

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, 2018 (Based on Japanese GAAP)

November 6, 2018

Company name: MUSASHI CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 7521 URL <https://www.musashinet.co.jp>  
 Representative: Representative Director President Masataka Hatori  
 Managing Director General Manager of  
 Inquiries: Financial Department Susumu Murata TEL 03-3546-7710  
 Scheduled date to file Quarterly Securities Report: November 7, 2018  
 Scheduled date to commence dividend payments: December 14, 2018  
 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, 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 | 17,611          | 9.2    | (69)             | – | (29)            | – | 5                                       | (92.2) |
| Six months ended September 30, 2017 | 16,124          | (11.9) | (92)             | – | (50)            | – | 68                                      | (90.1) |

|                                     | Earnings per share |  | Diluted earnings per share |  |
|-------------------------------------|--------------------|--|----------------------------|--|
|                                     | Yen                |  | Yen                        |  |
| Six months ended September 30, 2018 | 0.72               |  | –                          |  |
| Six months ended September 30, 2017 | 9.21               |  | –                          |  |

(2) Consolidated financial position

|                          | Total assets    | Net assets      | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
|                          | Millions of yen | Millions of yen | %            |
| As of September 30, 2018 | 43,119          | 27,208          | 63.1         |
| As of March 31, 2018     | 44,825          | 27,440          | 61.2         |

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, 2018             | –                          | 12.00           | –               | 20.00           | 32.00 |
| Year ending March 31, 2019            | –                          | 12.00           | –               | –               | –     |
| Year ending March 31, 2019 (Forecast) | –                          | –               | –               | 12.00           | 24.00 |

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 | 37,423          | 0.3 | 388              | (59.6) | 452             | (57.3) | 291                                     | (60.8) | 39.09              |

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: 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, 2018 | 7,950,000 shares | As of March 31, 2018 | 7,950,000 shares |
|--------------------------|------------------|----------------------|------------------|

Number of treasury shares at the end of the period

|                          |                |                      |                |
|--------------------------|----------------|----------------------|----------------|
| As of September 30, 2018 | 506,537 shares | As of March 31, 2018 | 506,537 shares |
|--------------------------|----------------|----------------------|----------------|

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

|                                     |                  |                                     |                  |
|-------------------------------------|------------------|-------------------------------------|------------------|
| Six months ended September 30, 2018 | 7,443,463 shares | Six months ended September 30, 2017 | 7,443,512 shares |
|-------------------------------------|------------------|-------------------------------------|------------------|

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

(Millions of yen)

|   | As of March 31, 2018 | As of September 30, 2018 |
|---|----------------------|--------------------------|
| <b>Assets</b>   |                      |                          |
| Current assets  |                      |                          |
| Cash and deposits                                     | 19,665               | 19,088                   |
| Notes and accounts receivable - trade                 | 11,013               | 10,268                   |
| Merchandise and finished goods                        | 2,515                | 2,459                    |
| Work in process                                       | 70                   | 57                       |
| Raw materials and supplies                            | 611                  | 517                      |
| Other   | 487                  | 512                      |
| Allowance for doubtful accounts                       | (8)                  | (6)                      |
| Total current assets                                  | 34,354               | 32,897                   |
| Non-current assets                                    |                      |                          |
| Property, plant and equipment                         | 3,263                | 3,242                    |
| Intangible assets                                     | 477                  | 462                      |
| Investments and other assets                          | 6,728                | 6,516                    |
| Total non-current assets                              | 10,470               | 10,222                   |
| Total assets  | 44,825               | 43,119                   |
| <b>Liabilities</b>                                    |                      |                          |
| Current liabilities                                   |                      |                          |
| Notes and accounts payable - trade                    | 6,566                | 5,410                    |
| Electronically recorded obligations - operating       | 3,301                | 3,306                    |
| Short-term loans payable                              | 3,516                | 3,516                    |
| Income taxes payable                                  | 277                  | 69                       |
| Provision for bonuses                                 | 433                  | 411                      |
| Other   | 946                  | 751                      |
| Total current liabilities                             | 15,041               | 13,465                   |
| Non-current liabilities                               |                      |                          |
| Net defined benefit liability                         | 189                  | 207                      |
| Provision for directors' retirement benefits          | 1,276                | 1,330                    |
| Other   | 878                  | 907                      |
| Total non-current liabilities                         | 2,343                | 2,445                    |
| Total liabilities                                     | 17,384               | 15,910                   |
| <b>Net assets</b>                                     |                      |                          |
| Shareholders' equity                                  |                      |                          |
| Capital stock   | 1,208                | 1,208                    |
| Capital surplus                                       | 2,005                | 2,005                    |
| Retained earnings                                     | 24,245               | 24,101                   |
| Treasury shares                                       | (576)                | (576)                    |
| Total shareholders' equity                            | 26,882               | 26,738                   |
| Accumulated other comprehensive income                |                      |                          |
| Valuation difference on available-for-sale securities | 435                  | 338                      |
| Remeasurements of defined benefit plans               | 122                  | 131                      |
| Total accumulated other comprehensive income          | 558                  | 470                      |
| Total net assets                                      | 27,440               | 27,208                   |
| Total liabilities and net assets                      | 44,825               | 43,119                   |

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

|   | Six months ended<br>September 30, 2017 | Six months ended<br>September 30, 2018 |
|---|--|--|
| Net sales   | 16,124                                 | 17,611                                 |
| Cost of sales   | 12,986                                 | 13,965                                 |
| Gross profit  | 3,138                                  | 3,645                                  |
| Selling, general and administrative expenses                  | 3,231                                  | 3,714                                  |
| Operating loss  | (92)                                   | (69)                                   |
| Non-operating income  |  |  |
| Interest income   | 12                                     | 1                                      |
| Dividend income   | 31                                     | 28                                     |
| Share of profit of entities accounted for using equity method | 8                                      | 2                                      |
| Reversal of allowance for doubtful accounts                   | –                                      | 2                                      |
| Other   | 20                                     | 22                                     |
| Total non-operating income                                    | 72                                     | 57                                     |
| Non-operating expenses  |  |  |
| Interest expenses   | 16                                     | 16                                     |
| shares of subsidiaries acquisition related cost               | 8                                      | –                                      |
| Other   | 4                                      | 0                                      |
| Total non-operating expenses                                  | 29                                     | 17                                     |
| Ordinary loss   | (50)                                   | (29)                                   |
| Extraordinary income  |  |  |
| Gain on sales of investment securities                        | 180                                    | 111                                    |
| Total extraordinary income                                    | 180                                    | 111                                    |
| Profit before income taxes                                    | 130                                    | 82                                     |
| Income taxes - current  | 103                                    | 53                                     |
| Income taxes - deferred                                       | (41)                                   | 23                                     |
| Total income taxes  | 62                                     | 77                                     |
| Profit  | 68                                     | 5                                      |
| Profit attributable to owners of parent                       | 68                                     | 5                                      |

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

(Millions of yen)

|  | Six months ended<br>September 30, 2017 | Six months ended<br>September 30, 2018 |
|--|--|--|
| Profit   | 68                                     | 5                                      |
| Other comprehensive income   |  |  |
| Valuation difference on available-for-sale securities                                | (42)                                   | (96)                                   |
| Remeasurements of defined benefit plans, net of tax                                  | 50                                     | 9                                      |
| Share of other comprehensive income of entities accounted<br>for using equity method | 3                                      | (0)                                    |
| Total other comprehensive income   | 11                                     | (88)                                   |
| Comprehensive income   | 80                                     | (82)                                   |
| Comprehensive income attributable to   |  |  |
| Comprehensive income attributable to owners of parent                                | 80                                     | (82)                                   |

## Consolidated statements of cash flows

(Millions of yen)

|  | Six months ended<br>September 30, 2017 | Six months ended<br>September 30, 2018 |
|--|--|--|
| Cash flows from operating activities   |  |  |
| Profit before income taxes   | 130                                    | 82                                     |
| Depreciation   | 147                                    | 153                                    |
| Amortization of goodwill   | –                                      | 39                                     |
| Loss (gain) on sales of investment securities                                    | (180)                                  | (111)                                  |
| Increase (decrease) in allowance for doubtful accounts                           | 0                                      | (2)                                    |
| Increase (decrease) in provision for bonuses                                     | (5)                                    | (21)                                   |
| Increase (decrease) in net defined benefit liability                             | (10)                                   | 18                                     |
| Decrease (increase) in net defined benefit asset                                 | (20)                                   | (28)                                   |
| Increase (decrease) in provision for directors' retirement benefits              | 38                                     | 54                                     |
| Interest and dividend income   | (43)                                   | (29)                                   |
| Interest expenses  | 16                                     | 16                                     |
| Foreign exchange losses (gains)  | (1)                                    | (0)                                    |
| Share of loss (profit) of entities accounted for using equity method             | (8)                                    | (2)                                    |
| Decrease (increase) in notes and accounts receivable - trade                     | (258)                                  | 744                                    |
| Decrease (increase) in inventories   | 100                                    | 163                                    |
| Decrease (increase) in other current assets                                      | 6                                      | (21)                                   |
| Increase (decrease) in notes and accounts payable - trade                        | 136                                    | (1,158)                                |
| Increase (decrease) in accounts payable - other                                  | 51                                     | (55)                                   |
| Increase (decrease) in other current liabilities                                 | (161)                                  | (173)                                  |
| Other, net   | 3                                      | 14                                     |
| Subtotal   | (60)                                   | (318)                                  |
| Interest and dividend income received  | 43                                     | 29                                     |
| Interest expenses paid   | (16)                                   | (16)                                   |
| Income taxes (paid) refund   | (187)                                  | (232)                                  |
| Net cash provided by (used in) operating activities                              | (220)                                  | (537)                                  |
| Cash flows from investing activities   |  |  |
| Payments into time deposits  | (300)                                  | (0)                                    |
| Proceeds from withdrawal of time deposits  | 200                                    | –                                      |
| Purchase of property, plant and equipment  | (90)                                   | (84)                                   |
| Proceeds from sales of property, plant and equipment                             | 1                                      | 1                                      |
| Purchase of intangible assets  | (18)                                   | (48)                                   |
| Purchase of investment securities  | (5)                                    | (5)                                    |
| Proceeds from sales of investment securities                                     | 295                                    | 276                                    |
| Payments of loans receivable   | (0)                                    | –                                      |
| Collection of loans receivable   | 0                                      | –                                      |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (1,968)                                | –                                      |
| Other, net   | (65)                                   | (30)                                   |
| Net cash provided by (used in) investing activities                              | (1,952)                                | 108                                    |
| Cash flows from financing activities   |  |  |
| Purchase of treasury shares  | (0)                                    | –                                      |
| Cash dividends paid  | (148)                                  | (148)                                  |
| Net cash provided by (used in) financing activities                              | (148)                                  | (148)                                  |
| Effect of exchange rate change on cash and cash equivalents                      | 1                                      | 0                                      |
| Net increase (decrease) in cash and cash equivalents                             | (2,320)                                | (576)                                  |
| Cash and cash equivalents at beginning of period                                 | 18,725                                 | 18,775                                 |
| Cash and cash equivalents at end of period                                       | 16,404                                 | 18,198                                 |