

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Year Ended March 31, 2018 (Based on Japanese GAAP)

April 27, 2018

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: General Manager Finance & Accounting Div. Shinichi Takahashi TEL 0532-25-8111
 Scheduled date of ordinary general meeting of shareholders: June 22, 2018
 Scheduled date to file Securities Report: June 25, 2018
 Scheduled date to commence dividend payments: June 25, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

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	%
Year ended March 31, 2018	237,910	31.8	15,767	41.2	15,929	54.3	10,351	63.9
Year ended March 31, 2017	180,522	9.8	11,166	(16.7)	10,323	(9.8)	6,315	(7.2)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	331.69	303.23	13.4	6.4	6.6
Year ended March 31, 2017	202.47	185.01	9.1	5.1	6.2

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	248,607	100,350	33.4	2,660.82
As of March 31, 2017	248,482	88,312	28.8	2,294.74

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	26,813	(14,336)	(20,534)	25,732
Year ended March 31, 2017	19,445	(41,236)	40,892	32,697

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	—	26.00	—	26.00	52.00	1,622	25.7	2.3
Year ended March 31, 2018	—	27.00	—	39.00	66.00	2,060	20.0	2.7
Year ending March 31, 2019 (Forecast)	—	42.00	—	42.00	84.00		25.2	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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	249,000	4.7	17,000	7.8	16,200	1.7	10,400	0.5	333.18

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2018	31,221,100 shares	As of March 31, 2017	31,200,000 shares
----------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2018	6,787 shares	As of March 31, 2017	5,752 shares
----------------------	--------------	----------------------	--------------

Average number of shares during the period

Year ended March 31, 2018	31,209,068 shares	Year ended March 31, 2017	31,194,381 shares
---------------------------	-------------------	---------------------------	-------------------

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	30,607	26,106
Notes and accounts receivable - trade	27,374	34,319
Merchandise and finished goods	9,522	10,117
Work in process	5,313	5,513
Raw materials and supplies	18,562	19,860
Deferred tax assets	1,174	1,165
Other	8,152	7,800
Allowance for doubtful accounts	(42)	(39)
Total current assets	100,664	104,843
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,572	42,945
Accumulated depreciation	(17,939)	(19,210)
Accumulated impairment loss	(943)	(895)
Buildings and structures, net	22,688	22,839
Machinery, equipment and vehicles	200,075	205,929
Accumulated depreciation	(130,497)	(140,146)
Accumulated impairment loss	(1,165)	(1,130)
Machinery, equipment and vehicles, net	68,412	64,652
Tools, furniture and fixtures	10,467	11,366
Accumulated depreciation	(6,706)	(7,265)
Accumulated impairment loss	(51)	(47)
Tools, furniture and fixtures, net	3,708	4,053
Land	6,300	6,655
Construction in progress	7,005	5,514
Total property, plant and equipment	108,116	103,716
Intangible assets		
Goodwill	8,874	9,086
Customer relationship assets	14,110	14,123
Software	1,626	1,648
Software in progress	155	13
Other	3,251	3,133
Total intangible assets	28,017	28,005
Investments and other assets		
Investment securities	5,744	6,251
Investments in capital	73	81
Long-term loans receivable	48	61
Deferred tax assets	2,751	2,167
Other	3,117	3,523
Allowance for doubtful accounts	(51)	(43)
Total investments and other assets	11,683	12,041
Total non-current assets	147,818	143,763
Total assets	248,482	248,607

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,127	21,347
Short-term loans payable	28,589	10,779
Current portion of long-term loans payable	9,390	12,644
Current portion of bonds	–	10,006
Accounts payable - other	3,523	3,310
Accrued expenses	5,509	6,164
Income taxes payable	1,388	1,317
Provision for bonuses	1,825	2,213
Provision for directors' bonuses	47	52
Provision for product warranties	23	35
Other	4,561	3,611
Total current liabilities	71,985	71,484
Non-current liabilities		
Bonds payable	10,016	–
Long-term loans payable	64,663	63,362
Deferred tax liabilities	6,631	7,369
Net defined benefit liability	5,037	4,641
Other	1,835	1,399
Total non-current liabilities	88,184	76,772
Total liabilities	160,169	148,256
Net assets		
Shareholders' equity		
Capital stock	2,973	3,006
Capital surplus	1,952	1,985
Retained earnings	71,114	80,440
Treasury shares	(7)	(8)
Total shareholders' equity	76,033	85,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,394	2,706
Deferred gains or losses on hedges	(0)	–
Foreign currency translation adjustment	(6,467)	(5,270)
Remeasurements of defined benefit plans	(376)	195
Total accumulated other comprehensive income	(4,450)	(2,368)
Non-controlling interests	16,730	17,294
Total net assets	88,312	100,350
Total liabilities and net assets	248,482	248,607

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	180,522	237,910
Cost of sales	151,915	200,134
Gross profit	28,607	37,776
Selling, general and administrative expenses	17,440	22,008
Operating profit	11,166	15,767
Non-operating income		
Interest income	323	371
Dividend income	158	208
Foreign exchange gains	–	72
Subsidy income	285	185
Other	455	584
Total non-operating income	1,222	1,422
Non-operating expenses		
Interest expenses	1,098	1,109
Loss on retirement of non-current assets	13	–
Foreign exchange losses	661	–
Other	291	150
Total non-operating expenses	2,065	1,260
Ordinary profit	10,323	15,929
Extraordinary income		
Gain on sales of non-current assets	14	50
Total extraordinary income	14	50
Extraordinary losses		
Loss on sales of non-current assets	31	85
Loss on retirement of non-current assets	171	141
Impairment loss	66	29
Total extraordinary losses	269	256
Profit before income taxes	10,068	15,723
Income taxes - current	3,356	4,773
Income taxes - deferred	(508)	(9)
Total income taxes	2,848	4,763
Profit	7,220	10,959
Profit attributable to non-controlling interests	904	608
Profit attributable to owners of parent	6,315	10,351

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	7,220	10,959
Other comprehensive income		
Valuation difference on available-for-sale securities	233	311
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	(500)	1,859
Remeasurements of defined benefit plans, net of tax	218	536
Total other comprehensive income	(49)	2,708
Comprehensive income	7,170	13,668
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,794	12,434
Comprehensive income attributable to non-controlling interests	376	1,234

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,973	2,714	66,103	(7)	71,783
Changes of items during period					
Issuance of new shares					–
Dividends of surplus			(1,590)		(1,590)
Profit attributable to owners of parent			6,315		6,315
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation			(33)		(33)
Purchase of shares of consolidated subsidiaries		(980)			(980)
Sales of shares of consolidated subsidiaries		218			218
Increase (decrease) due to change fiscal year of subsidiaries			320		320
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(761)	5,011	(0)	4,249
Balance at end of current period	2,973	1,952	71,114	(7)	76,033

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,160	–	(6,485)	(637)	(4,961)	11,125	77,947
Changes of items during period							
Issuance of new shares							–
Dividends of surplus							(1,590)
Profit attributable to owners of parent							6,315
Purchase of treasury shares							(0)
Change of scope of consolidation							(33)
Purchase of shares of consolidated subsidiaries							(980)
Sales of shares of consolidated subsidiaries							218
Increase (decrease) due to change fiscal year of subsidiaries							320
Net changes of items other than shareholders' equity	233	(0)	17	261	511	5,604	6,115
Total changes of items during period	233	(0)	17	261	511	5,604	10,365
Balance at end of current period	2,394	(0)	(6,467)	(376)	(4,450)	16,730	88,312

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,973	1,952	71,114	(7)	76,033
Changes of items during period					
Issuance of new shares	32	32			64
Dividends of surplus			(1,653)		(1,653)
Profit attributable to owners of parent			10,351		10,351
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation					–
Purchase of shares of consolidated subsidiaries					–
Sales of shares of consolidated subsidiaries					–
Increase (decrease) due to change fiscal year of subsidiaries			628		628
Net changes of items other than shareholders' equity					
Total changes of items during period	32	32	9,326	(0)	9,390
Balance at end of current period	3,006	1,985	80,440	(8)	85,423

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,394	(0)	(6,467)	(376)	(4,450)	16,730	88,312
Changes of items during period							
Issuance of new shares							64
Dividends of surplus							(1,653)
Profit attributable to owners of parent							10,351
Purchase of treasury shares							(0)
Change of scope of consolidation							–
Purchase of shares of consolidated subsidiaries							–
Sales of shares of consolidated subsidiaries							–
Increase (decrease) due to change fiscal year of subsidiaries							628
Net changes of items other than shareholders' equity	311	0	1,197	571	2,082	564	2,646
Total changes of items during period	311	0	1,197	571	2,082	564	12,037
Balance at end of current period	2,706	–	(5,270)	195	(2,368)	17,294	100,350

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	10,068	15,723
Depreciation	14,779	18,564
Impairment loss	66	29
Amortization of goodwill	291	634
Increase (decrease) in allowance for doubtful accounts	(40)	(2)
Increase (decrease) in provision for bonuses	83	98
Increase (decrease) in provision for directors' bonuses	(2)	4
Increase DEcrease In Provision For Product Warranties	(8)	11
Increase (decrease) in net defined benefit liability	153	314
Interest and dividend income	(481)	(579)
Interest expenses	1,098	1,109
Foreign exchange losses (gains)	1,772	(150)
Loss (gain) on sales of investment securities	(77)	–
Loss (gain) on sales and retirement of property, plant and equipment	201	176
Decrease (increase) in notes and accounts receivable - trade	(6,899)	(6,492)
Decrease (increase) in inventories	(931)	(1,298)
Increase (decrease) in notes and accounts payable - trade	725	4,825
Other, net	2,170	(502)
Subtotal	22,968	32,466
Interest and dividend income received	470	562
Interest expenses paid	(926)	(1,272)
Income taxes paid	(3,068)	(4,943)
Net cash provided by (used in) operating activities	19,445	26,813
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,096)	(12,632)
Proceeds from sales of property, plant and equipment	498	347
Purchase of intangible assets	(379)	(358)
Purchase of investment securities	(58)	(74)
Proceeds from sales of investment securities	193	–
Payments of loans receivable	(138)	(262)
Collection of loans receivable	133	236
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(28,115)	–
Other, net	(1,273)	(1,591)
Net cash provided by (used in) investing activities	(41,236)	(14,336)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(13,086)	(17,727)
Proceeds from long-term loans payable	54,677	11,356
Repayments of long-term loans payable	(3,339)	(11,099)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,056)	–
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	9,752	–
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,590)	(1,653)
Dividends paid to non-controlling interests	(71)	(670)
Other, net	(392)	(738)
Net cash provided by (used in) financing activities	40,892	(20,534)
Effect of exchange rate change on cash and cash equivalents	(1,288)	6
Net increase (decrease) in cash and cash equivalents	17,813	(8,050)
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	32,697	25,732