

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

November 2, 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 to file Quarterly Securities Report: November 2, 2018
 Scheduled date to commence dividend payments: November 30, 2018
 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, 2018 (from April 1, 2018 to September 30, 2018)

(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, 2018 | 129,026 | 13.5 | 7,784 | 32.6 | 8,455 | 37.5 | 5,496 | 58.2 |
| Six months ended September 30, 2017 | 113,635 | 51.5 | 5,869 | 17.2 | 6,147 | 145.3 | 3,474 | 114.8 |

| | Earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended September 30, 2018 | 87.89 | | 80.84 | |
| Six months ended September 30, 2017 | 55.67 | | 50.88 | |

(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, 2018 | 244,175 | 103,130 | 35.4 | 1,368.85 |
| As of March 31, 2018 | 247,778 | 100,350 | 33.5 | 1,330.41 |

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, 2018 | – | 27.00 | – | 39.00 | 66.00 |
| Year ending March 31, 2019 | – | 42.00 | | | |
| Year ending March 31, 2019 (Forecast) | | | – | 21.00 | – |

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 | 16,600 | 4.2 | 10,600 | 2.4 | 168.59 |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2018
(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, 2018 | 63,240,206 shares | As of March 31, 2018 | 62,442,200 shares |
|--------------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|--------------------------|---------------|----------------------|---------------|
| As of September 30, 2018 | 16,152 shares | As of March 31, 2018 | 13,574 shares |
|--------------------------|---------------|----------------------|---------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Six months ended September 30, 2018 | 62,530,157 shares | Six months ended September 30, 2017 | 62,406,544 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2018 | As of September 30, 2018 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 26,106 | 28,186 |
| Notes and accounts receivable - trade | 34,319 | 34,242 |
| Merchandise and finished goods | 10,117 | 10,609 |
| Work in process | 5,513 | 6,170 |
| Raw materials and supplies | 19,860 | 19,493 |
| Other | 7,800 | 7,639 |
| Allowance for doubtful accounts | (39) | (33) |
| Total current assets | 103,678 | 106,309 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 42,945 | 42,671 |
| Accumulated depreciation | (19,210) | (19,842) |
| Accumulated impairment loss | (895) | (739) |
| Buildings and structures, net | 22,839 | 22,089 |
| Machinery, equipment and vehicles | 205,929 | 204,278 |
| Accumulated depreciation | (140,146) | (143,878) |
| Accumulated impairment loss | (1,130) | (972) |
| Machinery, equipment and vehicles, net | 64,652 | 59,428 |
| Tools, furniture and fixtures | 11,366 | 11,466 |
| Accumulated depreciation | (7,265) | (7,594) |
| Accumulated impairment loss | (47) | (39) |
| Tools, furniture and fixtures, net | 4,053 | 3,833 |
| Land | 6,655 | 6,558 |
| Construction in progress | 5,514 | 8,938 |
| Total property, plant and equipment | 103,716 | 100,848 |
| Intangible assets | | |
| Goodwill | 9,086 | 8,293 |
| Customer relationship assets | 14,123 | 12,727 |
| Software | 1,648 | 1,515 |
| Software in progress | 13 | 13 |
| Other | 3,133 | 2,547 |
| Total intangible assets | 28,005 | 25,097 |
| Investments and other assets | | |
| Investment securities | 6,251 | 7,001 |
| Investments in capital | 81 | 118 |
| Long-term loans receivable | 61 | 68 |
| Deferred tax assets | 2,504 | 2,186 |
| Other | 3,523 | 2,589 |
| Allowance for doubtful accounts | (43) | (43) |
| Total investments and other assets | 12,378 | 11,920 |
| Total non-current assets | 144,099 | 137,866 |
| Total assets | 247,778 | 244,175 |

(Millions of yen)

| | As of March 31, 2018 | As of September 30, 2018 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 21,347 | 19,449 |
| Short-term loans payable | 10,779 | 9,671 |
| Current portion of long-term loans payable | 12,644 | 17,865 |
| Current portion of bonds | 10,006 | 8,691 |
| Accounts payable - other | 3,310 | 3,220 |
| Accrued expenses | 6,164 | 6,686 |
| Income taxes payable | 1,317 | 1,463 |
| Provision for bonuses | 2,213 | 2,757 |
| Provision for directors' bonuses | 52 | 25 |
| Provision for product compensations | 35 | 16 |
| Other | 3,611 | 4,566 |
| Total current liabilities | 71,484 | 74,415 |
| Non-current liabilities | | |
| Long-term loans payable | 63,362 | 55,005 |
| Deferred tax liabilities | 6,541 | 5,762 |
| Net defined benefit liability | 4,641 | 4,384 |
| Other | 1,399 | 1,477 |
| Total non-current liabilities | 75,944 | 66,628 |
| Total liabilities | 147,428 | 141,044 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,006 | 3,696 |
| Capital surplus | 1,985 | 2,675 |
| Retained earnings | 80,440 | 86,239 |
| Treasury shares | (8) | (8) |
| Total shareholders' equity | 85,423 | 92,602 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,706 | 2,523 |
| Foreign currency translation adjustment | (5,270) | (8,809) |
| Remeasurements of defined benefit plans | 195 | 228 |
| Total accumulated other comprehensive income | (2,368) | (6,057) |
| Non-controlling interests | 17,294 | 16,586 |
| Total net assets | 100,350 | 103,130 |
| Total liabilities and net assets | 247,778 | 244,175 |

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, 2017 | Six months ended September 30, 2018 |
|--|--|--|
| Net sales | 113,635 | 129,026 |
| Cost of sales | 97,239 | 108,911 |
| Gross profit | 16,396 | 20,115 |
| Selling, general and administrative expenses | 10,526 | 12,330 |
| Operating profit | 5,869 | 7,784 |
| Non-operating income | | |
| Interest income | 181 | 245 |
| Dividend income | 136 | 309 |
| Foreign exchange gains | 206 | 414 |
| Subsidy income | 178 | 49 |
| Other | 205 | 198 |
| Total non-operating income | 908 | 1,217 |
| Non-operating expenses | | |
| Interest expenses | 557 | 423 |
| Other | 72 | 122 |
| Total non-operating expenses | 630 | 545 |
| Ordinary profit | 6,147 | 8,455 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 12 | 8 |
| Total extraordinary income | 12 | 8 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 42 | 22 |
| Loss on retirement of non-current assets | 72 | 32 |
| Impairment loss | – | 214 |
| Total extraordinary losses | 115 | 269 |
| Profit before income taxes | 6,045 | 8,195 |
| Income taxes | 2,328 | 2,291 |
| Profit | 3,716 | 5,903 |
| Profit attributable to non-controlling interests | 242 | 407 |
| Profit attributable to owners of parent | 3,474 | 5,496 |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Six months ended September 30, 2017 | Six months ended September 30, 2018 |
|--|--|--|
| Profit | 3,716 | 5,903 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 46 | (182) |
| Deferred gains or losses on hedges | 0 | – |
| Foreign currency translation adjustment | 1,624 | (4,261) |
| Remeasurements of defined benefit plans, net of tax | 169 | 40 |
| Total other comprehensive income | 1,841 | (4,403) |
| Comprehensive income | 5,558 | 1,500 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 5,031 | 1,806 |
| Comprehensive income attributable to non-controlling interests | 526 | (306) |

Consolidated statements of cash flows

(Millions of yen)

| | Six months ended September 30, 2017 | Six months ended September 30, 2018 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 6,045 | 8,195 |
| Depreciation | 9,416 | 8,840 |
| Impairment loss | – | 214 |
| Loss (gain) on sales of investment securities | – | (1) |
| Amortization of goodwill | 304 | 325 |
| Increase (decrease) in allowance for doubtful accounts | 1 | 5 |
| Increase (decrease) in provision for bonuses | 516 | 641 |
| Increase (decrease) in provision for directors' bonuses | (14) | (17) |
| Increase (decrease) in provision for product compensations | (0) | (18) |
| Increase (decrease) in net defined benefit liability | 133 | 95 |
| Interest and dividend income | (318) | (555) |
| Interest expenses | 557 | 423 |
| Foreign exchange losses (gains) | (259) | 38 |
| Loss (gain) on sales and retirement of property, plant and equipment | 102 | 46 |
| Decrease (increase) in notes and accounts receivable - trade | (1,332) | (491) |
| Decrease (increase) in inventories | 249 | (2,025) |
| Increase (decrease) in notes and accounts payable - trade | (765) | (2,151) |
| Other, net | 156 | 3,372 |
| Subtotal | 14,793 | 16,938 |
| Interest and dividend income received | 310 | 550 |
| Interest expenses paid | (576) | (401) |
| Income taxes paid | (2,801) | (2,685) |
| Net cash provided by (used in) operating activities | 11,726 | 14,402 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (6,227) | (6,578) |
| Proceeds from sales of property, plant and equipment | 73 | 173 |
| Purchase of intangible assets | (81) | (153) |
| Purchase of investment securities | (28) | (1,061) |
| Proceeds from sales of investment securities | – | 12 |
| Payments of loans receivable | (142) | (89) |
| Collection of loans receivable | 120 | 57 |
| Other, net | (48) | (90) |
| Net cash provided by (used in) investing activities | (6,335) | (7,729) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (15,768) | (1,083) |
| Proceeds from long-term loans payable | 11,273 | 41 |
| Repayments of long-term loans payable | (8,814) | (1,819) |
| Purchase of treasury shares | (0) | (0) |
| Cash dividends paid | (811) | (1,217) |
| Dividends paid to non-controlling interests | (520) | (403) |
| Other, net | (396) | (298) |
| Net cash provided by (used in) financing activities | (15,037) | (4,780) |
| Effect of exchange rate change on cash and cash equivalents | 77 | (242) |
| Net increase (decrease) in cash and cash equivalents | (9,569) | 1,649 |
| Cash and cash equivalents at beginning of period | 32,697 | 25,732 |
| Increase or decrease in cash and cash equivalents due to the fiscal year-end change of consolidated subsidiaries | 1,085 | 1,558 |
| Cash and cash equivalents at end of period | 24,213 | 28,939 |