

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (Based on Japanese GAAP)

May 17, 2016

Company name: MUSASHI CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 7521 URL <http://www.musashinet.co.jp>
 Representative: Representative Director Masataka Hatori
 President
 Managing Director
 General Manager of Financial Department
 Inquiries: Susumu Murata TEL 03-3546-7710
 Scheduled date of ordinary general meeting of shareholders: June 29, 2016
 Scheduled date to file Securities Report: June 30, 2016
 Scheduled date to commence dividend payments: June 30, 2016
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2016	35,709	(4.1)	925	(34.8)	1,189	(28.4)	753	(31.3)
Year ended March 31, 2015	37,252	2.3	1,420	18.0	1,661	25.7	1,096	43.9

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2016	101.18	–	2.9	2.9	2.6
Year ended March 31, 2015	147.24	–	4.4	4.1	3.8

(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, 2016	40,619	25,963	63.9	3,488.11
As of March 31, 2015	41,506	25,915	62.4	3,481.65

(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, 2016	256	(171)	(225)	16,763
Year ended March 31, 2015	1,238	666	(149)	16,905

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, 2015	–	10.00	–	20.00	30.00	223	20.4	0.9
Year ended March 31, 2016	–	10.00	–	10.00	20.00	148	19.8	0.6
Year ending March 31, 2017 (Forecast)	–	12.00	–	12.00	24.00		23.1	

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		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, 2016	18,711	9.4	785	49.0	833	41.0	507	35.4	68.11
Full year	37,221	4.2	1,143	23.5	1,232	3.5	775	2.9	104.12

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2016

(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: Yes

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, 2016	7,950,000 shares	As of March 31, 2015	7,950,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2016	506,463 shares	As of March 31, 2015	506,447 shares
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Average number of shares during the period

Year ended March 31, 2016	7,443,542 shares	Year ended March 31, 2015	7,443,584 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	17,795	17,553
Notes and accounts receivable - trade	10,528	10,351
Merchandise and finished goods	1,653	1,624
Work in process	62	81
Raw materials and supplies	664	959
Deferred tax assets	239	237
Other	383	442
Allowance for doubtful accounts	(24)	(20)
Total current assets	31,302	31,229
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,192	1,125
Machinery, equipment and vehicles, net	72	66
Land	1,800	1,800
Construction in progress	33	33
Other, net	304	313
Total property, plant and equipment	3,404	3,339
Intangible assets		
Software	178	145
Other	20	20
Total intangible assets	198	165
Investments and other assets		
Investment securities	1,962	1,659
Shares of subsidiaries and associates	419	418
Deferred tax assets	52	54
Net defined benefit asset	1,299	902
Guarantee deposits	2,545	2,546
Other	377	366
Allowance for doubtful accounts	(56)	(64)
Total investments and other assets	6,600	5,884
Total non-current assets	10,203	9,389
Total assets	41,506	40,619

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,265	7,868
Short-term loans payable	3,521	3,521
Income taxes payable	299	254
Provision for bonuses	369	368
Other	860	509
Total current liabilities	13,316	12,522
Non-current liabilities		
Deferred tax liabilities	527	277
Net defined benefit liability	187	189
Provision for directors' retirement benefits	1,025	1,094
Other	533	571
Total non-current liabilities	2,274	2,132
Total liabilities	15,590	14,655
Net assets		
Shareholders' equity		
Capital stock	1,208	1,208
Capital surplus	2,005	2,005
Retained earnings	22,638	23,168
Treasury shares	(576)	(576)
Total shareholders' equity	25,275	25,805
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	494	295
Remeasurements of defined benefit plans	145	(136)
Total accumulated other comprehensive income	640	158
Total net assets	25,915	25,963
Total liabilities and net assets	41,506	40,619

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

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	37,252	35,709
Cost of sales	29,474	28,562
Gross profit	7,778	7,146
Selling, general and administrative expenses	6,357	6,220
Operating income	1,420	925
Non-operating income		
Interest income	37	36
Dividend income	49	55
Share of profit of entities accounted for using equity method	11	4
Reversal of allowance for doubtful accounts	1	–
Insurance premiums refunded cancellation	33	5
Compensation income	83	155
Miscellaneous income	64	46
Total non-operating income	281	304
Non-operating expenses		
Interest expenses	37	37
Miscellaneous loss	2	2
Total non-operating expenses	40	39
Ordinary income	1,661	1,189
Extraordinary income		
Gain on sales of land	121	–
Gain on sales of investment securities	1	–
Total extraordinary income	122	–
Extraordinary losses		
Loss on valuation of investment securities	9	5
Loss on valuation of membership	4	–
Total extraordinary losses	14	5
Profit before income taxes	1,770	1,184
Income taxes - current	474	444
Income taxes - deferred	199	(12)
Total income taxes	674	431
Profit	1,096	753
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,096	753

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit	1,096	753
Other comprehensive income		
Valuation difference on available-for-sale securities	137	(199)
Remeasurements of defined benefit plans, net of tax	264	(282)
Share of other comprehensive income of entities accounted for using equity method	4	(0)
Total other comprehensive income	406	(481)
Comprehensive income	1,502	271
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,502	271

Consolidated statements of changes in equity

Fiscal year ended March 31, 2015

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,208	2,005	21,552	(576)	24,189
Cumulative effects of changes in accounting policies			138		138
Restated balance	1,208	2,005	21,691	(576)	24,328
Changes of items during period					
Dividends of surplus			(148)		(148)
Profit attributable to owners of parent			1,096		1,096
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	947	(0)	947
Balance at end of current period	1,208	2,005	22,638	(576)	25,275

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	352	(118)	234	24,423
Cumulative effects of changes in accounting policies				138
Restated balance	352	(118)	234	24,562
Changes of items during period				
Dividends of surplus				(148)
Profit attributable to owners of parent				1,096
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	141	264	406	406
Total changes of items during period	141	264	406	1,353
Balance at end of current period	494	145	640	25,915

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	1,208	2,005	22,638	(576)	25,275
Changes of items during period					
Dividends of surplus			(223)		(223)
Profit attributable to owners of parent			753		753
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	529	(0)	529
Balance at end of current period	1,208	2,005	23,168	(576)	25,805

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	494	145	640	25,915
Changes of items during period				
Dividends of surplus				(223)
Profit attributable to owners of parent				753
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	(199)	(282)	(481)	(481)
Total changes of items during period	(199)	(282)	(481)	48
Balance at end of current period	295	(136)	158	25,963

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	1,770	1,184
Depreciation	324	372
Loss (gain) on sales of investment securities	(1)	–
Loss (gain) on valuation of investment securities	9	5
Increase (decrease) in allowance for doubtful accounts	(1)	0
Increase (decrease) in provision for bonuses	(8)	(0)
Increase (decrease) in provision for loss on order received	(11)	–
Increase (decrease) in net defined benefit liability	7	2
Increase (decrease) in net defined benefit asset	(17)	(15)
Increase (decrease) in provision for directors' retirement benefits	86	68
Interest and dividend income	(86)	(91)
Interest expenses	37	37
Share of (profit) loss of entities accounted for using equity method	(11)	(4)
Foreign exchange losses (gains)	(0)	1
Loss (gain) on sales of land	(121)	–
Decrease (increase) in notes and accounts receivable - trade	(582)	171
Decrease (increase) in inventories	(162)	(284)
Decrease (increase) in other current assets	(0)	(96)
Increase (decrease) in notes and accounts payable - trade	447	(395)
Increase (decrease) in accounts payable - other	(8)	(7)
Increase (decrease) in other current liabilities	163	(323)
Other, net	(243)	42
Subtotal	1,590	666
Interest and dividend income received	86	91
Interest expenses paid	(37)	(37)
Income taxes (paid) refund	(400)	(464)
Net cash provided by (used in) operating activities	1,238	256

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from investing activities		
Payments into time deposits	(100)	(500)
Proceeds from withdrawal of time deposits	1,000	600
Purchase of property, plant and equipment	(610)	(257)
Proceeds from sales of property, plant and equipment	456	8
Purchase of intangible assets	(129)	(32)
Purchase of investment securities	(19)	(9)
Proceeds from sales of investment securities	14	–
Payments of loans receivable	(1)	(0)
Collection of loans receivable	1	1
Other, net	54	17
Net cash provided by (used in) investing activities	666	(171)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(149)	(223)
Other, net	–	(2)
Net cash provided by (used in) financing activities	(149)	(225)
Effect of exchange rate change on cash and cash equivalents	0	(1)
Net increase (decrease) in cash and cash equivalents	1,756	(141)
Cash and cash equivalents at beginning of period	15,149	16,905
Cash and cash equivalents at end of period	16,905	16,763