

## SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the Third Quarter Ended December 31, 2013

Presented January 27, 2014

MACNICA, Inc.

Listed exchanges	Tokyo Stock Exchange
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### 1. Financial Results for the Third Quarter of Fiscal Year Ended December 31, 2013 - (April 1, 2013 to December 31, 2013)

#### (1) Consolidated Operating Results

(Millions of yen)

	April 1 to December 31, 2013		April 1 to December 31, 2012	
	Amount	% Change	Amount	% Change
Net sales	190,486	27.8	149,073	4.1
Operating income	6,343	35.2	4,691	(13.6)
Ordinary income	9,087	126.5	4,011	(26.1)
Net income	5,735	116.0	2,655	(0.7)
Net income per share (yen)	323.98		149.99	
Potential post-adjustment net income value per share (yen)	322.91		—	

Comprehensive income: End of third quarter, FY2014: 8,818 million yen (173.3%); End of third quarter, FY2013: 3,227 million yen (84.0%)

#### (2) Consolidated Financial Position

(Millions of yen)

	As of December 31, 2013	As of March 31, 2013
Total Assets	135,190	115,315
Shareholders' Equity	75,011	67,186
Equity Ratio (%)	54.4	57.1

Equity (consolidated): End of third quarter, FY2014: 73,490 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
End of term (yen)	—	20.00	30.00
Third quarter (yen)	—	—	—
Mid term (yen)	30.00	20.00	—
First quarter (yen)	—	—	—

Note: Revisions to dividend forecast in the quarter: None

## 3. Consolidated Forecast for the Year Ending March 31, 2014 - (April 1, 2013 - March 31, 2014)

	Millions of yen	
	Year Ending March 31, 2014	
Net sales	252,000	28.3%
Operating income	8,650	50.5%
Ordinary income	10,800	89.8%
Net income	6,000	79.2%
Net income per share (yen)	338.93	

Note: Revisions to financial forecast in the quarter: Yes

## 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 6 for the details.)
- (3) Change in accounting policy, change in accounting estimates and restatement
  - (i) Changes accompanying amendments to accounting standards: None
  - (ii) Changes other than those in (i) above: None
  - (iii) Change in accounting estimates: None
  - (iv) Restatement: None
- (4) Number of outstanding shares (common shares)
  - (i) Number of shares issued and outstanding at end of period (including treasury stock)
 

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

Third Quarter FY2014:	407,477 shares	End Fiscal Year 2013:	407,215 shares
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  - (iii) Average number of treasury stock during the period
 

Third Quarter FY2014:	17,702,914 shares	Third Quarter FY2013:	17,703,254 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 6 for further information concerning the forecasts.

## I. 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 Japanese economy saw its exports remain firm, led by a recovery in overseas economy and a pushed up effect of weak yen taking hold, and further saw its domestic demand remain strong due to an increase in public spending. Rising demand, both domestic and international, sparked a pick-up in manufacturing and other activity, and the improvement was seen in corporate investor sentiment, which led capital expenditures to trend towards recovery. Consumer spending remained strong, reflecting improved consumer mindset, backed up by favorable company earnings, high stock prices, and the improvement in employment situation, as well as rush demand before the sales tax hike.

In our own industry of electronics, the market for mobile computing-related products, such as smartphones and tablet PCs, continued to remain strong, and was a driving force for the mobile phones and computer markets. Consumer electronics market, on the other hand, stagnated as the demand for compact digital cameras remained flat with the rise of smartphones, and flat-screen TVs were affected by production adjustment due to a decline in demand. Automobile market was favorable in US and remained strong in Japan as the rush demand before the sales tax hike materialized. Industrial equipment market tended towards recovery with domestic and overseas economy recovering; export environment improving; and production activities picking up.

These factors resulted in a 27.8% year-on-year increase in sales to 190,486 million yen, a 35.2% year-on-year increase in operating income to 6,343 million yen, a 126.5% year-on-year increase in ordinary income to 9,087 million yen due to a 2,822 million yen of foreign exchange rates, and a 116.0% year-on-year increase in net income to 5,735 million yen.

#### IC, Electronic Devices and Other Business

The Group's business in the mobile phone market trended downward due to the termination of a part of its smartphone businesses. Meanwhile, the demand for smartphones continues to drive the upward momentum and pushes for facility expansion, which led to strong sales in LTE base stations, programmable logic devices (PLDs) and application specific standard products (ASSPs). While some analog ICs for compact digital cameras were affected by production adjustment, sales in the consumer electronics market remained strong with business franchise expanding for other consumer electronics products. The automobile market saw the sales of analog ICs and others expand at a steady pace, supported by new businesses in addition to a good demand environment. In the industrial equipment market, sales for products such as PLDs and analog ICs were well overall as the slowdown in China's economy has reversed.

As a result, sales in the business were 176,520 million yen, a 28.8% year-on-year increase, and operating income was 4,855 million yen, a year-on-year increase of 69.3%.

### Network Business

The network business saw its demand reversed for communication equipment used in communication facilities with the spread of smartphones. There was growth in demand, however, in network systems and security-related systems - such as countermeasures against targeted attacks - for government agencies and technology companies. Overall, sales were strong as both security software for industry and new products grew.

Resulting sales in this business were 13,992 million yen, a 16.4% year-on-year increase, and operating income was 1,775 million yen, a 7.0% year-on-year decrease.

Note: Figures above do not include consumption tax.

## 2. Consolidated Financial Position

### Assets, Liabilities and Net Assets

Total assets as of the end of the first three quarters of the fiscal year recorded 135,190 million yen, an increase of 19,875 million yen compared with the end of the previous consolidated fiscal year.

Current assets increased 20,072 million yen, compared with the end of the previous consolidated fiscal year. This is mainly due to an increase of 12,134 million yen in notes and accounts receivable, and an increase of 7,501 million yen in inventories.

Fixed assets decreased 197 million yen, compared with the end of the previous consolidated fiscal year; current liabilities increased 16,566 million yen. This is mainly due to an increase of 7,074 million yen in notes and accounts payable, an increase of

4,000 million yen in short-term loans payable, and an increase of 4,348 million yen in other current liabilities.

Long-term liabilities decreased 4,517 million yen, compared with the end of the previous consolidated fiscal year. This is mainly due to a decrease of 4,828 million yen in long-term debt.

Net assets increased 7,825 million yen, compared with the end of the previous consolidated fiscal year. This is mainly due to an increase of 4,787 million yen in retained earnings, and an increase of 2,340 million yen in translation adjustments.

### Cash Flows

Cash and cash equivalents as of the end of the first three quarters of the fiscal year was 14,608 million yen, including an increase of 1 million yen from newly consolidated subsidiaries. This was a decrease of 2,482 million yen from 17,089 million yen as of the end of the previous consolidated fiscal year.

Cash outflow from operating activities was 84 million yen, a year-on-year decrease of 3,222 million yen. While various items boosted the cash flow, including an increase of 8,938 million yen in 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 1,203 million yen, a year-on-year decrease of 1,510 million yen, due to purchases of property and equipment and disbursement of

loans.

There was a net cash outflow from financing activities of 1,961 million yen, a year-on-year decrease of 2,833 million yen. While various items boosted the cash flow, including an increase in short-term loans, various other items weighted down the cash flow, including a decrease in repayment of long-term debt.

### 3. Outlook for the Fiscal Year

In our own industry of electronics, there is a trend towards recovery overall. The automobile and industrial equipment markets remain strong, supported by an increase in capital investment in the telecommunication infrastructure market with the rise of smartphones, and an improvement in the exports environment with rising domestic and international demand. The Macnica Group achieved a good business performance for the first three quarters of the fiscal year. Taking into consideration the business environment and the financial position, the Group has revised full-year earnings forecast for the fiscal year ending March 31, 2014.

### 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 quarter, and then the tax expense is calculated by multiplying the net income before income taxes by the estimated effective tax rate.

## II. Consolidated Financial Statements

### 1. Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2013	As of March 31, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	14,608	17,088
Notes & accounts receivable	50,039	37,904
Inventories	45,188	37,686
Other current assets	11,456	8,521
Allowance for doubtful accounts	(137)	(118)
<b>Total current assets</b>	<b>121,155</b>	<b>101,083</b>
<b>Fixed assets</b>		
Buildings and structures (Net)	2,530	2,536
Machinery, equipment and vehicles (Net)	14	17
Land	3,558	3,557
Other fixed assets (Net)	1,426	1,385
<b>Tangible assets</b>	<b>7,530</b>	<b>7,497</b>
Goodwill	1,140	1,312
Other	805	863
<b>Intangible assets</b>	<b>1,946</b>	<b>2,175</b>
<b>Investments and other assets</b>		
Investment in securities	2,744	2,670
Other	1,887	1,965
Allowance for doubtful accounts	(73)	(77)
<b>Investments and other assets</b>	<b>4,558</b>	<b>4,559</b>
<b>Total fixed assets</b>	<b>14,035</b>	<b>14,232</b>
<b>Total Assets</b>	<b>135,190</b>	<b>115,315</b>

(Millions of yen)

	As of December 31, 2013	As of March 31, 2013
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes & accounts payable	28,259	21,185
Short-term loans payable	8,500	4,500
Accrued income taxes	2,167	1,129
Accrued bonuses	1,276	1,181
Reserve for bonuses to directors	10	—
Other current liabilities	13,917	9,568
<b>Total current liabilities</b>	<b>54,132</b>	<b>37,565</b>
<b>Long-term liabilities</b>		
Long-term debt	1,590	6,418
Accrued retirement benefits	3,208	3,022
Retirement benefits for directors	454	440
Other current liabilities	793	683
<b>Total long-term liabilities</b>	<b>6,046</b>	<b>10,563</b>
<b>Total Liabilities</b>	<b>60,178</b>	<b>48,129</b>
<b>Shareholders Equity</b>		
Paid-in capital	11,194	11,194
Additional paid-in capital	19,476	19,476
Retained earnings	40,553	35,765
Treasury stock	(1,091)	(1,090)
Total shareholders' equity	70,133	65,346
<b>Other comprehensive income</b>		
Unrealized holding gain on securities	324	192
Gain on deferred hedge	(211)	(622)
Translation adjustments	3,244	903
Total comprehensive income	3,357	473
Stock acquisition right	92	92
Minority interests	1,428	1,274
<b>Total Net Assets</b>	<b>75,011</b>	<b>67,186</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>135,190</b>	<b>115,315</b>



## 2. Consolidated Statements of Income

(Millions of yen)

	April 1 to December 31, 2013		April 1 to December 31, 2012
<b>Net sales</b>		<b>190,486</b>	<b>149,073</b>
Cost of sales		165,141	128,069
Gross profit		25,345	21,003
Selling, general & administrative expenses		19,002	16,311
<b>Operating income</b>		<b>6,343</b>	<b>4,691</b>
<b>Non-operating income</b>			
Interest income		29	23
Foreign currency transaction gain		2,822	—
Other		127	123
<b>Total non-operating income</b>		<b>2,980</b>	<b>147</b>
<b>Non-operating income</b>			
Interest paid		60	55
Loss on transfer of receivables		126	131
Foreign currency transaction loss		—	592
Other		48	47
<b>Total non-operating expenses</b>		<b>236</b>	<b>827</b>
<b>Ordinary income</b>		<b>9,087</b>	<b>4,011</b>
<b>Extraordinary income</b>			
Proceeds from sales of fixed assets		5	—
Proceeds from sales of marketable securities		154	738
Other		—	1
<b>Total extraordinary income</b>		<b>160</b>	<b>739</b>
<b>Extraordinary losses</b>			
Loss on disposal of fixed assets		31	17
Loss on valuation of shares of affiliated companies		145	16
Loss on sales of shares in affiliated companies		—	41
Loss on devaluation of investments in affiliated companies		131	296
Other		—	92
<b>Total extraordinary losses</b>		<b>308</b>	<b>464</b>
<b>Income before income taxes</b>		<b>8,938</b>	<b>4,286</b>
Corporate, inhabitant and enterprise taxes		3,153	1,593
<b>Total corporate tax etc.</b>		<b>3,153</b>	<b>1,593</b>
<b>Income before minority interests</b>		<b>5,785</b>	<b>2,692</b>
<b>Minority interests</b>		<b>50</b>	<b>37</b>
<b>Net income</b>		<b>5,735</b>	<b>2,655</b>

	April 1 to December 31, 2013		April 1 to December 31, 2012	
<b>Income before minority interests</b>		<b>5,785</b>		<b>2,692</b>
<b>Other comprehensive income</b>				
Unrealized holding gain on securities		132		(264)
Gain(loss) on deferred hedge		410		(249)
Translation adjustments		2,489		1,047
<b>Total comprehensive income</b>		<b>3,032</b>		<b>534</b>
<b>Comprehensive income</b>		<b>8,818</b>		<b>3,227</b>
(Breakdown of comprehensive income)				
Comprehensive income attributable to the shareholders of the parent company		8,619		3,114
Comprehensive income attributable to minority shareholders		199		112

### 3. Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 – Dec 31, 2013	April 1 – Dec 31, 2012
<b>1. Operating activities</b>		
Income before income taxes	8,938	4,286
Depreciation and amortization	817	913
Interest and dividend income	(36)	(24)
Interest expense	60	55
Decrease (increase) in notes and accounts receivable trade	(10,242)	1,875
Decrease (increase) in inventories	(5,875)	(5,454)
Increase (decrease) in trade payable	5,663	(2,674)
Other	2,734	(134)
<b>Sub-total</b>	<b>2,059</b>	<b>(1,155)</b>
Interest and dividends received	24	22
Interest paid	(69)	(53)
Corporate tax payment (refund)	(2,098)	(2,035)
<b>Net cash provided by (used in) operating activities</b>	<b>(84)</b>	<b>(3,222)</b>
<b>2. Investing Activities</b>		
Purchases of securities	—	(123)
Proceeds from sales of securities	—	568
Disbursement of loans	(5,744)	(3,895)
Proceeds from collection of loans	5,341	2,926
Purchases of property and equipment	(510)	(547)
Purchases of intangible assets	(350)	(203)
Purchases of marketable securities	(19)	(3)
Proceeds from sales of marketable securities	66	32
Purchases of shares of affiliated companies	(2)	(210)
Investment in affiliated companies	(72)	(59)
Other	88	6
<b>Net cash provided by (used in) investing activities</b>	<b>(1,203)</b>	<b>(1,510)</b>

(Millions of yen)

	April 1 – Dec 30, 2013	April 1 – Dec 30, 2012
<b>3. Financing activities</b>		
Change in short-term loans	1,500	(2,000)
Repayment of long-term debt	(2,500)	—
Cash dividends paid	(883)	(705)
Cash dividends paid to minority shareholders	(42)	(33)
Other	(36)	(93)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,961)</b>	<b>(2,833)</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>767</b>	<b>485</b>
<b>5. Net increase (decrease) in cash and cash equivalents</b>	<b>(2,482)</b>	<b>(7,080)</b>
<b>6. Cash and cash equivalents at beginning of the year</b>	<b>17,089</b>	<b>24,222</b>
<b>7. Increase in cash and cash equivalents due to the increase of newly consolidated subsidiaries</b>	<b>1</b>	<b>—</b>
<b>8. Cash and cash equivalents at year end</b>	<b>14,608</b>	<b>17,141</b>

### III. Notes regarding Going Concern

None

### IV. Significant Change in Shareholder's Equity

None

### V. Segment Information

#### 1. Sales and profit by segment

**Current Consolidated Third Quarter – (April 1, 2013 – December 31, 2013)** *(Millions of yen)*

	Segment			Other	Total
	IC, electronic devices and other business	Network business	Sub-total		
Sales					
(1) Sales to external customers	176,520	13,966	190,486	—	190,486
(2) Internal sales or transfers between segments	—	26	26	—	26
Total	176,520	13,992	190,512	—	190,512
Operating income by segment	4,855	1,775	6,631	—	6,631

**Previous Consolidated Third Quarter – (April 1, 2012 – December 31, 2012)** *(Millions of yen)*

	Segment			Other	Total
	IC, electronic devices and other business	Network business	Sub-total		
Sales					
(1) Sales to external customers	137,082	11,990	149,073	—	149,073
(2) Internal sales or transfers between segments	—	27	27	—	27
Total	137,082	12,017	149,100	—	149,100
Operating income by segment	2,868	1,910	4,778	—	4,778

**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)**

**Current Consolidated Third Quarter – (April 1, 2013 – December 31, 2013)** *(Millions of yen)*

Income	Amount
Total segment income	6,631
Elimination of intersegment income	145
Corporate-wide expenses	(433)
Operating income in the consolidated statements of income	6,343

Note:

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

**Previous Consolidated Third Quarter – (April 1, 2012 – December 31, 2012)** *(Millions of yen)*

Income	Amount
Total segment income	4,778
Elimination of intersegment income	144
Corporate-wide expenses	(230)
Operating income in the consolidated statements of income	4,691

Note:

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