

## SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the Third Quarter Ended December 31, 2014

Presented January 26, 2015

MACNICA, Inc.

Listed exchanges	Tokyo Stock Exchange
Stock code	7631
Head office	Kanagawa Prefecture
URL	www.macnica.co.jp
President	Kiyoshi Nakashima
Inquiries	Shigeyuki Sano, Position Director
Telephone	+81 45 470 9870
Expected date of quarterly financial report submission	February 13, 2015

### 1. Financial Results for the Third Quarter of Fiscal Year Ended December 31, 2014 - (April 1, 2014 to December 31, 2014)

#### (1) Consolidated Operating Results

(Millions of yen)

	April 1 to December 31, 2014		April 1 to December 31, 2013	
	Amount	% Change	Amount	% Change
Net Sales	209,890	10.2	190,486	27.8
Operating Income	7,310	15.2	6,343	35.2
Ordinary Income	5,149	(43.3)	9,087	126.5
Net Income	3,493	(39.1)	5,735	116.0
Net Income per Share (yen)	197.00		323.98	
Potential post-adjustment net income value per share (yen)	195.95		322.91	

Comprehensive income: End of third quarter, FY2014: 6,673 million yen (-24.3%); End of third quarter, FY2013: 8,818 million yen (173.3%)

#### (2) Consolidated Financial Position

(Millions of yen)

	As of December 31, 2014	As of March 31, 2014
Total Assets	151,329	139,715
Net Assets	80,830	75,255
Equity Ratio (%)	52.3	52.8

Equity (consolidated): End of third quarter, FY2014: 79,086 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	278,960	9.0%
Operating Income	9,000	6.4%
Ordinary Income	6,500	(38.7%)
Net Income	4,230	(33.7%)
Net income per share (yen)	238.54	

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: 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)
 

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:	377,772 shares	End Fiscal Year 2013:	377,587 shares
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  - (iii) Average number of treasury stock during the period
 

Third Quarter FY2014:	17,732,620 shares	Third Quarter FY2013:	17,702,914 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 Third Quarter Overview

During the first three quarters of the current fiscal year under review, the Japanese economy saw an improvement in the export environment backed by the ongoing weak yen trend and a recovery in the U.S. economy. Overall, there are signs of a gradual recovery. Corporate earnings trended towards recovery after production activities hit bottom, and the improvement was seen in corporate investor sentiment, which led to a pick-up in capital expenditure. On the other hand, the recovery in domestic consumer spending has been slow, although a backlash caused by the consumption tax hike has softened. Globally, the mood of stagnation has deepened in the European economy, and the outlook for the emerging markets remains uncertain.

In the electronics industry to which we belong, demand for mobile computing related products, including smartphones and tablet PCs, continued to expand, while demand for traditional PCs and digital still cameras remained sluggish. In the automobile market, sales declined domestically as a backlash from the consumption tax hike became apparent, but remained firm, supported by demand in the United States. The industrial equipment market trended towards recovery as the weak yen contributed to the improvement in export environment. Favorable demand in the automobile market as well as smartphones and tablet PCs pushed up demand for the related manufacturing equipment.

The above factors resulted in a 10.2%

year-on-year increase in sales to 209,890 million yen and 15.2% year-on-year increase in operating income to 7,310 million yen. Ordinary income decreased 43.3% year-on-year to 5,149 million yen, due to a foreign currency transaction loss of 2,030 million yen, mainly on the settlement of payables denominated in foreign currency, in the first three quarters of the current fiscal year. Net income decreased 39.1% year-on-year to 3,493 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, despite strong demand for smartphones. The communication infrastructure market remained firm with the start of capital expenditures for a new method for LTE base stations in Japan. There was also strong demand for PLDs (programmable logic devices) and ASSPs for LTE base stations in China. In the computer market, sales of memories for server and storage market in China stayed strong, and sales of communication ASSPs for tablet PCs in Taiwan was firm as well. 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 consumer electronics markets, demand for analog ICs for digital still cameras continued to stagnate due to the rise of smartphones. In the industrial equipment market, sales remained strong overall, including security cameras in China, as well as PLDs, ASSPs, and analog ICs followed by an ongoing increasing demand in Asia for capital expenditures.

The above factors resulted in 194,983 million yen in sales, a 10.5% year-on-year increase, and 5,896 million yen in operating income, a 21.4% year-on-year increase.

### Network Business

In the network business, there was a temporary recovery in demand for communication boards for carriers followed by an increase in communications traffic associated with the spread of smartphones. Amid continuing attention to cyber attacks, the improvement in corporate earnings resulted in firm investment in IT, and sales grew for security-related products including countermeasures against targeted attacks and security management software to government agencies and technology companies. Maintenance services were also strong.

The above factors resulted in 14,951 million yen in sales, a 6.9% year-on-year increase, and 1,360 million yen in operating income, a 23.4% year-on-year decrease due to the decrease in gross profit caused by fierce competition and the increase in administrative expenses associated with the increasing number of personnel.

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 three quarters of the current fiscal year increased 11,614 million yen to 151,329 million yen, compared with the end of the previous consolidated fiscal year.

Current assets increased 12,889 million yen compared with the end of the previous

consolidated fiscal year. This is mainly due to an increase of 8,057 million yen in notes and accounts receivable, an increase of 3,082 million yen in products and an increase of 5,603 million yen in other current assets, despite a decrease of 3,752 million yen in cash and deposits.

Fixed assets decreased 1,275 million yen compared with the end of the previous consolidated fiscal year. This was mainly due to sales of fixed assets.

Current liabilities increased 5,745 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to an increase of 4,538 million yen in short-term loans payable and an increase of 7,066 million yen in other current liabilities, despite a decrease of 2,586 million yen in notes and accounts payable and a decrease of 2,518 million yen in accrued income taxes.

Long-term liabilities increased 293 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to an increase of 222 million yen in liability for retirement benefits.

Net assets increased 5,575 million yen compared with the end of the previous consolidated fiscal year. This is mainly due to an increase of 2,429 million yen in retained earnings and an increase of 3,948 million yen in foreign currency transaction gain, despite a decrease of 1,036 million yen in loss on deferred hedge.

### Cash Flows

Cash and cash equivalents as of the end of the first

three quarters of the current fiscal year was 14,885 million yen, a decrease of 3,752 million yen from 18,637 million yen as of the end of the previous consolidated fiscal year.

Cash outflow from operating activities was 6,796 million yen, compared with 84 million yen from the same period of the previous consolidated fiscal year. While various items boosted the cash flow, including an increase of 5,115 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, a decrease in trade payable and a decrease in corporate tax payment.

There was a net cash outflow from investing activities of 1,131 million yen, compared with 1,203 million yen from the same period of the previous consolidated fiscal year. While various items boosted the cash flow, including the proceeds from sales of property and equipment, various other items weighted down the cash flow, including an increase in disbursement of loans to affiliated companies.

There was a net cash inflow from financing activities of 2,775 million yen, compared with an outflow of 1,961 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**

In the electronics industry to which we belong, there is a trend towards recovery overall. The

automobile and industrial equipment markets will remain strong, supported by an improved export environment led by a recovery in the domestic and overseas economy. The Macnica Group expects its sales to beat forecast announced previously but its operating income to fall below the forementioned forecast due to an apparent decline in purchase allowance associated with the hedge. Moreover, the Group recorded a foreign currency transaction loss of 2,030 million yen under non-operating income, due to the settlement of foreign currency denominated debt and the exchange rate revaluation as of the end of the third quarter of the current fiscal year. Taking into consideration these business environment and the financial position, the Group has revised profit forecast for the year ending March 31, 2015. For the details, please refer to the "Notice of Revision of Financial Results Forecast" announced today on January 26.

## **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 December 31, 2014	As of March 31, 2014
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	14,885	18,637
Notes and accounts receivable	55,768	47,710
Products	51,659	48,576
Other current assets	16,690	11,087
Allowance for doubtful accounts	(416)	(314)
<b>Total current assets</b>	<b>138,586</b>	<b>125,696</b>
<b>Fixed assets</b>		
Buildings and structures (Net)	1,891	2,518
Equipment and fittings (Net)	37	13
Land	3,061	3,558
Other fixed assets (Net)	1,504	1,467
<b>Tangible assets</b>	<b>6,493</b>	<b>7,558</b>
Goodwill	912	1,083
Other	752	777
<b>Intangible assets</b>	<b>1,664</b>	<b>1,861</b>
Investment in securities	2,729	2,788
Other	2,041	1,865
Allowance for doubtful accounts	(186)	(54)
<b>Investments and other assets</b>	<b>4,584</b>	<b>4,599</b>
<b>Total fixed assets</b>	<b>12,743</b>	<b>14,018</b>
<b>Total Assets</b>	<b>151,329</b>	<b>139,715</b>



(Millions of yen)

	As of December 31, 2014	As of March 31, 2014
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable	28,680	31,266
Short-term loans payable	15,090	10,552
Accrued income taxes	607	3,126
Accrued bonuses	1,453	2,203
Reserve for bonuses to directors	11	14
Other current liabilities	19,873	12,807
<b>Total current liabilities</b>	<b>65,716</b>	<b>59,971</b>
<b>Long-term liabilities</b>		
Retirement benefits for directors	474	459
Liability for retirement benefits	3,454	3,231
Other current liabilities	853	797
<b>Total long-term liabilities</b>	<b>4,782</b>	<b>4,488</b>
<b>Total Liabilities</b>	<b>70,498</b>	<b>64,459</b>
<b>Shareholders Equity</b>		
Paid-in capital	11,194	11,194
Additional paid-in capital	19,476	19,476
Retained earnings	43,616	41,186
Treasury stock	(1,011)	(1,011)
Total shareholders' equity	73,275	70,846
<b>Other comprehensive income</b>		
Unrealized holding gain on securities	338	366
Gain(loss) on deferred hedge	(1,036)	—
Translation adjustments	6,509	2,561
Total comprehensive income	5,810	2,927
Stock acquisition right	81	81
Minority interest	1,663	1,399
Total net assets	80,830	75,255
<b>Total Liabilities &amp; Net Assets</b>	<b>151,329</b>	<b>139,715</b>

## 2. Consolidated Statements of Income

(Millions of yen)

	April 1 to December 31, 2014		April 1 to December 31, 2013
<b>Net sales</b>		<b>209,890</b>	<b>190,486</b>
Cost of sales		182,702	165,141
Gross profit		27,187	25,345
Selling, general & administrative expenses		19,877	19,002
<b>Operating income</b>		<b>7,310</b>	<b>6,343</b>
<b>Non-operating income</b>			
Interest income		34	29
Foreign currency transaction gain		—	2,822
Right of indemnification for product loss		111	23
Other		103	104
<b>Total non-operating income</b>		<b>249</b>	<b>2,980</b>
<b>Non-operating Expenses</b>			
Interest paid		67	60
Foreign currency transaction loss		2,030	—
Loss on transfer of receivables		144	126
Other		167	48
<b>Total non-operating expenses</b>		<b>2,410</b>	<b>236</b>
<b>Ordinary income</b>		<b>5,149</b>	<b>9,087</b>
<b>Extraordinary income</b>			
Proceeds from sales of fixed assets		45	5
Proceeds from sales of marketable securities		—	154
<b>Total extraordinary income</b>		<b>45</b>	<b>160</b>
<b>Extraordinary losses</b>			
Loss on disposal of fixed assets		6	31
Loss on valuation of shares of affiliated companies		—	145
Loss on devaluation of investments in affiliated companies		—	131
Provision of allowance for doubtful accounts in affiliated companies		72	—
<b>Total extraordinary losses</b>		<b>78</b>	<b>308</b>
<b>Income before income taxes</b>		<b>5,115</b>	<b>8,938</b>
Corporate, inhabitant and enterprise taxes		1,516	3,153
<b>Total corporate tax etc.</b>		<b>1,516</b>	<b>3,153</b>
<b>Income before minority interests</b>		<b>3,598</b>	<b>5,785</b>
<b>Minority interests</b>		<b>105</b>	<b>50</b>
<b>Net income</b>		<b>3,493</b>	<b>5,735</b>

(Millions of yen)

	April 1 to December 31, 2014		April 1 to December 31, 2013
<b>Income before minority interests</b>		<b>3,598</b>	<b>5,785</b>
<b>Other comprehensive income</b>			
Unrealized holding gain on securities		(28)	132
Gain(loss) on deferred hedge		(1,036)	410
Translation adjustments		4,140	2,489
<b>Total comprehensive income</b>		<b>3,075</b>	<b>3,032</b>
<b>Comprehensive income</b>		<b>6,673</b>	<b>8,818</b>
(Breakdown of comprehensive income)			
Comprehensive income attributable to the shareholders of the parent company		6,376	8,619
Comprehensive income attributable to minority shareholders		297	199

### 3. Consolidated Statements of Cash Flow

(Millions of yen)

	April 1 – December 31, 2014	April 1 – December 31, 2013
<b>1. Operating activities</b>		
Income before income taxes	5,115	8,938
Depreciation and amortization	819	817
Interest and dividend income	(35)	(36)
Interest expense	67	60
Foreign exchange gain (loss)	(1,018)	(382)
Decrease (increase) in notes and accounts receivable trade	(4,400)	(10,242)
Decrease (increase) in inventories	(533)	(5,875)
Increase (decrease) in trade payable	(3,954)	5,663
Other	2,179	3,116
<b>Sub-total</b>	<b>(1,761)</b>	<b>2,059</b>
Interest and dividends received	45	24
Interest paid	(67)	(69)
Corporate tax payment (refund)	(5,013)	(2,098)
<b>Net cash provided by (used in) operating activities</b>	<b>(6,796)</b>	<b>(84)</b>
<b>2. Investing Activities</b>		
Disbursement of loans	(8,486)	(5,744)
Proceeds from collection of loans	7,033	5,341
Purchases of property and equipment	(578)	(510)
Proceeds from sales of property and equipment	1,100	5
Purchases of intangible assets	(228)	(350)
Purchases of marketable securities	(3)	(19)
Proceeds from sales of marketable securities	19	66
Purchases of shares of affiliated companies	—	(2)
Investment in affiliated companies	—	(72)
Other	12	82
<b>Net cash provided by (used in) investing activities</b>	<b>(1,131)</b>	<b>(1,203)</b>

(Millions of yen)

	April 1 – December 31, 2014	April 1 – December 31, 2013
<b>3. Financing activities</b>		
Change in short-term loans	8,912	1,500
Repayment of long-term debt	(5,000)	(2,500)
Cash dividends paid	(1,062)	(883)
Cash dividends paid to minority shareholders	(35)	(42)
Other	(39)	(36)
<b>Net cash provided by (used in) financing activities</b>	<b>2,775</b>	<b>(1,961)</b>
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,400</b>	<b>767</b>
<b>5. Net increase (decrease) in cash and cash equivalents</b>	<b>(3,752)</b>	<b>(2,482)</b>
<b>6. Cash and cash equivalents at beginning of the year</b>	<b>18,637</b>	<b>17,089</b>
<b>7. Increase in cash and cash equivalents due to the increase of newly consolidated subsidiaries</b>	<b>—</b>	<b>1</b>
<b>8. Cash and cash equivalents at year end</b>	<b>14,885</b>	<b>14,608</b>

#### 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 Third Quarter (April 1, 2014 – December 31, 2014)

(Millions of yen)

	Reportable segment			Other	Total
	IC, electronic devices and other business	Network business	Sub-total		
Sales					
(1) Sales to external customers	194,983	14,906	209,890	—	209,890
(2) Internal sales or transfers between segments	—	45	45	—	45
Total	194,983	14,951	209,935	—	209,935
Operating income by segment	5,896	1,360	7,257	—	7,257

#### Previous Consolidated Third Quarter (April 1, 2013 – December 31, 2013)

(Millions of yen)

	Reportable 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

### 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)

(Millions of yen)

Income	Current Consolidated Third Quarter	Previous Consolidated Third Quarter
Total segment income	7,257	6,631
Elimination of intersegment income	96	145
Corporate-wide expenses *	(43)	(433)
Operating income in the consolidated statements of income	7,310	6,343

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