

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2018
(Based on Japanese GAAP)**

May 15, 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 of ordinary general meeting of shareholders: June 28, 2018
 Scheduled date to file Securities Report: June 29, 2018
 Scheduled date to commence dividend payments: June 29, 2018
 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, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

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	%
Year ended March 31, 2018	37,298	5.8	960	(13.3)	1,059	(14.7)	742	(5.1)
Year ended March 31, 2017	35,268	(1.2)	1,107	19.7	1,242	4.4	781	3.8

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	99.70	–	2.7	2.5	2.6
Year ended March 31, 2017	105.03	–	3.0	3.0	3.1

(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, 2018	44,978	27,440	61.0	3,686.52
As of March 31, 2017	41,183	26,860	65.2	3,608.55

(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, 2018	2,367	(2,078)	(239)	18,775
Year ended March 31, 2017	2,500	(325)	(213)	18,725

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, 2017	–	18.00	–	20.00	38.00	282	36.2	1.1
Year ended March 31, 2018	–	12.00	–	20.00	32.00	238	32.1	0.9
Year ending March 31, 2019 (Forecast)	–	12.00	–	12.00	24.00		37.2	

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
Six months ending September 30, 2018	19,144	18.7	301	–	324	–	180	162.7	24.18
Full year	39,326	5.4	771	(19.7)	825	(22.1)	480	(35.3)	64.49

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(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: No

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, 2018	7,950,000 shares	As of March 31, 2017	7,950,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	506,537 shares	As of March 31, 2017	506,463 shares
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Average number of shares during the period

Year ended March 31, 2018	7,443,488 shares	Year ended March 31, 2017	7,443,537 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	19,615	19,665
Notes and accounts receivable - trade	9,020	11,013
Merchandise and finished goods	1,555	2,515
Work in process	77	70
Raw materials and supplies	759	611
Deferred tax assets	256	324
Other	262	487
Allowance for doubtful accounts	(5)	(8)
Total current assets	31,541	34,679
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,070	1,047
Machinery, equipment and vehicles, net	52	35
Land	1,796	1,811
Construction in progress	33	–
Other, net	337	369
Total property, plant and equipment	3,290	3,263
Intangible assets		
Goodwill	–	352
Software	117	104
Other	20	20
Total intangible assets	137	477
Investments and other assets		
Investment securities	1,910	1,857
Shares of subsidiaries and associates	423	439
Deferred tax assets	61	190
Net defined benefit asset	990	1,121
Guarantee deposits	2,547	2,548
Other	335	448
Allowance for doubtful accounts	(55)	(46)
Total investments and other assets	6,213	6,558
Total non-current assets	9,641	10,299
Total assets	41,183	44,978

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,365	6,566
Electronically recorded obligations - operating	2,697	3,301
Short-term loans payable	3,516	3,516
Income taxes payable	312	277
Provision for bonuses	379	433
Other	753	946
Total current liabilities	12,023	15,041
Non-current liabilities		
Deferred tax liabilities	347	360
Net defined benefit liability	206	189
Provision for directors' retirement benefits	1,188	1,276
Other	556	670
Total non-current liabilities	2,298	2,497
Total liabilities	14,322	17,538
Net assets		
Shareholders' equity		
Capital stock	1,208	1,208
Capital surplus	2,005	2,005
Retained earnings	23,741	24,245
Treasury shares	(576)	(576)
Total shareholders' equity	26,378	26,882
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	494	435
Remeasurements of defined benefit plans	(12)	122
Total accumulated other comprehensive income	481	558
Total net assets	26,860	27,440
Total liabilities and net assets	41,183	44,978

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	35,268	37,298
Cost of sales	27,867	29,132
Gross profit	7,400	8,165
Selling, general and administrative expenses	6,293	7,205
Operating profit	1,107	960
Non-operating income		
Interest income	29	20
Dividend income	59	59
Share of profit of entities accounted for using equity method	8	17
Reversal of allowance for doubtful accounts	15	–
Miscellaneous income	61	48
Total non-operating income	173	146
Non-operating expenses		
Interest expenses	34	34
shares of subsidiaries acquisition related cost	–	8
Miscellaneous loss	5	3
Total non-operating expenses	39	46
Ordinary profit	1,242	1,059
Extraordinary income		
Gain on sales of investment securities	–	180
Total extraordinary income	–	180
Extraordinary losses		
Loss on sales of membership	10	–
Loss on valuation of membership	3	–
Impairment loss	4	–
Total extraordinary losses	17	–
Profit before income taxes	1,224	1,240
Income taxes - current	505	497
Income taxes - deferred	(63)	1
Total income taxes	442	498
Profit	781	742
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	781	742

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	781	742
Other comprehensive income		
Valuation difference on available-for-sale securities	198	(62)
Remeasurements of defined benefit plans, net of tax	123	135
Share of other comprehensive income of entities accounted for using equity method	1	3
Total other comprehensive income	323	76
Comprehensive income	1,104	818
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,104	818

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(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	23,168	(576)	25,805
Changes of items during period					
Dividends of surplus			(208)		(208)
Profit attributable to owners of parent			781		781
Purchase of treasury shares					–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	573	–	573
Balance at end of current period	1,208	2,005	23,741	(576)	26,378

	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	295	(136)	158	25,963
Changes of items during period				
Dividends of surplus				(208)
Profit attributable to owners of parent				781
Purchase of treasury shares				–
Net changes of items other than shareholders' equity	199	123	323	323
Total changes of items during period	199	123	323	896
Balance at end of current period	494	(12)	481	26,860

Fiscal year ended March 31, 2018

(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	23,741	(576)	26,378
Changes of items during period					
Dividends of surplus			(238)		(238)
Profit attributable to owners of parent			742		742
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	503	(0)	503
Balance at end of current period	1,208	2,005	24,245	(576)	26,882

	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	(12)	481	26,860
Changes of items during period				
Dividends of surplus				(238)
Profit attributable to owners of parent				742
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	(58)	135	76	76
Total changes of items during period	(58)	135	76	580
Balance at end of current period	435	122	558	27,440

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	1,224	1,240
Depreciation	308	322
Amortization of goodwill	–	46
Loss (gain) on sales of investment securities	–	(180)
Increase (decrease) in allowance for doubtful accounts	(15)	(6)
Increase (decrease) in provision for bonuses	10	(3)
Increase (decrease) in net defined benefit liability	17	(17)
Decrease (increase) in net defined benefit asset	91	(7)
Increase (decrease) in provision for directors' retirement benefits	93	87
Interest and dividend income	(88)	(80)
Interest expenses	34	34
Share of loss (profit) of entities accounted for using equity method	(8)	(17)
Foreign exchange losses (gains)	0	(0)
Loss (gain) on sales of membership	10	–
Decrease (increase) in notes and accounts receivable - trade	1,331	74
Decrease (increase) in inventories	273	220
Decrease (increase) in other current assets	177	(122)
Increase (decrease) in notes and accounts payable - trade	(809)	1,055
Increase (decrease) in accounts payable - other	0	54
Increase (decrease) in other current liabilities	260	31
Impairment loss	4	–
Other, net	(5)	5
Subtotal	2,911	2,735
Interest and dividend income received	88	80
Interest expenses paid	(34)	(34)
Income taxes (paid) refund	(465)	(414)
Net cash provided by (used in) operating activities	2,500	2,367
Cash flows from investing activities		
Payments into time deposits	(100)	(400)
Proceeds from withdrawal of time deposits	–	400
Purchase of property, plant and equipment	(208)	(261)
Proceeds from sales of property, plant and equipment	5	3
Purchase of intangible assets	(29)	(34)
Purchase of investment securities	(9)	(10)
Proceeds from sales of investment securities	10	295
Collection of loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,968)
Other, net	7	(102)
Net cash provided by (used in) investing activities	(325)	(2,078)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(5)	–
Purchase of treasury shares	–	(0)
Cash dividends paid	(208)	(239)
Net cash provided by (used in) financing activities	(213)	(239)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	1,961	50
Cash and cash equivalents at beginning of period	16,763	18,725
Cash and cash equivalents at end of period	18,725	18,775