

SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the First Quarter Ended June 30, 2014

Presented July 28, 2014

MACNICA, Inc.

Listed Market	Tokyo Stock Exchange
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Scheduled date for filing of quarterly financial report	August 8, 2014

1. Financial Results for the First Quarter of Fiscal Year Ending March 31, 2015 – (April 1, 2014 to June 30, 2014)

(1) Consolidated Operating Results

(Millions of yen)

	April 1 to June 30, 2014		April 1 to June 30, 2013	
	Amount	% Change	Amount	% Change
Net Sales	68,583	17.1	58,551	16.2
Operating Income	2,184	2.8	2,125	28.1
Ordinary Income	2,100	(33.2)	3,144	87.1
Net Income	1,428	(32.1)	2,104	83.3
Net Income per Share (yen)	80.57		118.87	
Potential post-adjustment net income value per share (yen)	80.17		118.71	

Comprehensive income: End of 1st quarter, FY2015: 1,212 mil yen (-64.0%); End of 1st quarter, FY2014: 3,370 mil yen (140.5%)

(2) Consolidated Financial Position

(Millions of yen)

	As of June 30, 2014	As of March 31, 2014
Total Assets	137,661	139,715
Shareholders' Equity	75,902	75,255
Equity Ratio (%)	54.1	52.8

Equity (consolidated): End of 1st quarter, FY2015: 74,421 million yen; End of FY2014: 73,774 million yen

2. Dividends

	April 1, 2014 to March 31, 2015	April 1, 2013 to March 31, 2014	2015 (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 (Millions of yen)

	Half Ending Sept. 30, 2014		Year Ending March 31, 2015	
Net Sales	132,000	6.0%	270,000	5.5%
Operating Income	4,890	17.5%	9,800	15.9%
Ordinary Income	4,780	(14.4%)	9,600	(9.5%)
Net Income	3,015	(19.5%)	6,060	(5.1%)
Net income per share (yen)	170.24		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 Quarter FY2015:	18,110,252 shares	End Fiscal Year 2014:	18,110,252 shares
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 - (ii) Number of shares of treasury stock issued and outstanding at end of period

First Quarter FY2015:	377,597 shares	End Fiscal Year 2014:	377,587 shares
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 - (iii) Average number of treasury stock during the period

First Quarter FY2015:	17,732,660 shares	First Quarter FY2014:	17,703,015 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, (1) Business Results" on page 6 of this document for additional discussion concerning forecasts.

I. Business Results and Financial Position

1. Business Results

(1) Overview of Consolidated First Quarter

During the first quarter of the fiscal year, the Japanese economy saw improvement in corporate earnings, bolstered by strong domestic demand. The economy also saw corporate capital expenditures trended towards recovery. Overall, business conditions continue an upward momentum, with signs of recovery against the improvement in the employment and income situation, although mainly consumer spending suffered from a backlash caused by the consumption tax hike.

In the electronics industry to which we belong, the demand for smartphones and tablet PCs remained strong but continuously overwhelmed demand for conventional PCs and digital still cameras. The automobile market remained firm, with the vehicle production on a gradual rise, although the market was affected by a backlash caused by rush demand before the tax hike. The industrial equipment market tended towards recovery as public investment and capital expenditures expanded.

The above factors resulted in a 17.1% year-on-year increase in sales to 68,583 million yen and a 2.8% year-on-year increase in operating income to 2,184 million yen. Ordinary income recorded a 33.2% year-on-year decrease to 2,100 million yen, as a result of translation gain of 1,050 million yen recorded in non-operating income for the first quarter of the previous fiscal year, and translation loss of 33 million yen for the same quarter of the current fiscal year. Net income for

the quarter recorded a 32.1% year-on-year decrease to 1,428 million yen.

IC, Electronic Devices and Other Business

Due to the termination of its smartphone business, the Group's sales of communication ASSPs (application specific standard products) for the mobile device market declined sharply. In the communication infrastructure market, sales were strong for PLDs (programmable logic devices) and communication ASSPs, backed by ongoing equipment enhancement for LTE base stations for domestic network operators and the recovery in the communication equipment business overseas. The computers market saw increase in orders of communication ASSPs for tablet PCs in Taiwan. The automobile market remained firm, mainly in analog ICs, although the business was affected by a backlash associated with the tax hike. In the industrial equipment market, sales remained strong overall, reflecting the business expansion for security cameras in China as well as the improved capital expenditures led by economic recovery.

The above factors resulted in a 17.3% year-on-year increase to 63,979 million yen in sales and a 2.8% year-on-year decrease to 1,745 million yen in operating income by segment.

Network Business

Network business saw a continued recovery in corporate IT investment sentiment as corporate earnings improved. Under these circumstances, sales grew for the Group's flagship security-related systems, including countermeasures against

targeted attacks and security management software, to government agencies and technology companies. However, sales for communication equipment for communication facilities declined.

The above factors resulted in a 14.7% year-on-year increase to 4,621 million yen in sales, and 22.6% year-on-year increase to 436 million yen in operating income by segment.

Note: Figures above do not include consumption tax.

(2) Financial Position

1) Assets, Liabilities, and Net Assets

Total assets as of the end of the first quarter of the current fiscal year amounted to 137,661 million yen, a decrease of 2,054 million yen compared with the end of the previous fiscal year.

Current assets decreased 1,869 million yen, compared with the end of the previous fiscal year. This is mainly due to a decrease of 1,162 million yen in cash and deposits and a decrease of 3,559 million yen in products, despite an increase of 1,688 million yen in notes and accounts receivable and an increase of 1,176 million yen in other current assets.

Fixed assets decreased 185 million yen, compared with the end of the previous fiscal year. This is mainly due to the amortization of goodwill.

Current liabilities decreased 2,786 million yen, compared with the end of the previous fiscal year. This is mainly due to a decrease of 3,354 million yen in notes and accounts payable, and a decrease of 2,500 million yen in accrued income

taxes, despite an increase of 1,977 million yen in short-term loans payable and an increase of 2,193 million yen in other current liabilities.

Long-term liabilities increased 86 million yen, compared with the end of the previous fiscal year. This is mainly due to an increase of 80 million yen in liability for retirement benefits.

Net assets increased 646 million yen, compared with the end of the previous fiscal year. This is mainly due to an increase of 896 million yen in retained earnings, despite a decrease of 259 million yen in translation adjustments.

2) Cash flows

Cash and cash equivalents as of the end of the first quarter of the current fiscal year were 17,475 million yen, a decrease of 1,162 million yen, compared with the end of the previous fiscal year.

Cash outflow from operating activities was 2,136 million yen, compared with cash inflow of 2,594 million yen at the end of the first quarter of the previous year. While various items boosted the cash flow, including an increase of 2,100 million yen in an income before income taxes and a decrease in inventories, various other items weighted down the cash flow, including an increase in trade payable, a decrease in notes and accounts receivable trade and corporate tax payment.

There was a net cash outflow from investing activities of 344 million yen, compared with cash outflow of 275 million yen at the end of the first quarter of the previous year, due to a net increase in disbursement of loans and the purchases of property and equipment.

Cash inflow from financing activities was 1,469 million yen, compared with cash outflow of 350 million yen at the end of the first quarter of the previous year. This is due to the payment of dividends among other factors. While various items weighted down the cash flow, including cash dividends paid, various other items boosted the cash flow, including an increase in short-term loans.

(3) Outlook for the Fiscal Year

For the next fiscal year, the Group forecasts that import conditions will gradually improve, in response to solid overseas economic conditions and the weak yen trend. Additionally, the Group expects the economic conditions to trend towards recovery, against domestic demand supported by economic measures taken by the Japanese government.

The Group's performance for the first quarter of this current fiscal year has been well overall. Therefore, there have been no changes in projections for consolidated earnings for the second quarter as well as 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.

(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, 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:

- 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 June 30, 2014	As of March 31, 2014
ASSETS		
Current assets		
Cash and deposits	17,475	18,637
Notes & accounts receivable	49,398	47,710
Products	45,017	48,576
Other current assets	12,263	11,087
Allowance for doubtful accounts	(326)	(314)
Total current assets	123,827	125,696
Fixed assets		
Buildings and structures (Net)	2,478	2,518
Equipment and fittings (Net)	33	13
Land	3,558	3,558
Other fixed assets (Net)	1,445	1,467
Tangible assets	7,516	7,558
Goodwill	1,026	1,083
Other	728	777
Intangible assets	1,754	1,861
Investment in securities	2,753	2,788
Other	1,844	1,865
Allowance for doubtful accounts	(35)	(54)
Investments and other assets	4,562	4,599
Total fixed assets	13,833	14,018
Total Assets	137,661	139,715

(Millions of yen)

	As of June30, 2014	As of March 31, 2014
LIABILITIES		
Current liabilities		
Notes & accounts payable	27,911	31,266
Short-term loans payable	12,530	10,552
Accrued income taxes	625	3,126
Accrued bonuses	1,098	2,203
Reserve for bonuses to directors	17	14
Other current liabilities	15,000	12,807
Total current liabilities	57,184	59,971
Long-term liabilities		
Retirement benefits for directors	464	459
Liability for retirement benefits	3,311	3,231
Other current liabilities	798	797
Total long-term liabilities	4,574	4,488
Total Liabilities	61,759	64,459
Shareholders Equity		
Paid-in capital	11,194	11,194
Additional paid-in capital	19,476	19,476
Retained earnings	42,083	41,186
Treasury stock	(1,011)	(1,011)
Total shareholders' equity	71,743	70,846
Other comprehensive income		
Unrealized holding gain on securities	343	366
Gain(loss) on deferred hedge	33	—
Translation adjustments	2,301	2,561
Total comprehensive income	2,678	2,927
Stock acquisition right	81	81
Minority interest	1,398	1,399
Total net assets	75,902	75,255
Total Liabilities & Net Assets	137,661	139,715

2. Consolidated Statements of Income

(Millions of yen)

	April 1 – June 30, 2014	April 1 – June 30, 2013
Net sales	68,583	58,551
Cost of sales	59,977	50,210
Gross profit	8,606	8,341
Selling, general & administrative expenses	6,422	6,215
Operating income	2,184	2,125
Non-operating income		
Interest income	13	8
Translation gain	—	1,050
Other	23	37
Total non-operating income	37	1,096
Non-operating expenses		
Interest paid	21	20
Translation loss	33	—
Loss on transfer of receivables	49	38
Other	16	19
Total non-operating expenses	121	77
Ordinary income	2,100	3,144
Extraordinary income		
Proceeds from sales of investment securities	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on disposal of fixed assets	0	3
Total extraordinary losses	0	3
Income before income taxes	2,100	3,140
Corporate, inhabitant and enterprise taxes	637	1,026
Total corporate tax etc.	637	1,026
Income before minority interests	1,463	2,114
Minority interests	34	10
Net income	1,428	2,104

(Millions of yen)

	April 1 – June 30, 2014		April 1 – June 30, 2013	
Income before minority interests		1,463		2,114
Other comprehensive income				
Unrealized holding gain on securities		(22)		110
Gain(loss) on deferred hedge		33		213
Translation adjustments		(261)		931
Total comprehensive income		(250)		1,255
Comprehensive income		1,212		3,370
(Breakdown of comprehensive income)				
Comprehensive income attributable to the shareholders of the parent company		1,179		3,301
Comprehensive income attributable to minority shareholders		33		69

3. Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 – June 30, 2014	April 1 – June 30, 2013
1. Operating activities		
Income before income taxes	2,100	3,140
Depreciation and amortization	265	260
Interest and dividend income	(13)	(15)
Interest expense	21	20
Decrease (increase) in notes and accounts receivable trade	(1,946)	(6,446)
Decrease (increase) in inventories	3,601	(4,483)
Increase (decrease) in trade payable	(3,517)	8,864
Other	240	2,083
Sub-total	751	3,423
Interest and dividends received	15	15
Interest paid	(22)	(11)
Corporate tax Payment (refund)	(2,881)	(833)
Net cash provided by (used in) operating activities	(2,136)	2,594
2. Investing Activities		
Disbursement of loans	(2,235)	(1,726)
Proceeds from collection of loans	2,143	1,761
Purchases of property and equipment	(193)	(167)
Purchases of intangible assets	(66)	(184)
Purchases of investment securities	(3)	—
Proceeds from sales of investment securities	—	19
Purchases of shares of affiliated companies	—	(0)
Other	11	21
Net cash provided by (used in) investing activities	(344)	(275)

(Millions of yen)

	April 1 – June 30, 2014	April 1 – June 30, 2013
3. Financing activities		
Change in short-term loans	2,000	—
Cash dividends paid	(517)	(339)
Other	(12)	(11)
Net cash provided by (used in) financing activities	1,469	(350)
4. Effect of exchange rate changes on cash and cash equivalents	(150)	109
5. Net increase (decrease) in cash and cash equivalents	(1,162)	2,077
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	17,475	19,167

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 Quarter (April 1, 2014 – June 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	63,979	4,604	68,583	—	68,583
(2) Internal sales or transfers between segments	—	17	17	—	17
Total	63,979	4,621	68,601	—	68,601
Operating income by segment	1,745	436	2,182	—	2,182

Previous Consolidated First Quarter (April 1, 2013 – June 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	54,524	4,027	58,551	—	58,551
(2) Internal sales or transfers between segments	—	1	1	—	1
Total	54,524	4,029	58,553	—	58,553
Operating income by segment	1,795	356	2,151	—	2,151

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 Quarter	Previous Consolidated First Quarter
Total segment income	2,182	2,151
Elimination of intersegment income	34	48
Corporate-wide expenses *	(32)	(74)
Operating income in the consolidated statements of income	2,184	2,125

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