

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 (Based on Japanese GAAP)

November 6, 2019

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 to file Quarterly Securities Report: November 6, 2019
 Scheduled date to commence dividend payments: November 29, 2019
 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, 2019 (from April 1, 2019 to September 30, 2019)

(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, 2019	123,893	(4.0)	4,038	(48.1)	3,959	(53.2)	2,697	(50.9)
Six months ended September 30, 2018	129,026	13.5	7,784	32.6	8,455	37.5	5,496	58.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2019	41.42		-	
Six months ended September 30, 2018	87.89		80.84	

(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, 2019	231,005	102,477	37.7	1,334.95
As of March 31, 2019	244,450	108,333	37.4	1,405.28

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, 2019	-	42.00	-	21.00	-
Year ending March 31, 2020	-	21.00	-	-	-
Year ending March 31, 2020 (Forecast)	-	-	-	21.00	42.00

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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	238,500	(6.8)	10,400	(26.3)	10,200	(31.0)	7,000	(29.2)	107.47

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019
(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: Yes
- 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, 2019	65,184,001 shares	As of March 31, 2019	65,135,001 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	17,470 shares	As of March 31, 2019	16,152 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, 2019	65,134,140 shares	Six months ended September 30, 2018	62,530,157 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	27,152	24,904
Notes and accounts receivable - trade	32,047	30,902
Merchandise and finished goods	11,007	8,139
Work in process	5,671	7,648
Raw materials and supplies	20,683	18,333
Other	8,093	6,727
Allowance for doubtful accounts	(100)	(81)
Total current assets	104,555	96,575
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,908	44,788
Accumulated depreciation	(21,215)	(21,721)
Accumulated impairment loss	(419)	(386)
Buildings and structures, net	23,273	22,679
Machinery, equipment and vehicles	212,502	209,506
Accumulated depreciation	(152,902)	(154,845)
Accumulated impairment loss	(628)	(617)
Machinery, equipment and vehicles, net	58,971	54,043
Tools, furniture and fixtures	11,912	11,948
Accumulated depreciation	(7,944)	(8,031)
Accumulated impairment loss	(22)	(20)
Tools, furniture and fixtures, net	3,946	3,896
Land	7,248	7,113
Construction in progress	9,067	12,291
Total property, plant and equipment	102,506	100,024
Intangible assets		
Goodwill	9,168	8,028
Customer relationship assets	12,386	10,219
Software	1,709	1,594
Software in progress	19	29
Other	2,317	2,303
Total intangible assets	25,602	22,175
Investments and other assets		
Investment securities	6,440	6,938
Investments in capital	113	136
Long-term loans receivable	127	144
Deferred tax assets	2,244	2,218
Other	2,904	2,836
Allowance for doubtful accounts	(43)	(43)
Total investments and other assets	11,786	12,229
Total non-current assets	139,894	134,429
Total assets	244,450	231,005

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,129	17,972
Short-term borrowings	25,140	25,600
Current portion of long-term borrowings	14,515	15,298
Accounts payable - other	3,267	2,426
Accrued expenses	6,203	6,479
Income taxes payable	1,188	1,061
Provision for bonuses	2,258	2,845
Provision for bonuses for directors (and other officers)	51	23
Provision for product compensations	928	729
Other	4,071	4,644
Total current liabilities	74,755	77,080
Non-current liabilities		
Long-term borrowings	49,173	40,656
Deferred tax liabilities	6,025	4,927
Retirement benefit liability	4,644	4,385
Other	1,518	1,477
Total non-current liabilities	61,361	51,446
Total liabilities	136,116	128,527
Net assets		
Shareholders' equity		
Share capital	5,326	5,361
Capital surplus	4,305	4,340
Retained earnings	89,261	90,593
Treasury shares	(8)	(8)
Total shareholders' equity	98,884	100,286
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,026	1,821
Foreign currency translation adjustment	(9,593)	(15,311)
Remeasurements of defined benefit plans	192	197
Total accumulated other comprehensive income	(7,374)	(13,292)
Non-controlling interests	16,823	15,483
Total net assets	108,333	102,477
Total liabilities and net assets	244,450	231,005

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, 2018	Six months ended September 30, 2019
Net sales	129,026	123,893
Cost of sales	108,911	107,388
Gross profit	20,115	16,505
Selling, general and administrative expenses	12,330	12,467
Operating profit	7,784	4,038
Non-operating income		
Interest income	245	250
Dividend income	309	341
Foreign exchange gains	414	–
Other	247	277
Total non-operating income	1,217	869
Non-operating expenses		
Interest expenses	423	391
Foreign exchange losses	–	326
Other	122	230
Total non-operating expenses	545	948
Ordinary profit	8,455	3,959
Extraordinary income		
Gain on sales of non-current assets	8	42
Total extraordinary income	8	42
Extraordinary losses		
Loss on sales of non-current assets	22	1
Loss on retirement of non-current assets	32	27
Impairment loss	214	31
Total extraordinary losses	269	59
Profit before income taxes	8,195	3,941
Income taxes	2,291	1,202
Profit	5,903	2,738
Profit attributable to non-controlling interests	407	41
Profit attributable to owners of parent	5,496	2,697

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	5,903	2,738
Other comprehensive income		
Valuation difference on available-for-sale securities	(182)	(204)
Foreign currency translation adjustment	(4,261)	(6,508)
Remeasurements of defined benefit plans, net of tax	40	2
Total other comprehensive income	(4,403)	(6,710)
Comprehensive income	1,500	(3,971)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,806	(3,220)
Comprehensive income attributable to non-controlling interests	(306)	(750)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	8,195	3,941
Depreciation	8,840	8,933
Impairment loss	214	31
Loss (gain) on sales of investment securities	(1)	–
Amortization of goodwill	325	440
Increase (decrease) in allowance for doubtful accounts	5	(2)
Increase (decrease) in provision for bonuses	641	616
Increase (decrease) in provision for bonuses for directors (and other officers)	(17)	(27)
Increase (decrease) in provision for product compensations	(18)	(206)
Increase (decrease) in retirement benefit liability	95	(42)
Interest and dividend income	(555)	(592)
Interest expenses	423	391
Foreign exchange losses (gains)	38	(190)
Loss (gain) on sales and retirement of property, plant and equipment	46	(13)
Loss (gain) on valuation of investment securities	–	112
Decrease (increase) in trade receivables	(491)	1,406
Decrease (increase) in inventories	(2,025)	827
Increase (decrease) in trade payables	(2,151)	424
Other, net	3,372	(1,015)
Subtotal	16,938	15,033
Interest and dividends received	550	601
Interest paid	(401)	(439)
Income taxes paid	(2,685)	(1,937)
Net cash provided by (used in) operating activities	14,402	13,258
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,578)	(8,755)
Proceeds from sales of property, plant and equipment	173	57
Purchase of intangible assets	(153)	(247)
Purchase of investment securities	(1,061)	(934)
Proceeds from sales of investment securities	12	4
Loan advances	(89)	(83)
Collection of loans receivable	57	74
Other, net	(90)	555
Net cash provided by (used in) investing activities	(7,729)	(9,329)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,083)	3,061
Proceeds from long-term borrowings	41	1,106
Repayments of long-term borrowings	(1,819)	(8,435)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,217)	(1,367)
Dividends paid to non-controlling interests	(403)	(610)
Other, net	(298)	(195)
Net cash provided by (used in) financing activities	(4,780)	(6,441)
Effect of exchange rate change on cash and cash equivalents	(242)	(942)
Net increase (decrease) in cash and cash equivalents	1,649	(3,454)
Cash and cash equivalents at beginning of period	25,732	27,069
Increase or decrease in cash and cash equivalents due to the fiscal year-end change of consolidated subsidiaries	1,558	1,656
Cash and cash equivalents at end of period	28,939	25,271