional Notes

- (1) Changes in significant subsidiaries during the current quarter under review (Changes in subsidiaries affecting the scope of consolidation): None
- (2) Application of specific accounting treatment in the preparation of quarterly consolidated financial statements: Yes  
(Please refer to page 5 for the details.)
- (3) Changes in accounting policy, changes in accounting estimates, restatements:
  - (i) Changes in accounting policy due to revisions of accounting standards: Yes
  - (ii) Changes other than those in (i) above in accounting policy: None
  - (iii) Changes in accounting estimates
  - (iv) Restatements  
 Note: Effective for the first quarter of the current fiscal year, the Company has changed its depreciation method. This change falls under the category "changes in accounting policy that are difficult to distinguish from changes in accounting estimates." For details, please refer to "(4) Summary Information (Notes) 3. For details, please refer to "(4) Summary Information (Notes) 3. Changes in accounting policy or accounting estimates, or restatement" on page 6.
- (4) Number of outstanding shares (common shares)
  - (i) Number of shares issued and outstanding at end of period (including treasury stock)
 

First Half FY2013:	18,110,252 shares	End Fiscal Year 2012:	18,110,252 shares
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  - (ii) Number of shares of treasury stock issued and outstanding at end of period
 

First Half FY2013:	406,963 shares	End Fiscal Year 2012:	406,963 shares
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  - (iii) Average number of treasury stock during the period
 

First Half FY2013:	17,703,289 shares	First Half FY2012:	17,703,466 shares
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Indication regarding the implementation of quarterly review procedures:

This summary of financial statements is not subject to the quarterly review procedures prescribed by the Financial Instruments and Exchange Act. At the time of the disclosure of these quarterly financial statements, the quarterly review procedures prescribed by the Financial Instruments and Exchange Act had not been completed.

Notes:

Forecasts contain forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors. Please refer to “(3) Outlook for the Fiscal Year in I. Business Results and Financial Position” on page 5 for further information concerning the forecasts.

## 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 face harsh conditions such as a decline in exports because Europe's economy stagnated due to the expanding financial crisis and China's economic growth slowed. In response to the slowdown in overseas economies, production in a wide range of domestic industries declined, and even though production of cars had been growing on account of subsidies for eco-cars, production fell as the system of subsidies was discontinued. One of the main reasons for the deterioration in business conditions has been weak capital expenditures, and they still failed to recover during the first half, and consumer spending contracted as sales of cars fell off.

The Macnica Group is active in the electronics industry, and there were various developments in this industry. Sales of mobile computing-related products, such as smartphones and tablet computers, remained firm, but demand for traditional types of mobile phones and notebook computers declined as a result of consumers postponing purchases until new models are introduced and other reasons. Therefore, both the mobile phone market and computer market cooled. In addition, although sales of digital still cameras recovered from the impact of the earthquake in Japan and flooding in Thailand, sales of compact cameras fell due to the introduction of smartphones. As for flat-screen TVs, sales failed to recover as growth in demand leveled off. For these and other reasons, the consumer electronics market was weak. The market for products used in

cars slowed due to several developments including continuing weakness in overseas economies and the end to subsidies for the eco cars.

The above factors resulted in a 3.9% year-on-year increase in sales to 101,014 million yen, 16.7% year-on-year decrease in operating income to 3,220 million yen, and a 0.8% year-on-year increase in ordinary income to 3,278 million yen for the first half. Net income for the first half increased 35.1% year-on-year to 2,116 million yen due to 737 million yen of proceeds from sales of marketable securities and a 296 million yen loss on devaluation of investments in affiliated companies.

#### IC, Electronic Devices and Other Business

Sales of application specific standard products (ASSPs) for smartphones were firm as demand for smartphones rose. In the communication infrastructure market, not only were sales of programmable logic devices (PLDs) and ASSPs for LTE base stations firm, but sales of the same types of products used in communication facilities were strong as efforts were made to reinforce these types of facilities due to the spread of smartphones. On the other hand, demand for transmission system declined in North America. In the OA peripheral market, sales of ASSPs recovered due to the launch of a new business targeting printers; in the consumer electronics market, sales of analog ICs for digital still cameras were firm, but sales of ASSPs fell as demand for flat-screen TVs declined. As for the market for products used in cars, sales contracted as car manufacturers adjusted production for several reasons including the end of eco-car subsidies in Japan and a

slowdown in overseas economies, but sales of other products, particularly analog ICs, were firm. Furthermore, in the industrial equipment market, including FA and NC machine tools, orders for products such as PLDs and analog ICs contracted because of the slowdown in China's economy and the impact of efforts to restrain capital expenditures.

The above factors resulted in 92,878 million yen in sales, a 2.4% year-on-year increase, and 2,052 million yen in operating income, a 35.3% year-on-year decrease.

### Network Business

Sales of communication equipment and switchboards used in communication facilities were firm as a result of efforts to reinforce these facilities as the volume of communication traffic rose due to the spread of smartphones. In addition, amid growing interest in security, including that related to cyber attacks, there was an increase in large orders for security equipment from government offices and major corporations. Therefore, sales were firm overall.

The above factors resulted in 8,142 million yen in sales, a 24.6% year-on-year increase, and 1,230 million yen in operating income, a 36.4% year-on-year increase.

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 decreased 1,420 million yen compared with the end of the previous

consolidated fiscal year; net assets increased 1,077 million yen, and the capital adequacy ratio was 57.2%.

Cash outflow from operating activities was 8,005 million yen. While various items boosted the cash flow, including an increase of an income before income taxes and a decrease in notes and accounts receivable trade, various other items weighted down the cash flow, including an increase in inventories and a decrease in trade payable.

There was a net cash outflow from investing activities of 570 million yen due to an increase in disbursement of loans to affiliated companies and the purchases of property and equipment.

There was a net cash outflow from financing activities of 1,534 million yen due to the repayment of short-term loans and the payment of dividends among other factors.

As a result, cash and cash equivalents at the end of this first half were 13,783 million yen, a decrease of 10,438 million yen, compared with the end of the previous consolidated fiscal year.

## (3) Outlook for the Fiscal Year

There have been no changes in projections for consolidated earnings for the full fiscal year released on April 25, 2012. The Company will disclose information in a timely manner following the occurrence of facts that require disclosure.

## (4) Summary Information (Notes)

1. Changes in significant subsidiaries during the current quarter under review: None

2. Application of specific accounting treatment in the preparation of quarterly consolidated financial statements:

- Calculating tax expense:

Tax expenses are calculated by rationally estimating the effective tax rate after application of tax effect accounting to income before income taxes for the consolidated fiscal year which includes the current quarter under review, then multiplying income before income taxes by the estimated effective tax rate.

3. Changes in accounting policy, changes in accounting estimates, restatements:

- Changes in accounting policy that are difficult to distinguish from changes in accounting estimates

In accordance with the amendment to the Corporation Tax Act, effective from the first quarter of the consolidated fiscal year, the Company and its domestic consolidated subsidiaries have changed the depreciation method used for property and equipment acquired on or after April 1, 2012.

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, 2012	As of March 31, 2012
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	13,783	24,222
Notes & accounts receivable	35,987	37,148
Securities	259	616
Inventories	36,552	29,247
Other current assets	9,089	5,815
Allowance for doubtful accounts	(96)	(97)
<b>Total current assets</b>	<b>95,575</b>	<b>96,953</b>
<b>Fixed assets</b>		
Buildings and structures (Net)	3,019	3,063
Machinery, equipment and vehicles (Net)	20	19
Land	3,866	3,866
Other fixed assets (Net)	993	981
<b>Tangible assets</b>	<b>7,899</b>	<b>7,930</b>
Goodwill	1,426	1,541
Other	827	965
<b>Intangible assets</b>	<b>2,253</b>	<b>2,506</b>
<b>Investments and other assets</b>		
Investment in securities	2,568	2,187
Other	1,342	1,502
Allowance for doubtful accounts	(80)	(101)
<b>Investments and other assets</b>	<b>3,830</b>	<b>3,588</b>
<b>Total fixed assets</b>	<b>13,983</b>	<b>14,025</b>
<b>Total Assets</b>	<b>109,559</b>	<b>110,979</b>

(Millions of yen)

	As of September 30, 2012	As of March 31, 2012
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes & accounts payable	19,367	21,055
Short-term loans payable	4,500	4,000
Accrued income taxes	1,292	1,210
Accrued bonuses	1,241	1,279
Other current liabilities	8,835	8,752
<b>Total current liabilities</b>	<b>35,237</b>	<b>36,298</b>
<b>Long-term liabilities</b>		
Long-term debt	7,171	8,737
Accrued retirement benefits	2,618	2,518
Retirement benefits for directors	430	420
Other current liabilities	299	279
<b>Total long-term liabilities</b>	<b>10,519</b>	<b>11,956</b>
<b>Total Liabilities</b>	<b>45,757</b>	<b>48,255</b>
<b>Shareholders Equity</b>		
Paid-in capital	11,194	11,194
Additional paid-in capital	19,476	19,476
Retained earnings	34,887	33,125
Treasury stock	(1,089)	(1,089)
Total shareholders' equity	64,468	62,706
<b>Other comprehensive income</b>		
Unrealized holding gain on securities	285	562
Gain on deferred hedge	67	(330)
Translation adjustments	(2,164)	(1,436)
Total comprehensive income	(1,811)	(1,204)
Stock acquisition right	74	56
Minority interests	1,070	1,165
<b>Total Net Assets</b>	<b>63,802</b>	<b>62,724</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>109,559</b>	<b>110,979</b>



## 2. Consolidated Statements of Income

(Millions of yen)

	April 1 to September 30, 2012		April 1 to September 30, 2011
<b>Net sales</b>		<b>101,014</b>	<b>97,229</b>
Cost of sales		86,963	82,721
Gross profit		14,050	14,507
Selling, general & administrative expenses		10,830	10,643
<b>Operating income</b>		<b>3,220</b>	<b>3,864</b>
<b>Non-operating income</b>			
Interest income		16	12
Translation gain		117	—
Other		84	133
<b>Total non-operating income</b>		<b>219</b>	<b>145</b>
<b>Non-operating expenses</b>			
Interest paid		35	124
Loss on transfer of receivables		93	95
Other		31	537
<b>Total non-operating expenses</b>		<b>160</b>	<b>757</b>
<b>Ordinary income</b>		<b>3,278</b>	<b>3,252</b>
<b>Extraordinary income</b>			
Proceeds from sales of marketable securities		737	36
Other		—	0
<b>Total extraordinary income</b>		<b>737</b>	<b>36</b>
<b>Extraordinary losses</b>			
Loss on valuation of shares of affiliated companies		16	420
Loss on sales of shares in affiliated companies		41	—
Loss on devaluation of investments in affiliated companies		296	—
Other		14	23
<b>Total extraordinary losses</b>		<b>368</b>	<b>443</b>
<b>Income before income taxes</b>		<b>3,647</b>	<b>2,845</b>
Corporate, inhabitant and enterprise taxes		1,495	1,253
<b>Total corporate tax etc.</b>		<b>1,495</b>	<b>1,253</b>
<b>Income before minority interests</b>		<b>2,151</b>	<b>1,592</b>
<b>Minority interests</b>		<b>35</b>	<b>25</b>
<b>Net income</b>		<b>2,116</b>	<b>1,566</b>

	April 1 to September 30, 2012		April 1 to September 30, 2011	
<b>Income before minority interests</b>		<b>2,151</b>		<b>1,592</b>
<b>Other comprehensive income</b>				
Unrealized holding gain on securities		(277)		(22)
Gain(loss) on deferred hedge		397		136
Translation adjustments		(788)		(1,226)
<b>Total comprehensive income</b>		<b>(667)</b>		<b>(1,112)</b>
<b>Comprehensive income</b>		<b>1,484</b>		<b>479</b>
(Breakdown of comprehensive income)				
Comprehensive income attributable to the shareholders of the parent company		1,508		577
Comprehensive income attributable to minority shareholders		(24)		(97)

### 3. Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 – Sept 30, 2012	April 1 – Sept 30, 2011
<b>1. Operating activities</b>		
Income before income taxes	3,647	2,845
Depreciation and amortization	590	582
Interest and dividend income	(16)	(12)
Interest expense	35	124
Decrease (increase) in notes and accounts receivable trade	801	(2,340)
Decrease (increase) in inventories	(7,666)	3,778
Increase (decrease) in trade payable	(1,570)	6,741
Other	(2,566)	210
<b>Sub-total</b>	<b>(6,743)</b>	<b>11,929</b>
Interest and dividends received	15	22
Interest paid	(36)	(139)
Corporate tax Payment (refund)	(1,241)	(1,630)
<b>Net cash provided by (used in) operating activities</b>	<b>(8,005)</b>	<b>10,182</b>
<b>2. Investing Activities</b>		
Purchases of securities	(123)	(198)
Proceeds from sales of securities	456	107
Disbursement of loans	(1,538)	(50)
Proceeds from collection of loans	1,307	122
Purchases of property and equipment	(396)	(326)
Purchases of intangible assets	(85)	(85)
Proceeds from sales of marketable securities	17	54
Purchases of shares of affiliated companies	(204)	(509)
Other	(3)	4
<b>Net cash provided by (used in) investing activities</b>	<b>(570)</b>	<b>(881)</b>

(Millions of yen)

	April 1 – Sept 30, 2012	April 1 – Sept 30, 2011
<b>3. Financing activities</b>		
Change in short-term loans	(1,000)	(32)
Cash dividends paid	(354)	(266)
Cash dividends paid to minority shareholders	(33)	—
Other	(146)	(56)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,534)</b>	<b>(355)</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>(328)</b>	<b>(738)</b>
<b>5. Net increase (decrease) in cash and cash equivalents</b>	<b>(10,438)</b>	<b>8,207</b>
<b>6. Cash and cash equivalents at beginning of the year</b>	<b>24,222</b>	<b>11,910</b>
<b>7. Increase in cash and cash equivalents due to the increase of newly consolidated subsidiaries</b>	<b>—</b>	<b>66</b>
<b>8. Cash and cash equivalents at year end</b>	<b>13,783</b>	<b>20,184</b>

### III. Notes regarding Going Concern

None

### IV. Segment Information

#### 1. Information concerning sales and profit or loss amounts by reportable segment

**Current Consolidated First Half – (April 1, 2012 – September 30, 2012)**

*(Millions of yen)*

	Segment			Other	Total
	IC, electronic devices and other business	Network business	Sub-total		
Sales					
(1) Sales to external customers	92,878	8,135	101,014	—	101,014
(2) Internal sales or transfers between segments	—	6	6	—	6
Total	92,878	8,142	101,020	—	101,020
Operating income by segment	2,052	1,230	3,283	—	3,283

**Previous Consolidated First Half – (April 1, 2011 – September 30, 2011)**

*(Millions of yen)*

	Segment			Other	Total
	IC, electronic devices and other business	Network business	Sub-total		
Sales					
(1) Sales to external customers	90,692	6,537	97,229	—	97,229
(2) Internal sales or transfers between segments	—	0	0	—	0
Total	90,692	6,537	97,229	—	97,229
Operating income by segment	3,171	902	4,073	—	4,073

**2. Difference between the aggregate amount of the profit or loss of a reportable segment and the amount posted in the consolidated quarterly consolidated statement of income and major descriptions of the said difference (difference adjustments and related matters)**

**Current Consolidated First Half – (April 1, 2012 – September 30, 2012)** *(Millions of yen)*

Income	Amount
Total segment income	3,283
Elimination of intersegment income	91
Corporate-wide expenses	(154)
Operating income in the consolidated statements of income	3,220

Note:

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

**Previous Consolidated First Half – (April 1, 2011 – September 30, 2011)** *(Millions of yen)*

Income	Amount
Total segment income	4,073
Elimination of intersegment income	67
Corporate-wide expenses	(276)
Operating income in the consolidated statements of income	3,864

Note:

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

**3. Disclosure of changes, etc. in reportable segments**

In accordance with the amendment to the Corporation Tax Act, effective from the first quarter of the consolidated fiscal year, the Company and its domestic consolidated subsidiaries have changed the depreciation method used for property and equipment acquired on or after April 1, 2012. The Company has also changed the depreciation method used for reportable segments accordingly.

This change has minor effect on the segment profit.

**V. Significant Change in Shareholder's Equity**

None