

SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the First Half Ended September 30, 2014

Presented October 27, 2014

MACNICA, Inc.

Listed Exchanges	Tokyo Stock Exchange
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Expected date of Quarterly Financial Report submission	November 14, 2014
Scheduled dividend payment date	December 2, 2014
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, 2015 –

(April 1, 2014 to September 30, 2014)

(1) Consolidated Operating Results

(Millions of yen)

	April 1 to September 30, 2014		April 1 to September 30, 2013	
	Amount	% Change	Amount	% Change
Net Sales	137,620	10.5	124,525	23.3
Operating Income	4,618	10.9	4,162	29.3
Ordinary Income	4,024	(28.0)	5,586	70.4
Net Income	2,778	(25.8)	3,743	76.9
Net Income per Share (yen)	156.71		211.46	
Potential post-adjustment net income value per share (yen)	155.87		210.91	

(2) Consolidated Financial Position

(Millions of yen)

	As of September 30, 2014	As of March 31, 2014
Total Assets	143,478	139,715
Net Assets	78,702	75,255
Equity Ratio (%)	53.7	52.8

Equity (consolidated): End of first half, FY2014: 77,098 million yen; End of FY2013: 73,774 million yen

2. Dividends

	April 1, 2014 to March 31, 2015	April 1, 2013 to March 31, 2014	FY2014 (Est.)
Annual Dividends per Share (yen)	—	60.00	60.00
First Quarter (yen)	—	—	—
Mid Term (yen)	30.00	30.00	—
Third Quarter (yen)	—	—	—
End of Term (yen)	—	30.00	30.00

Note: Revisions to dividend forecast in the quarter: None

3. Consolidated Profit Forecast for the Year Ending March 31, 2015

	Year Ending March 31, 2015	
Net Sales	270,000	5.5%
Operating Income	9,800	15.9%
Ordinary Income	9,600	(9.5%)
Net Income	6,060	(5.1%)
Net income per share (yen)	342.18	

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 6 for the details.)
- (3) Change in accounting policy, change in accounting estimates and restatement:
 - (i) Changes accompanying amendments to accounting standards: Yes
 - (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)

First Half 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

First Half FY2014:	377,647 shares	End Fiscal Year 2013:	377,587 shares
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 - (iii) Average number of treasury stock during the period

First Half FY2014:	17,732,643 shares	First Half FY2013:	17,702,952 shares
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Information regarding the quarterly review procedure:

This quarterly summary report is exempt from quarterly review procedure based on the Financial Instruments and Exchanges Act. It is under the review procedure process at the time of disclosure of this report.



Disclaimer regarding projection information including appropriate use of forecasted financial result, and other special notes:

The projection figures shown above are based on information that was available to management at the time of preparation, and assumptions which are considered to be reasonable. Actual performance and other factors may differ from these projections due to changes in circumstances and other developments. Please consult "I. Business Results and Financial Position, (3) Outlook for the Fiscal Year" on page 6 of this document for additional discussion concerning 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 trended towards gradual recovery on firm domestic demand and improved an export environment backed by a recovery in the overseas economy, mainly in the United States, and as the weak yen trend continued corporate capital expenditures were on the increase. On the other hand, consumer spending stagnated against a backlash caused by the consumption tax hike. Globally, the outlook became uncertain following the concern about the downward pressure in Europe and caution towards the deceleration in emerging markets.

In the electronics industry to which we belong, demand for smartphones and tablet PCs continued to expand in the computer and consumer electronics markets, but the rise of these mobile devices pushed back demand for traditional PCs and digital still cameras. The automobile market stagnated domestically against an apparent backlash caused by the consumption tax hike, but remained firm, mainly in the United States. The industrial equipment market continued to expand overall, with improved export environment, recovery in production activities and growing investment in corporate capital expenditures.

The above factors resulted in a 10.5% year-on-year increase in sales to 137,620 million yen and 10.9% year-on-year increase in operating income to 4,618 million yen. Ordinary income decreased 28.0% year-on-year to 4,024 million yen,

due to a foreign currency loss of 600 million yen in the second quarter of the current fiscal year, compared with a foreign currency gain of 1,475 million yen under non-operating expenses in the same quarter a year earlier. Net income decreased 25.8% year-on-year to 2,778 million yen.

IC, Electronic Devices and Other Business

Due to the termination of a part of its business, the Group's sales of communication ASSPs (application specific standard products) for the mobile device market slumped, although demand for smartphones still continued to expand. In the communication infrastructure market, domestic demand remained firm, as well as PLDs (programmable logic devices) for LTE base stations in China. The computer market saw significant increase in orders of memories for data centers in China and communication ASSPs for tablet PCs in Taiwan. In the consumer electronics markets, demand for analog ICs for digital still cameras stagnated due to the rise of smartphones. The automobile market continued to expand, mainly in analog ICs, supported by favorable demand mainly in the United States as well as the promising start of the new businesses. In the industrial equipment market, sales remained strong overall, in security cameras in China, as well as PLDs, ASSPs, and analog ICs against the improved capital expenditures led by economic recovery.

The above factors resulted in 127,957 million yen in sales, a 10.5% year-on-year increase, and 3,579 million yen in operating income, a 12.8%

year-on-year increase.

Network Business

Network business saw a continued recovery in corporate IT investment sentiment as corporate earnings improved, although demand has completed a business cycle for communication boards for carriers. Under these circumstances, sales grew for security-related products including countermeasures against targeted attacks and security management software on government agencies and technology companies. Accordingly, maintenance services were also strong.

The above factors resulted in 9,685 million yen in sales, a 11.2% year-on-year increase, and 1,012 million yen in operating income, a 4.6% year-on-year decrease.

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

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets as of the end of the first half of the current fiscal year increased 3,763 million yen to 143,478 million yen, compared with the end of the previous consolidated fiscal year.

Current assets increased 4,989 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to an increase of 4,692 million yen in notes & accounts receivable and an increase of 2,578 million yen in other current assets, despite a decrease of 2,471 million yen in cash and deposits.

Fixed assets decreased 1,226 million yen

compared with the end of the previous consolidated fiscal year. This was mainly due to sales of fixed assets.

Current liabilities increased 128 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to an increase of 1,097 million yen in short-term loans payable and an increase of 5,665 million yen in other current liabilities, despite a decrease of 4,367 million yen in notes & accounts payable and 1,924 million yen in accrued income taxes.

Long-term liabilities increased 188 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to an increase of 151 million yen in liability for retirement benefits.

Net assets increased 3,446 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to an increase of 2,246 million yen in retained earnings and an increase of 1,598 million yen in foreign currency transaction gain.

Cash flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased 2,471 million yen to 16,165 million yen, compared with 18,637 million yen at the end of the previous consolidated fiscal year.

Cash outflow from operating activities was 3,908 million yen, compared with 2,825 million yen from the same period of the previous consolidated fiscal year. While various items boosted the cash flow, including an increase of 4,068 million yen in an

income before income taxes, various other items weighted down the cash flow, including an increase in notes and accounts receivable trade and a decrease in trade payable.

There was a net cash inflow from investing activities of 385 million yen, compared with an outflow of 567 million yen from the same period of the previous consolidated fiscal year. This is due to the proceeds from sales of property and equipment, despite an increase in disbursement of loans to affiliated companies.

There was a net cash inflow from financing activities of 407 million yen, compared with 581 million yen from the same period of the previous consolidated fiscal year. While various other items weighted down the cash flow, including a repayment of long-term debt and cash dividends paid, 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 outlook for consolidated earnings for the full fiscal year announced on April 28, 2014. The Group will disclose information in a timely manner following the occurrence of facts that require disclosure.

2. Matters regarding Summary (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:

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) Change in accounting policy, change in accounting estimates and restatement:

- Change in accounting policy:

The Group applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, May 17, 2012) from the first quarter of this fiscal year, as defined on paragraph 35 of ASBJ Statement No.26 and paragraph 67 of ASBJ Guidance No.25. The Group also reviewed the calculation method of retirement benefit obligations and employee's services cost. As a result, the Group applied a single weighted average discount rate that reflected the estimated timing and amount of benefit payments. Prior to that, the Group adapted a straight-line method over a period within the average remaining service years for employees at the time of recognition.

This has a minimal impact on the Group's profit and loss.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2014	As of March 31, 2014
ASSETS		
Current assets		
Cash and deposits	16,165	18,637
Notes & accounts receivable	52,403	47,710
Products	48,766	48,576
Other current assets	13,665	11,087
Allowance for doubtful accounts	(314)	(314)
Total current assets	130,686	125,696
Fixed assets		
Buildings and structures (Net)	1,916	2,518
Equipment and fittings (Net)	33	13
Land	3,061	3,558
Other fixed assets (Net)	1,464	1,467
Tangible assets	6,475	7,558
Goodwill	969	1,083
Other	769	777
Intangible assets	1,739	1,861
Investment in securities	2,747	2,788
Other	1,901	1,865
Allowance for doubtful accounts	(70)	(54)
Investments and other assets	4,577	4,599
Total fixed assets	12,792	14,018
Total Assets	143,478	139,715

(Millions of yen)

	As of September 30, 2014	As of March 31, 2014
LIABILITIES		
Current liabilities		
Notes & accounts payable	26,899	31,266
Short-term loans payable	11,649	10,552
Accrued income taxes	1,201	3,126
Accrued bonuses	1,870	2,203
Reserve for bonuses to directors	5	14
Other current liabilities	18,473	12,807
Total current liabilities	60,099	59,971
Long-term liabilities		
Retirement benefits for directors	469	459
Liability for retirement benefits	3,382	3,231
Other current liabilities	825	797
Total long-term liabilities	4,677	4,488
Total Liabilities	64,776	64,459
Shareholders Equity		
Paid-in capital	11,194	11,194
Additional paid-in capital	19,476	19,476
Retained earnings	43,433	41,186
Treasury stock	(1,011)	(1,011)
Total shareholders' equity	73,093	70,846
Other comprehensive income		
Unrealized holding gain on securities	344	366
Gain(loss) on deferred hedge	(498)	—
Translation adjustments	4,159	2,561
Total comprehensive income	4,005	2,927
Stock acquisition right	81	81
Minority interest	1,521	1,399
Total net assets	78,702	75,255
Total Liabilities & Net Assets	143,478	139,715

2. Consolidated Statements of Income

(Millions of yen)

	April 1 to September 30, 2014	April 1 to September 30, 2013
Net sales	137,620	124,525
Cost of sales	120,087	107,922
Gross profit	17,533	16,602
Selling, general & administrative expenses	12,915	12,439
Operating income	4,618	4,162
Non-operating income		
Interest income	22	28
Foreign currency transaction gain	—	1,475
Product loss reimbursement amount	94	18
Other	69	70
Total non-operating income	185	1,593
Non-operating expenses		
Interest paid	43	47
Foreign currency loss	600	—
Loss on transfer of receivables	95	82
Other	40	39
Total non-operating expenses	779	169
Ordinary income	4,024	5,586
Extraordinary income		
Proceeds from sales of fixed assets	48	5
Proceeds from sales of marketable securities	—	135
Total extraordinary income	48	140
Extraordinary losses		
Loss on disposal of fixed assets	4	5
Total extraordinary losses	4	5
Income before income taxes	4,068	5,722
Corporate, inhabitant and enterprise taxes	1,225	1,955
Total corporate tax etc.	1,225	1,955
Income before minority interests	2,842	3,766
Minority interests	63	22
Net income	2,778	3,743

(Millions of yen)

	April 1 – September 30, 2014	April 1 – September 30, 2013
Income before minority interests	2,842	3,766
Other comprehensive income		
Unrealized holding gain on securities	(22)	58
Gain(loss) on deferred hedge	(498)	420
Translation adjustments	1,690	847
Total comprehensive income	1,169	1,327
Comprehensive income	4,012	5,093
(Breakdown of comprehensive income)		
Comprehensive income attributable to the shareholders of the parent company	3,856	5,006
Comprehensive income attributable to minority shareholders	156	87

3. Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 – September 30, 2014	April 1 – September 30, 2013
1. Operating activities		
Income before income taxes	4,068	5,722
Depreciation and amortization	530	514
Interest and dividend income	(22)	(35)
Interest expense	43	47
Decrease (increase) in notes and accounts receivable trade	(3,230)	(8,938)
Decrease (increase) in inventories	929	(7,535)
Increase (decrease) in trade payable	(5,162)	5,870
Other	2,259	2,834
Sub-total	(585)	(1,520)
Interest and dividends received	19	13
Interest paid	(44)	(43)
Corporate tax Payment (refund)	(3,298)	(1,275)
Net cash provided by (used in) operating activities	(3,908)	(2,825)
2. Investing Activities		
Disbursement of loans	(4,829)	(3,597)
Proceeds from collection of loans	4,569	3,521
Purchases of property and equipment	(366)	(319)
Proceeds from sales of property and equipment	1,100	5
Purchases of intangible assets	(110)	(218)
Purchases of marketable securities	(3)	(19)
Proceeds from sales of marketable securities	14	19
Purchases of shares of affiliated companies	—	(0)
Other	9	40
Net cash provided by (used in) investing activities	385	(567)

(Millions of yen)

	April 1 – September 30, 2014	April 1 – September 30, 2013
3. Financing activities		
Change in short-term loans	3,000	2,500
Repayment of long-term debt	(2,000)	(1,500)
Cash dividends paid	(531)	(354)
Cash dividends paid to minority shareholders	(35)	(42)
Other	(26)	(22)
Net cash provided by (used in) financing activities	407	581
4. Effect of exchange rate changes on cash and cash equivalents	644	168
5. Net increase (decrease) in cash and cash equivalents	(2,471)	(2,642)
6. Cash and cash equivalents at beginning of the year	18,637	17,089
7. Increase in cash and cash equivalents due to the increase of newly consolidated subsidiaries	—	1
8. Cash and cash equivalents at year end	16,165	14,447

4. Notes Regarding Going Concern Assumption

Not applicable

5. Note on Significant Change in Shareholders' Equity

Not applicable

Segment Information

1. Sales and profit by segment

Current Consolidated First Half (April 1, 2014 – September 30, 2014)

(Millions of yen)

	Reportable segment			Other	Total
	IC, electronic devices and other business	Network business	Sub-total		
Sales					
(1) Sales to external customers	127,957	9,662	137,620	—	137,620
(2) Internal sales or transfers between segments	—	22	22	—	22
Total	127,957	9,685	137,643	—	137,643
Operating income by segment	3,579	1,012	4,592	—	4,592

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

(Millions of yen)

	Reportable 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

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)

Income	Current Consolidated First Half	Previous Consolidated First Half
Total segment income	4,592	4,234
Elimination of intersegment income	67	98
Corporate-wide expenses *	(41)	(169)
Operating income in the consolidated statements of income	4,618	4,162

* Corporate-wide expenses mainly refer to “general & administrative expenses,” not included in segment.