

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2017 (Based on Japanese GAAP)

May 10, 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 of ordinary general meeting of shareholders: June 23, 2017
 Scheduled date to file Securities Report: June 26, 2017
 Scheduled date to commence dividend payments: June 26, 2017
 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, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2017	180,522	9.8	11,166	(16.7)	10,323	(9.8)	6,315	(7.2)
Year ended March 31, 2016	164,397	3.9	13,398	15.6	11,449	(3.6)	6,809	6.7

	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, 2017	202.47	185.01	9.1	5.1	6.2
Year ended March 31, 2016	218.29	199.49	9.8	7.1	8.2

(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, 2017	248,482	88,312	28.8	2,294.74
As of March 31, 2016	155,152	77,947	43.1	2,142.11

(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, 2017	19,445	(41,236)	40,892	32,697
Year ended March 31, 2016	22,968	(10,211)	(7,585)	14,253

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, 2016	—	25.00	—	25.00	50.00	1,559	22.9	2.3
Year ended March 31, 2017	—	26.00	—	26.00	52.00	1,622	25.7	2.3
Year ending March 31, 2018 (Forecast)	—	27.00	—	27.00	54.00		21.6	

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
Six months ending September 30, 2017	106,000	41.3	6,000	19.8	5,700	127.4	3,200	97.9	102.58
Full year	213,000	18.0	13,000	16.4	12,500	21.1	7,800	23.5	250.05

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

(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, 2017	31,200,000 shares	As of March 31, 2016	31,200,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2017	5,752 shares	As of March 31, 2016	5,539 shares
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Average number of shares during the period

Year ended March 31, 2017	31,194,381 shares	Year ended March 31, 2016	31,194,509 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	13,059	30,607
Notes and accounts receivable - trade	16,851	27,374
Merchandise and finished goods	3,966	9,522
Work in process	3,574	5,313
Raw materials and supplies	14,171	18,562
Deferred tax assets	1,294	1,174
Other	5,948	8,152
Allowance for doubtful accounts	(66)	(42)
Total current assets	58,800	100,664
Non-current assets		
Property, plant and equipment		
Buildings and structures	33,843	41,572
Accumulated depreciation	(16,622)	(17,939)
Accumulated impairment loss	(806)	(943)
Buildings and structures, net	16,414	22,688
Machinery, equipment and vehicles	178,357	200,075
Accumulated depreciation	(123,616)	(130,497)
Accumulated impairment loss	(1,008)	(1,165)
Machinery, equipment and vehicles, net	53,732	68,412
Tools, furniture and fixtures	7,900	10,467
Accumulated depreciation	(6,243)	(6,706)
Accumulated impairment loss	(44)	(51)
Tools, furniture and fixtures, net	1,611	3,708
Land	5,045	6,300
Construction in progress	4,761	7,005
Total property, plant and equipment	81,565	108,116
Intangible assets		
Goodwill	–	8,874
Customer relationship assets	–	14,110
Software	1,226	1,626
Software in progress	542	155
Other	11	3,251
Total intangible assets	1,780	28,017
Investments and other assets		
Investment securities	5,443	5,744
Investments in capital	2,062	73
Long-term loans receivable	47	48
Deferred tax assets	3,014	2,751
Other	2,490	3,117
Allowance for doubtful accounts	(51)	(51)
Total investments and other assets	13,006	11,683
Total non-current assets	96,352	147,818
Total assets	155,152	248,482

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,122	17,127
Short-term loans payable	17,188	28,589
Current portion of long-term loans payable	3,368	9,390
Accounts payable - other	3,206	3,523
Accrued expenses	4,811	5,509
Income taxes payable	745	1,388
Provision for bonuses	1,729	1,825
Provision for directors' bonuses	51	47
Provision for product warranties	22	23
Other	1,783	4,561
Total current liabilities	44,029	71,985
Non-current liabilities		
Bonds payable	10,026	10,016
Long-term loans payable	18,472	64,663
Deferred tax liabilities	1,620	6,631
Net defined benefit liability	2,284	5,037
Other	770	1,835
Total non-current liabilities	33,175	88,184
Total liabilities	77,204	160,169
Net assets		
Shareholders' equity		
Capital stock	2,973	2,973
Capital surplus	2,714	1,952
Retained earnings	66,103	71,114
Treasury shares	(7)	(7)
Total shareholders' equity	71,783	76,033
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,160	2,394
Deferred gains or losses on hedges	–	(0)
Foreign currency translation adjustment	(6,485)	(6,467)
Remeasurements of defined benefit plans	(637)	(376)
Total accumulated other comprehensive income	(4,961)	(4,450)
Non-controlling interests	11,125	16,730
Total net assets	77,947	88,312
Total liabilities and net assets	155,152	248,482

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	164,397	180,522
Cost of sales	136,601	151,915
Gross profit	27,796	28,607
Selling, general and administrative expenses	14,397	17,440
Operating profit	13,398	11,166
Non-operating income		
Interest income	66	323
Dividend income	138	158
Subsidy income	–	285
Other	255	455
Total non-operating income	460	1,222
Non-operating expenses		
Interest expenses	996	1,098
Loss on retirement of non-current assets	43	13
Foreign exchange losses	1,080	661
Other	290	291
Total non-operating expenses	2,410	2,065
Ordinary profit	11,449	10,323
Extraordinary income		
Gain on sales of non-current assets	150	14
Total extraordinary income	150	14
Extraordinary losses		
Loss on sales of non-current assets	32	31
Loss on retirement of non-current assets	18	171
Impairment loss	1,455	66
Total extraordinary losses	1,506	269
Profit before income taxes	10,092	10,068
Income taxes - current	2,335	3,356
Income taxes - deferred	(165)	(508)
Total income taxes	2,169	2,848
Profit	7,923	7,220
Profit attributable to non-controlling interests	1,113	904
Profit attributable to owners of parent	6,809	6,315

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	7,923	7,220
Other comprehensive income		
Valuation difference on available-for-sale securities	(759)	233
Deferred gains or losses on hedges	–	(0)
Foreign currency translation adjustment	(10,667)	(500)
Remeasurements of defined benefit plans, net of tax	36	218
Total other comprehensive income	(11,390)	(49)
Comprehensive income	(3,467)	7,170
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,071)	6,794
Comprehensive income attributable to non-controlling interests	(395)	376

Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(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	61,429	(7)	67,111
Changes of items during period					
Dividends of surplus			(1,528)		(1,528)
Profit attributable to owners of parent			6,809		6,809
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation			(607)		(607)
Purchase of shares of consolidated subsidiaries					–
Sales of shares of consolidated subsidiaries					–
Increase (decrease) due to change fiscal year of subsidiaries					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	4,673	(0)	4,672
Balance at end of current period	2,973	2,714	66,103	(7)	71,783

	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	2,919	–	2,671	(672)	4,918	11,940	83,969
Changes of items during period							
Dividends of surplus							(1,528)
Profit attributable to owners of parent							6,809
Purchase of treasury shares							(0)
Change of scope of consolidation							(607)
Purchase of shares of consolidated subsidiaries							–
Sales of shares of consolidated subsidiaries							–
Increase (decrease) due to change fiscal year of subsidiaries							–
Net changes of items other than shareholders' equity	(759)	–	(9,156)	35	(9,880)	(814)	(10,694)
Total changes of items during period	(759)	–	(9,156)	35	(9,880)	(814)	(6,022)
Balance at end of current period	2,160	–	(6,485)	(637)	(4,961)	11,125	77,947

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					
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							
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

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	10,092	10,068
Depreciation	13,291	14,779
Impairment loss	1,455	66
Loss (gain) on sales of investment securities	–	(77)
Increase (decrease) in allowance for doubtful accounts	26	(40)
Amortization of goodwill	–	291
Increase (decrease) in provision for bonuses	121	83
Increase (decrease) in provision for directors' bonuses	(7)	(2)
Increase DEcrease In Provision For Product Warranties	(119)	(8)
Increase (decrease) in net defined benefit liability	(546)	153
Interest and dividend income	(204)	(481)
Interest expenses	996	1,098
Foreign exchange losses (gains)	701	1,772
Loss (gain) on sales and retirement of property, plant and equipment	(56)	201
Decrease (increase) in notes and accounts receivable - trade	285	(6,899)
Decrease (increase) in inventories	(772)	(931)
Increase (decrease) in notes and accounts payable - trade	(889)	725
Other, net	1,638	2,170
Subtotal	26,015	22,968
Interest and dividend income received	172	470
Interest expenses paid	(1,004)	(926)
Income taxes paid	(2,214)	(3,068)
Net cash provided by (used in) operating activities	22,968	19,445
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,325)	(12,096)
Proceeds from sales of property, plant and equipment	609	498
Purchase of intangible assets	(425)	(379)
Purchase of investment securities	(56)	(58)
Proceeds from sales of investment securities	–	193
Payments of loans receivable	(92)	(138)
Collection of loans receivable	72	133
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(28,115)
Purchase of investments in capital of subsidiaries	(969)	–
Other, net	(24)	(1,273)
Net cash provided by (used in) investing activities	(10,211)	(41,236)

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,898)	(13,086)
Proceeds from long-term loans payable	7,395	54,677
Repayments of long-term loans payable	(7,096)	(3,339)
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	(1,528)	(1,590)
Dividends paid to non-controlling interests	(418)	(71)
Other, net	(38)	(392)
Net cash provided by (used in) financing activities	(7,585)	40,892
Effect of exchange rate change on cash and cash equivalents	(1,205)	(1,288)
Net increase (decrease) in cash and cash equivalents	3,965	17,813
Cash and cash equivalents at beginning of period	10,126	14,253
Increase in cash and cash equivalents from newly consolidated subsidiary	161	701
Increase or decrease in cash and cash equivalents due to the fiscal year-end change of consolidated subsidiaries	–	(70)
Cash and cash equivalents at end of period	14,253	32,697