

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

November 6, 2017

Company name: Musashi Seimitsu Industry Co.,Ltd.  
 Stock exchange listing: Tokyo, Nagoya  
 Stock code: 7220 URL <http://www.musashi.co.jp>  
 Representative: President & CEO Hiroshi Otsuka  
 Inquiries: GM of Consolidated Financial Management Masaya Ito TEL 0532-25-8111  
 Scheduled date to file Quarterly Securities Report: November 9, 2017  
 Scheduled date to commence dividend payments: December 1, 2017  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2017	113,635	51.5	5,869	17.2	6,147	145.3	3,474	114.8
Six months ended September 30, 2016	75,012	(7.9)	5,008	(13.4)	2,506	(47.5)	1,617	(51.9)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2017	111.35		101.76	
Six months ended September 30, 2016	51.84		47.32	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2017	238,112	93,232	32.1	2,450.60
As of March 31, 2017	248,482	88,312	28.8	2,294.74

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2017	–	26.00	–	26.00	52.00
Year ending March 31, 2018	–	27.00			
Year ending March 31, 2018 (Forecast)			–	27.00	54.00

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	225,000	24.6	13,500	20.9	13,000	25.9	8,100	28.3	259.59

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2017  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2017	31,221,100 shares	As of March 31, 2017	31,200,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2017	5,870 shares	As of March 31, 2017	5,752 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2017	31,203,272 shares	Six months ended September 30, 2016	31,194,461 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	30,607	22,116
Notes and accounts receivable - trade	27,374	29,131
Merchandise and finished goods	9,522	10,080
Work in process	5,313	5,778
Raw materials and supplies	18,562	17,703
Deferred tax assets	1,174	1,195
Other	8,152	7,907
Allowance for doubtful accounts	(42)	(43)
Total current assets	100,664	93,871
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,572	42,180
Accumulated depreciation	(17,939)	(18,673)
Accumulated impairment loss	(943)	(893)
Buildings and structures, net	22,688	22,614
Machinery, equipment and vehicles	200,075	205,157
Accumulated depreciation	(130,497)	(136,973)
Accumulated impairment loss	(1,165)	(1,113)
Machinery, equipment and vehicles, net	68,412	67,071
Tools, furniture and fixtures	10,467	10,839
Accumulated depreciation	(6,706)	(7,144)
Accumulated impairment loss	(51)	(47)
Tools, furniture and fixtures, net	3,708	3,647
Land	6,300	6,651
Construction in progress	7,005	4,957
Total property, plant and equipment	108,116	104,942
Intangible assets		
Goodwill	8,874	8,936
Customer relationship assets	14,110	14,055
Software	1,626	1,470
Software in progress	155	161
Other	3,251	3,181
Total intangible assets	28,017	27,804
Investments and other assets		
Investment securities	5,744	5,749
Investments in capital	73	84
Long-term loans receivable	48	61
Deferred tax assets	2,751	2,506
Other	3,117	3,144
Allowance for doubtful accounts	(51)	(51)
Total investments and other assets	11,683	11,494
Total non-current assets	147,818	144,241
Total assets	248,482	238,112

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	17,127	15,641
Short-term loans payable	28,589	12,732
Current portion of long-term loans payable	9,390	1,839
Accounts payable - other	3,523	2,445
Accrued expenses	5,509	5,706
Income taxes payable	1,388	1,330
Provision for bonuses	1,825	2,653
Provision for directors' bonuses	47	32
Provision for product compensations	23	23
Other	4,561	3,992
<b>Total current liabilities</b>	<b>71,985</b>	<b>46,399</b>
<b>Non-current liabilities</b>		
Bonds payable	10,016	10,011
Long-term loans payable	64,663	75,305
Deferred tax liabilities	6,631	6,708
Net defined benefit liability	5,037	5,005
Other	1,835	1,448
<b>Total non-current liabilities</b>	<b>88,184</b>	<b>98,480</b>
<b>Total liabilities</b>	<b>160,169</b>	<b>144,879</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,973	3,006
Capital surplus	1,952	1,985
Retained earnings	71,114	74,406
Treasury shares	(7)	(8)
<b>Total shareholders' equity</b>	<b>76,033</b>	<b>79,389</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,394	2,440
Deferred gains or losses on hedges	(0)	-
Foreign currency translation adjustment	(6,467)	(5,093)
Remeasurements of defined benefit plans	(376)	(240)
<b>Total accumulated other comprehensive income</b>	<b>(4,450)</b>	<b>(2,893)</b>
<b>Non-controlling interests</b>	<b>16,730</b>	<b>16,736</b>
<b>Total net assets</b>	<b>88,312</b>	<b>93,232</b>
<b>Total liabilities and net assets</b>	<b>248,482</b>	<b>238,112</b>

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	75,012	113,635
Cost of sales	62,612	97,239
Gross profit	12,399	16,396
Selling, general and administrative expenses	7,391	10,526
Operating profit	5,008	5,869
Non-operating income		
Interest income	73	181
Dividend income	86	136
Foreign exchange gains	–	206
Subsidy income	259	178
Other	107	205
Total non-operating income	527	908
Non-operating expenses		
Interest expenses	487	557
Loss on retirement of non-current assets	6	–
Foreign exchange losses	2,497	–
Other	37	72
Total non-operating expenses	3,028	630
Ordinary profit	2,506	6,147
Extraordinary income		
Gain on sales of non-current assets	30	12
Total extraordinary income	30	12
Extraordinary losses		
Loss on sales of non-current assets	8	42
Loss on retirement of non-current assets	7	72
Impairment loss	6	–
Total extraordinary losses	22	115
Profit before income taxes	2,513	6,045
Income taxes	593	2,328
Profit	1,920	3,716
Profit attributable to non-controlling interests	302	242
Profit attributable to owners of parent	1,617	3,474

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	1,920	3,716
Other comprehensive income		
Valuation difference on available-for-sale securities	(200)	46
Deferred gains or losses on hedges	–	0
Foreign currency translation adjustment	(11,468)	1,624
Remeasurements of defined benefit plans, net of tax	60	169
Total other comprehensive income	(11,607)	1,841
Comprehensive income	(9,687)	5,558
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(8,822)	5,031
Comprehensive income attributable to non-controlling interests	(864)	526

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	2,513	6,045
Depreciation	5,612	9,416
Impairment loss	6	–
Amortization of goodwill	–	304
Increase (decrease) in allowance for doubtful accounts	(35)	1
Increase (decrease) in provision for bonuses	286	516
Increase (decrease) in provision for directors' bonuses	(11)	(14)
Increase (decrease) in provision for product compensations	(0)	(0)
Increase (decrease) in net defined benefit liability	(46)	133
Interest and dividend income	(160)	(318)
Interest expenses	487	557
Foreign exchange losses (gains)	2,239	(259)
Loss (gain) on sales and retirement of property, plant and equipment	(7)	102
Decrease (increase) in notes and accounts receivable - trade	(1,879)	(1,332)
Decrease (increase) in inventories	401	249
Increase (decrease) in notes and accounts payable - trade	3,301	(765)
Other, net	1,379	156
Subtotal	14,087	14,793
Interest and dividend income received	155	310
Interest expenses paid	(495)	(576)
Income taxes paid	(1,245)	(2,801)
Net cash provided by (used in) operating activities	12,501	11,726
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,908)	(6,227)
Proceeds from sales of property, plant and equipment	101	73
Purchase of intangible assets	(285)	(81)
Purchase of investment securities	(28)	(28)
Payments of loans receivable	(44)	(142)
Collection of loans receivable	38	120
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(28,115)	–
Other, net	(45)	(48)
Net cash provided by (used in) investing activities	(33,288)	(6,335)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	16,982	(15,768)
Proceeds from long-term loans payable	10,002	11,273
Repayments of long-term loans payable	(2,001)	(8,814)
Purchase of treasury shares	–	(0)
Cash dividends paid	(779)	(811)
Dividends paid to non-controlling interests	(71)	(520)
Other, net	(24)	(396)
Net cash provided by (used in) financing activities	24,106	(15,037)
Effect of exchange rate change on cash and cash equivalents	(1,883)	77
Net increase (decrease) in cash and cash equivalents	1,437	(9,569)
Cash and cash equivalents at beginning of period	14,253	32,697
Increase in cash and cash equivalents from newly consolidated subsidiary	701	–
Increase or decrease in cash and cash equivalents due to the fiscal year-end change of consolidated subsidiaries	(70)	1,085
Cash and cash equivalents at end of period	16,321	24,213