

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 Six Months Ended September 30, 2017 (Based on Japanese GAAP)

November 7, 2017

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 to file Quarterly Securities Report: November 8, 2017  
 Scheduled date to commence dividend payments: December 15, 2017  
 Preparation of supplementary material on quarterly financial results: No  
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(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, 2017	16,124	(11.9)	(92)	–	(50)	–	68	(90.1)
Six months ended September 30, 2016	18,299	7.0	999	89.7	1,058	79.3	692	85.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2017	9.21		–	
Six months ended September 30, 2016	93.09		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	42,993	26,791	62.3
As of March 31, 2017	41,183	26,860	65.2

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, 2017	–	18.00	–	20.00	38.00
Year ending March 31, 2018	–	12.00	–	–	–
Year ending March 31, 2018 (Forecast)	–	–	–	12.00	24.00

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
Full year	38,369	8.8	1,170	5.6	1,211	(2.5)	836	6.9	112.31

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2017  
(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: No
- (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: No
- 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, 2017	7,950,000 shares	As of March 31, 2017	7,950,000 shares
--------------------------	------------------	----------------------	------------------

Number of treasury shares at the end of the period

As of September 30, 2017	506,537 shares	As of March 31, 2017	506,463 shares
--------------------------	----------------	----------------------	----------------

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

Six months ended September 30, 2017	7,443,512 shares	Six months ended September 30, 2016	7,443,537 shares
-------------------------------------	------------------	-------------------------------------	------------------

**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	19,615	17,394
Notes and accounts receivable - trade	9,020	11,345
Merchandise and finished goods	1,555	2,446
Work in process	77	85
Raw materials and supplies	759	784
Other	518	645
Allowance for doubtful accounts	(5)	(4)
Total current assets	31,541	32,697
Non-current assets		
Property, plant and equipment	3,290	3,257
Intangible assets	137	525
Investments and other assets	6,213	6,513
Total non-current assets	9,641	10,295
Total assets	41,183	42,993
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,365	6,291
Electronically recorded obligations - operating	2,697	2,657
Short-term loans payable	3,516	3,516
Income taxes payable	312	118
Provision for bonuses	379	431
Other	753	759
Total current liabilities	12,023	13,774
Non-current liabilities		
Net defined benefit liability	206	196
Provision for directors' retirement benefits	1,188	1,226
Other	903	1,004
Total non-current liabilities	2,298	2,427
Total liabilities	14,322	16,201
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,208	1,208
Capital surplus	2,005	2,005
Retained earnings	23,741	23,661
Treasury shares	(576)	(576)
Total shareholders' equity	26,378	26,297
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	494	455
Remeasurements of defined benefit plans	(12)	37
Total accumulated other comprehensive income	481	493
Total net assets	26,860	26,791
Total liabilities and net assets	41,183	42,993

**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, 2016	Six months ended September 30, 2017
Net sales	18,299	16,124
Cost of sales	14,116	12,986
Gross profit	4,183	3,138
Selling, general and administrative expenses	3,183	3,231
Operating profit (loss)	999	(92)
Non-operating income		
Interest income	14	12
Dividend income	32	31
Share of profit of entities accounted for using equity method	5	8
Reversal of allowance for doubtful accounts	3	–
Other	24	20
Total non-operating income	80	72
Non-operating expenses		
Interest expenses	16	16
shares of subsidiaries acquisition related cost	–	8
Other	4	4
Total non-operating expenses	20	29
Ordinary profit (loss)	1,058	(50)
Extraordinary income		
Gain on sales of investment securities	–	180
Total extraordinary income	–	180
Extraordinary losses		
Loss on valuation of golf club membership	3	–
Impairment loss	4	–
Total extraordinary losses	7	–
Profit before income taxes	1,051	130
Income taxes - current	427	103
Income taxes - deferred	(69)	(41)
Total income taxes	358	62
Profit	692	68
Profit attributable to owners of parent	692	68

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	692	68
Other comprehensive income		
Valuation difference on available-for-sale securities	15	(42)
Remeasurements of defined benefit plans, net of tax	46	50
Share of other comprehensive income of entities accounted for using equity method	(1)	3
Total other comprehensive income	59	11
Comprehensive income	752	80
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	752	80

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	1,051	130
Depreciation	145	147
Loss (gain) on sales of investment securities	–	(180)
Increase (decrease) in allowance for doubtful accounts	(3)	0
Increase (decrease) in provision for bonuses	35	(5)
Increase (decrease) in net defined benefit liability	8	(10)
Decrease (increase) in net defined benefit asset	45	(20)
Increase (decrease) in provision for directors' retirement benefits	46	38
Interest and dividend income	(47)	(43)
Interest expenses	16	16
Foreign exchange losses (gains)	2	(1)
Share of (profit) loss of entities accounted for using equity method	(5)	(8)
Decrease (increase) in notes and accounts receivable - trade	1,640	(258)
Decrease (increase) in inventories	157	100
Decrease (increase) in other current assets	229	6
Increase (decrease) in notes and accounts payable - trade	(880)	136
Increase (decrease) in accounts payable - other	(10)	51
Increase (decrease) in other current liabilities	239	(161)
Impairment loss	4	–
Other, net	(14)	3
Subtotal	2,661	(60)
Interest and dividend income received	46	43
Interest expenses paid	(16)	(16)
Income taxes (paid) refund	(236)	(187)
Net cash provided by (used in) operating activities	2,455	(220)
Cash flows from investing activities		
Payments into time deposits	(200)	(300)
Proceeds from withdrawal of time deposits	100	200
Purchase of property, plant and equipment	(107)	(90)
Proceeds from sales of property, plant and equipment	1	1
Purchase of intangible assets	(6)	(18)
Purchase of investment securities	(5)	(5)
Proceeds from sales of investment securities	10	295
Payments of loans receivable	–	(0)
Collection of loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,968)
Other, net	(22)	(65)
Net cash provided by (used in) investing activities	(230)	(1,952)
Cash flows from financing activities		
Purchase of treasury shares	–	(0)
Cash dividends paid	(74)	(148)
Net cash provided by (used in) financing activities	(74)	(148)
Effect of exchange rate change on cash and cash equivalents	(2)	1
Net increase (decrease) in cash and cash equivalents	2,148	(2,320)
Cash and cash equivalents at beginning of period	16,763	18,725
Cash and cash equivalents at end of period	18,912	16,404