

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016 (Based on Japanese GAAP)

November 8, 2016

Company name: MUSASHI CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 7521 URL <http://www.musashinet.co.jp>
 Representative: Representative Director President Masataka Hatori
 Managing Director General Manager of Financial Department Susumu Murata TEL 03-3546-7710
 Scheduled date to file Quarterly Securities Report: November 9, 2016
 Scheduled date to commence dividend payments: December 15, 2016
 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, 2016 (from April 1, 2016 to September 30, 2016)

(1) Consolidated operating results (cumulative)

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	%
Six months ended September 30, 2016	18,299	7.0	999	89.7	1,058	79.3	692	85.0
Six months ended September 30, 2015	17,109	3.2	526	150.8	590	62.0	374	51.3

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2016	93.09	—
Six months ended September 30, 2015	50.32	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	40,949	26,642	65.1
As of March 31, 2016	40,619	25,963	63.9

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	—	10.00	—	10.00	20.00
Year ending March 31, 2017	—	18.00	—	—	—
Year ending March 31, 2017 (Forecast)	—	—	—	12.00	30.00

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
Full year	36,684	2.7	1,256	35.7	1,352	13.6	865	14.9	116.21

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2016
(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: 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, 2016	7,950,000 shares	As of March 31, 2016	7,950,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2016	506,463 shares	As of March 31, 2016	506,463 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, 2016	7,443,537 shares	Six months ended September 30, 2015	7,443,548 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	17,553	19,802
Notes and accounts receivable - trade	10,351	8,711
Merchandise and finished goods	1,624	1,599
Work in process	81	81
Raw materials and supplies	959	828
Other	679	514
Allowance for doubtful accounts	(20)	(17)
Total current assets	31,229	31,520
Non-current assets		
Property, plant and equipment	3,339	3,342
Intangible assets	165	144
Investments and other assets	5,884	5,941
Total non-current assets	9,389	9,429
Total assets	40,619	40,949
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,868	6,988
Short-term loans payable	3,521	3,521
Income taxes payable	254	452
Provision for bonuses	368	404
Other	509	746
Total current liabilities	12,522	12,112
Non-current liabilities		
Net defined benefit liability	189	197
Provision for directors' retirement benefits	1,094	1,141
Other	849	856
Total non-current liabilities	2,132	2,194
Total liabilities	14,655	14,307
Net assets		
Shareholders' equity		
Capital stock	1,208	1,208
Capital surplus	2,005	2,005
Retained earnings	23,168	23,786
Treasury shares	(576)	(576)
Total shareholders' equity	25,805	26,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	295	308
Remeasurements of defined benefit plans	(136)	(90)
Total accumulated other comprehensive income	158	218
Total net assets	25,963	26,642
Total liabilities and net assets	40,619	40,949

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, 2015	Six months ended September 30, 2016
Net sales	17,109	18,299
Cost of sales	13,485	14,116
Gross profit	3,624	4,183
Selling, general and administrative expenses	3,097	3,183
Operating income	526	999
Non-operating income		
Interest income	18	14
Dividend income	30	32
Share of profit of entities accounted for using equity method	2	5
Reversal of allowance for doubtful accounts	2	3
Insurance premiums refunded cancellation	5	–
Other	22	24
Total non-operating income	81	80
Non-operating expenses		
Interest expenses	17	16
Other	0	4
Total non-operating expenses	18	20
Ordinary income	590	1,058
Extraordinary losses		
Loss on valuation of golf club membership	–	3
Impairment loss	–	4
Total extraordinary losses	–	7
Profit before income taxes	590	1,051
Income taxes - current	199	427
Income taxes - deferred	17	(69)
Total income taxes	216	358
Profit	374	692
Profit attributable to owners of parent	374	692

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	374	692
Other comprehensive income		
Valuation difference on available-for-sale securities	29	15
Remeasurements of defined benefit plans, net of tax	9	46
Share of other comprehensive income of entities accounted for using equity method	0	(1)
Total other comprehensive income	39	59
Comprehensive income	414	752
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	414	752

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	590	1,051
Depreciation	159	145
Increase (decrease) in allowance for doubtful accounts	(2)	(3)
Increase (decrease) in provision for bonuses	(15)	35
Increase (decrease) in net defined benefit liability	1	8
Increase (decrease) in net defined benefit asset	(9)	45
Increase (decrease) in provision for directors' retirement benefits	19	46
Interest and dividend income	(48)	(47)
Interest expenses	17	16
Foreign exchange losses (gains)	(0)	2
Share of (profit) loss of entities accounted for using equity method	(2)	(5)
Decrease (increase) in notes and accounts receivable - trade	1,319	1,640
Decrease (increase) in inventories	34	157
Decrease (increase) in other current assets	97	229
Increase (decrease) in notes and accounts payable - trade	(1,384)	(880)
Increase (decrease) in accounts payable - other	(14)	(10)
Increase (decrease) in other current liabilities	(184)	239
Impairment loss	–	4
Other, net	22	(14)
Subtotal	598	2,661
Interest and dividend income received	48	46
Interest expenses paid	(18)	(16)
Income taxes (paid) refund	(238)	(236)
Net cash provided by (used in) operating activities	390	2,455
Cash flows from investing activities		
Payments into time deposits	(100)	(200)
Proceeds from withdrawal of time deposits	100	100
Purchase of property, plant and equipment	(155)	(107)
Proceeds from sales of property, plant and equipment	3	1
Purchase of intangible assets	(17)	(6)
Purchase of investment securities	(5)	(5)
Proceeds from sales of investment securities	–	10
Collection of loans receivable	0	0
Other, net	(5)	(22)
Net cash provided by (used in) investing activities	(178)	(230)
Cash flows from financing activities		
Purchase of treasury shares	(0)	–
Cash dividends paid	(148)	(74)
Repayments of finance lease obligations	(1)	–
Net cash provided by (used in) financing activities	(150)	(74)
Effect of exchange rate change on cash and cash equivalents	0	(2)
Net increase (decrease) in cash and cash equivalents	61	2,148
Cash and cash equivalents at beginning of period	16,905	16,763
Cash and cash equivalents at end of period	16,967	18,912