

SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the First Half Ended September 30, 2013

Presented October 28, 2013

MACNICA, Inc.

| | |
|---|--|
| Listed Exchanges | Tokyo Stock Exchange |
| Stock Code | 7631 |
| Head Office | Kanagawa Prefecture |
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| Expected date of Quarterly Financial Report submission | November 14, 2013 |
| Scheduled dividend payment date | December 3, 2013 |
| 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, 2014 –

(April 1, 2013 to September 30, 2013)

(1) Consolidated Operating Results

(Millions of yen)

| | April 1 to September 30, 2013 | | April 1 to September 30, 2012 | |
|--|-------------------------------|----------|-------------------------------|----------|
| | Amount | % Change | Amount | % Change |
| Net Sales | 124,525 | 23.3 | 101,014 | 3.9 |
| Operating Income | 4,162 | 29.3 | 3,220 | (16.7) |
| Ordinary Income | 5,586 | 70.4 | 3,278 | 0.8 |
| Net Income | 3,743 | 76.9 | 2,116 | 35.1 |
| Net Income per Share (yen) | 211.46 | | 119.53 | |
| Potential post-adjustment net income value per share (yen) | 210.91 | | — | |

(2) Consolidated Financial Position

(Millions of yen)

| | As of September 30, 2013 | As of March 31, 2013 |
|----------------------|--------------------------|----------------------|
| Total Assets | 131,891 | 115,315 |
| Shareholders' Equity | 71,821 | 67,186 |
| Equity Ratio (%) | 53.4 | 57.1 |

Equity (consolidated): End of first half, FY2014: 70,409 million yen; End of FY2013: 65,819 million yen

2. Dividends

| | April 1 to March 31, | | |
|----------------------------------|----------------------|-------|-----------------|
| | 2014 | 2013 | 2014 (forecast) |
| Annual Dividends per Share (yen) | — | 40.00 | 60.00 |
| First Quarter (yen) | — | — | — |
| Mid Term (yen) | 30.00 | 20.00 | — |
| Third Quarter (yen) | — | — | — |
| End of Term (yen) | — | 20.00 | 30.00 |

Note: Revisions to dividend forecast in the quarter: Yes

3. Consolidated Profit Forecast for the Year Ending March 31, 2014

| | Millions of yen | |
|----------------------------|----------------------------|-------|
| | Year Ending March 31, 2014 | |
| Net Sales | 224,100 | 14.1% |
| Operating Income | 7,630 | 32.8% |
| Ordinary Income | 8,600 | 51.2% |
| Net Income | 5,550 | 65.7% |
| Net income per share (yen) | 313.51 | |

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 6 for the details.)
- (3) Changes in accounting policy, changes in accounting estimates, restatements:
 - (i) Changes in accounting policy due to revisions of accounting standards: None
 - (ii) Changes other than those in (i) above in accounting policy: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements: None
- (4) Number of outstanding shares (common shares)
 - (i) Number of shares issued and outstanding at end of period (including treasury stock)

| | | | |
|--------------------|-------------------|-----------------------|-------------------|
| First Half FY2014: | 18,110,252 shares | End Fiscal Year 2013: | 18,110,252 shares |
|--------------------|-------------------|-----------------------|-------------------|
 - (ii) Number of shares of treasury stock issued and outstanding at end of period

| | | | |
|--------------------|----------------|-----------------------|----------------|
| First Half FY2014: | 407,402 shares | End Fiscal Year 2013: | 407,215 shares |
|--------------------|----------------|-----------------------|----------------|
 - (iii) Average number of treasury stock during the period

| | | | |
|--------------------|-------------------|--------------------|-------------------|
| First Half FY2014: | 17,702,952 shares | First Half FY2013: | 17,703,289 shares |
|--------------------|-------------------|--------------------|-------------------|

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 6 for further information concerning the forecasts.

I. Business Results and Financial Position

1. Business Results

(1) Consolidated First Half Overview

During the second quarter of the current fiscal year, the Japanese economy saw stronger effects of the lower yen and stronger exports, mainly to the US, on an improvement in overseas economic conditions. In addition to a better export environment, production activities trended toward recovery, mainly in manufacturing businesses, thanks to strong domestic demand from higher levels of public investment, among other things. The lower yen brought a stronger expectation of higher profitability, while economic recovery spurred industry to return to an investment mindset. Investment in facilities gained traction as a result. As for personal consumption, consumer sentiment was turning positive as share values rise, making assets more effective.

The Smartphone market have continued growing in the electronics industry to which our business belongs. Although business PCs replacement demand has materialized, demand for tablet PCs and other mobile devices continues to adversely impact business conditions for traditional PCs. In the personal devices market, we have felt the impact of production cutbacks with lower demand for compact digital still cameras and thin-screen TVs, and these markets have become stagnant. Automobile markets have been recovering nicely and have gained momentum, especially for the United States. The export market of factory production machinery became steadily, and production activities were headed toward recovery as a result.

The above factors resulted in a 23.3% year-on-year increase in sales to 124,525 million yen and 29.3% year-on-year increase in operating income to 4,162 million yen. Ordinary income increased 70.4% year-on-year to 5,586 million yen, with the profit on currency exchange of 1,475 million yen. Net income for the first half increased 76.9% year-on-year to 3,743 million yen.

IC, Electronic Devices and Other Business

In terms of our own business, growing demand for smartphone is leading to a continuing increase of brisk demand for ASSPs for smartphones. Stronger demand has been apparent for related LTE base stations and communication facilities that are needed when facilities have been upgraded, as well as for wireline networks in the US. PLD and ASSPs for the communications infrastructure market have been steadily. Existing business for liquid crystal panels and other components for the computer market was ending and was slumping due to the falloff of PC demand. In the consumer products market, while some digital still cameras and thin-screen TVs were affected by production adjustments, however are up overall thanks to expansion of business franchise. The automobile market was experiencing brisk demand and our business became stronger with additional new business of analog ICs. In the industrial equipment market, PLDs and analog ICs are in good shape overall.

The above factors resulted in 115,822 million yen in sales, a 24.7% year-on-year increase, and 3,173 million yen in operating income, a 54.6% year-on-year increase.

Network Business

Demand has reversed for communication systems used in communication facilities that are needed to support increasing use of smart phones. However, a recovery trend is evident, behind which are new model launches and special-purpose demand. Furthermore, there is growth in network systems and security-related systems for government agencies and technology companies. There is strength in security related equipment and security software for industry, primarily for countermeasures against targeted attacks.

The above factors resulted in 8,708 million yen in sales, a 7.0% year-on-year increase, and 1,061 million yen in operating income, a 13.8% year-on-year decrease.

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

(2) Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets as of the end of the first half of the current fiscal year increased 16,576 million yen to 131,891 million yen, compared with the end of the previous consolidated fiscal year.

Current assets increased 16,474 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to the increase of 9,440 million yen in notes & accounts receivable, and the increase of 8,346 million yen in inventories.

Fixed assets increased 101 million yen compared with the end of the previous consolidated fiscal year.

Current liabilities increased 13,731 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to the increase of 6,919 million yen in notes & accounts payable, the increase of 3,000 million yen in short-term loans payable and the increase of 2,594 million yen in other current liabilities.

Long-term liabilities decreased 1,790 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to the decrease of 1,942 million yen in long-term debt.

Net assets increased 4,634 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to the increase of 3,327 million yen in retained earnings and the increase of 783 million yen in currency exchange.

Status of cash flow

Cash and cash equivalents at year end recorded 14,447 million yen, with a 1 million yen due to the increase of newly consolidated subsidiaries. This is a decrease of 2,642 million yen from 17,089 million yen at the end of the previous consolidated fiscal year.

Cash outflow from operating activities was 2,825 million yen, compared with 8,005 million yen from the same period of the previous consolidated fiscal year. While various items boosted the cash flow, including a 5,722 million yen of an income before income taxes and an increase in trade payable, various other items weighted down the cash flow, including an increase in notes and accounts receivable trade and an increase in inventories.

There was a net cash outflow from investing

activities of 567 million yen, compared with 570 million yen from the same period of the previous consolidated fiscal year. This is due to the purchases of property and equipment and the purchases of intangible assets.

There was a net cash inflow from financing activities of 581 million yen, compared with an outflow of 1,534 million yen from the same period of the previous consolidated fiscal year. While various other items weighted down the cash flow, including a decrease in repayment of long-term debt, various items boosted the cash flow, including an increase in short-term loans.

(3) Outlook for the Fiscal Year

There have been no changes in projections for consolidated earnings for the full fiscal year released on July 25, 2013. 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.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

| | As of September 30, 2013 | As of March 31, 2013 |
|---|--------------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 14,447 | 17,088 |
| Notes & accounts receivable | 47,344 | 37,904 |
| Inventories | 46,033 | 37,686 |
| Other current assets | 9,844 | 8,521 |
| Allowance for doubtful accounts | (112) | (118) |
| Total current assets | 117,557 | 101,083 |
| Fixed assets | | |
| Buildings and structures (Net) | 2,558 | 2,536 |
| Machinery, equipment and vehicles (Net) | 15 | 17 |
| Land | 3,558 | 3,557 |
| Other fixed assets (Net) | 1,402 | 1,385 |
| Tangible assets | 7,535 | 7,497 |
| Goodwill | 1,197 | 1,312 |
| Other | 831 | 863 |
| Intangible assets | 2,029 | 2,175 |
| Investments and other assets | | |
| Investment in securities | 2,793 | 2,670 |
| Other | 2,060 | 1,965 |
| Allowance for doubtful accounts | (85) | (77) |
| Investments and other assets | 4,769 | 4,559 |
| Total fixed assets | 14,333 | 14,232 |
| Total Assets | 131,891 | 115,315 |

(Millions of yen)

| | As of September 30, 2013 | As of March 31, 2013 |
|---|--------------------------|----------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Notes & accounts payable | 28,105 | 21,185 |
| Short-term loans payable | 7,500 | 4,500 |
| Accrued income taxes | 1,800 | 1,129 |
| Accrued bonuses | 1,728 | 1,181 |
| Other current liabilities | 12,162 | 9,568 |
| Total current liabilities | 51,296 | 37,565 |
| Long-term liabilities | | |
| Long-term debt | 4,475 | 6,418 |
| Accrued retirement benefits | 3,148 | 3,022 |
| Retirement benefits for directors | 449 | 440 |
| Other current liabilities | 700 | 683 |
| Total long-term liabilities | 8,773 | 10,563 |
| Total Liabilities | 60,070 | 48,129 |
| Shareholders Equity | | |
| Paid-in capital | 11,194 | 11,194 |
| Additional paid-in capital | 19,476 | 19,476 |
| Retained earnings | 39,092 | 35,765 |
| Treasury stock | (1,090) | (1,090) |
| Total shareholders' equity | 68,672 | 65,346 |
| Other comprehensive income | | |
| Unrealized holding gain on securities | 251 | 192 |
| Gain on deferred hedge | (202) | (622) |
| Translation adjustments | 1,686 | 903 |
| Total comprehensive income | 1,736 | 473 |
| Stock acquisition right | 92 | 92 |
| Minority interests | 1,319 | 1,274 |
| Total Net Assets | 71,821 | 67,186 |
| Total Liabilities & Net Assets | 131,891 | 115,315 |

2. Consolidated Statements of Income

(Millions of yen)

| | April 1 to September 30, 2013 | | April 1 to September 30, 2012 |
|--|-------------------------------|----------------|-------------------------------|
| Net sales | | 124,525 | 101,014 |
| Cost of sales | | 107,922 | 86,963 |
| Gross profit | | 16,602 | 14,050 |
| Selling, general & administrative expenses | | 12,439 | 10,830 |
| Operating income | | 4,162 | 3,220 |
| Non-operating income | | | |
| Interest income | | 28 | 16 |
| Foreign currency transaction gain | | 1,475 | 117 |
| Other | | 89 | 84 |
| Total non-operating income | | 1,593 | 219 |
| Non-operating income | | | |
| Interest paid | | 47 | 35 |
| Loss on transfer of receivables | | 82 | 93 |
| Other | | 39 | 31 |
| Total non-operating expenses | | 169 | 160 |
| Ordinary income | | 5,586 | 3,278 |
| Extraordinary income | | | |
| Proceeds from sales of fixed assets | | 5 | — |
| Proceeds from sales of marketable securities | | 135 | 737 |
| Total extraordinary income | | 140 | 737 |
| Extraordinary losses | | | |
| Loss on disposal of fixed assets | | 5 | 7 |
| Loss on valuation of shares of affiliated companies | | — | 16 |
| Loss on sales of shares in affiliated companies | | — | 41 |
| Loss on devaluation of investments in affiliated companies | | — | 296 |
| Other | | — | 7 |
| Total extraordinary losses | | 5 | 368 |
| Income before income taxes | | 5,722 | 3,647 |
| Corporate, inhabitant and enterprise taxes | | 1,955 | 1,495 |
| Total corporate tax etc. | | 1,955 | 1,495 |
| Income before minority interests | | 3,766 | 2,151 |
| Minority interests | | 22 | 35 |
| Net income | | 3,743 | 2,116 |

| | April 1 to September 30, 2013 | | April 1 to September 30, 2012 |
|---|-------------------------------|--------------|-------------------------------|
| Income before minority interests | | 3,766 | 2,151 |
| Other comprehensive income | | | |
| Unrealized holding gain on securities | | 58 | (277) |
| Gain(loss) on deferred hedge | | 420 | 397 |
| Translation adjustments | | 847 | (788) |
| Total comprehensive income | | 1,327 | (667) |
| Comprehensive income | | 5,093 | 1,484 |
| (Breakdown of comprehensive income) | | | |
| Comprehensive income attributable to the shareholders of the parent company | | 5,006 | 1,508 |
| Comprehensive income attributable to minority shareholders | | 87 | (24) |

3. Consolidated Statements of Cash Flow

(Millions of yen)

| | April 1 – Sept 30, 2013 | April 1 – Sept 30, 2012 |
|--|-------------------------|-------------------------|
| 1. Operating activities | | |
| Income before income taxes | 5,722 | 3,647 |
| Depreciation and amortization | 514 | 590 |
| Interest and dividend income | (35) | (16) |
| Interest expense | 47 | 35 |
| Decrease (increase) in notes and accounts receivable trade | (8,938) | 801 |
| Decrease (increase) in inventories | (7,535) | (7,666) |
| Increase (decrease) in trade payable | 5,870 | (1,570) |
| Other | 2,834 | (2,566) |
| Sub-total | (1,520) | (6,743) |
| Interest and dividends received | 13 | 15 |
| Interest paid | (43) | (36) |
| Corporate tax Payment (refund) | (1,275) | (1,241) |
| Net cash provided by (used in) operating activities | (2,825) | (8,005) |
| 2. Investing Activities | | |
| Purchases of securities | — | (123) |
| Proceeds from sales of securities | — | 456 |
| Disbursement of loans | (3,597) | (1,538) |
| Proceeds from collection of loans | 3,521 | 1,307 |
| Purchases of property and equipment | (319) | (396) |
| Purchases of intangible assets | (218) | (85) |
| Purchases of marketable securities | (19) | — |
| Proceeds from sales of marketable securities | 19 | 17 |
| Purchases of shares of affiliated companies | (0) | (204) |
| Other | 46 | (3) |
| Net cash provided by (used in) investing activities | (567) | (570) |

(Millions of yen)

| | April 1 – Sept 30, 2013 | April 1 – Sept 30, 2012 |
|--|-------------------------|-------------------------|
| 3. Financing activities | | |
| Change in short-term loans | 2,500 | (1,000) |
| Repayment of long-term debt | (1,500) | — |
| Cash dividends paid | (354) | (354) |
| Cash dividends paid to minority shareholders | (42) | (33) |
| Other | (22) | (146) |
| Net cash provided by (used in) financing activities | 581 | (1,534) |
| 4. Effect of exchange rate changes on cash and cash equivalents | 168 | (328) |
| 5. Net increase (decrease) in cash and cash equivalents | (2,642) | (10,438) |
| 6. Cash and cash equivalents at beginning of the year | 17,089 | 24,222 |
| 7. Increase in cash and cash equivalents due to the increase of newly consolidated subsidiaries | 1 | — |
| 8. Cash and cash equivalents at year end | 14,447 | 13,783 |

III. Notes regarding Going Concern

None

IV. Significant Change in Shareholder's Equity

None

V. Segment Information

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

Current Consolidated First Half – (April 1, 2013 – September 30, 2013)

(Millions of yen)

| | Segment | | | Other | Total |
|--|---|------------------|-----------|-------|---------|
| | IC, electronic devices and other business | Network business | Sub-total | | |
| Sales | | | | | |
| (1) Sales to external customers | 115,822 | 8,702 | 124,525 | — | 124,525 |
| (2) Internal sales or transfers between segments | — | 6 | 6 | — | 6 |
| Total | 115,822 | 8,708 | 124,531 | — | 124,531 |
| Operating income by segment | 3,173 | 1,061 | 4,234 | — | 4,234 |

Previous 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 |

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, 2013 – September 30, 2013) *(Millions of yen)*

| Income | Amount |
|---|--------|
| Total segment income | 4,234 |
| Elimination of intersegment income | 98 |
| Corporate-wide expenses | (169) |
| Operating income in the consolidated statements of income | 4,162 |

Note:

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

Previous 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.