

This is an abridged translation of the original document in Japanese and is intended for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

Consolidated Financial Results for the Nine Months Ended December 31, 2017 [Japanese GAAP]



January 30, 2018

Company name: MISUMI Group Inc. Stock exchange listing: Tokyo Stock Exchange
 Ticker Code: 9962 URL: <http://www.misumi.co.jp>
 Representative: Ryusei Ono, Representative Director, President and CEO
 Contact: Ichiro Otokozaawa, Executive Director and CFO Phone: +81-3-5805-7401
 Scheduled date of filing quarterly securities report: February 6, 2018
 Scheduled date of dividend payments: –
 Preparation of supplemental explanatory materials: None
 Holding of quarterly financial results meeting: None

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2017 (April 1, 2017 to December 31, 2017)

(1) Consolidated Operating Results (Accumulated) (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2017	231,058	23.4	27,171	31.1	26,886	32.1	20,104	55.9
December 31, 2016	187,230	5.4	20,732	3.3	20,354	3.6	12,894	(0.7)

(Note) Comprehensive income: Nine months ended December 31, 2017 : ¥24,314 million 122.9%
 Nine months ended December 31, 2016 : ¥10,906 million (0.0)%

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2017	71.62		70.44	
December 31, 2016	46.96		46.40	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2017	233,581	184,780	78.5
As of March 31, 2017	212,041	155,658	72.9

(Reference) Shareholders' equity: As of December 31, 2017: ¥183,253 million
 As of March 31, 2017 : ¥154,530 million

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2017	—	7.61	—	9.10	16.71
Fiscal year ending March 31, 2018	—	11.52	—		
Fiscal year ending March 31, 2018 (Forecast)				10.47	21.99

(Note) Revision of the latest forecast for cash dividends: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	314,000	21.2	36,350	34.0	35,750	35.1	24,900	35.4	89.04

(Note) Revision of the latest financial results forecasts: None

*** Notes:**

(1) Changes in significant consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of shares outstanding (common shares)

1) Total number of shares outstanding at the end of the period (including treasury stock):

As of December 31, 2017: 283,267,397 shares

As of March 31, 2017 :275,689,140 shares

2) Total number of treasury stock at the end of the period:

As of December 31, 2017: 129,536 shares

As of March 31, 2017 : 129,178 shares

3) Weighted average number of shares outstanding during the period:

Nine months ended December 31, 2017 : 280,694,594 shares

Nine months ended December 31, 2016 : 274,574,110 shares

* These quarterly financial results are outside the scope of quarterly review.

* Explanation on the appropriate use of forecasts and other notes

- The earnings forecasts and other forward-looking statements herein are based on information available to the Company at the time of preparation and certain assumptions deemed to be reasonable, and actual results may differ significantly from the forecasts due to various factors. For the assumptions on the earnings forecasts and notes on their use, please refer to "Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements" on page 3 of the attached document.

Contents of Attachment

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Primary Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Comprehensive Income	6
(3) Quarterly Consolidated Statement of Cash Flows.....	8
(4) Notes to the Quarterly Consolidated Financial Statements	9
(Notes on going concern assumption)	9
(Notes on significant changes in shareholders' equity).....	9
(Matters related to quarterly consolidated statement of cash flows).....	9
(Segment information)	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the cumulative third quarter period of FY2017, gradual recovery continued with major economies around the world, including Japan. In the United States, the economy continued to trend toward recovery, including a gradual rise in employment rates and corporate capital investments. In China as a whole, steady economic movement continued. In other parts of Asia and in Europe, economic recovery continued to be moderate. Meanwhile, in Japan there were indications that consumer spending and capital investments continued to grow steadily with improvements to corporate earnings and employment rates.

Amid this economic environment, the MISUMI Group is leveraging its unique business model, which encompasses both manufacturing and distribution operations, to expand its business foundation globally contributing to the manufacturing industry worldwide by eliminating customer inefficiency, while simultaneously accelerating business expansion. In an effort to address a new wave of manufacturing that positions IT at its core, we improved our competitive strength by continuing to implement Internet strategies. In the overseas markets, efforts were made to strengthen our global reliable and quick delivery business model by promoting local production, local procurement for optimal procurement and expanding logistics sites also.

Performance at our business segments primarily benefited from the aforementioned strengthening of our business infrastructure and platforms. In the Factory Automation (FA) business and Die Components business, sales rose on brisk demand in the automotive industry and electronics industry. In the VONA business, domestic growth was strong reflecting an increase in product lineup, coupled with a growth in overseas sales owing to expansion overseas. Accordingly, our consolidated net sales increased year-on-year.

Reflecting this performance, consolidated net sales was ¥231,058 million, (23.4% increase year-on-year). In the profit front, we recorded an operating income of ¥27,171 million, (31.1% increase year-on-year), and ordinary income of ¥26,886 million, (32.1% increase year-on-year). Meanwhile, net income attributable to owners of parent reached ¥20,104 million, (55.9% increase year-on-year).

As of the previous forecast announced on October 30, 2017, full-year consolidated business forecast remain unchanged, by continuing to proactively expand our business and its foundation, we are forecasting that our sales and profits will continue to post record highs in terms of year-on-year comparison.

① Factory Automation (FA)

In the FA business, global needs for reliable and quick delivery of FA components expanded further, steadily permeating MISUMI's business model, and proactively captured the brisk demand for automation products in the automotive and electronics related industries. Accordingly, sales grew in Japan, China and other parts of Asia contributing to net sales of ¥77,789 million (26.8% increase year-on-year). Operating income was ¥15,364 million (42.4% increase year-on-year).

② Die Components

In the Die components business, sales promotion activities aimed at our principal customers in the automotive related sector, and sales expansion in China and other parts of Asia, contributed to net sales of ¥57,758 million (13.8% increase year-on-year) and operating income was ¥4,238 million (80.4% increase year-on-year).

③ VONA

VONA business is MISUMI Group's sales and distribution business of production facilities related components, production auxiliary materials and MRO*. This business segment includes MISUMI brand products as well as third party manufacturer's products. Enhanced product lineup continued to support business growth this year. Items handled reached 23.5 million globally as of the third quarter. These aforementioned efforts coupled with carrying out proactive sales expansion initiatives resulted in net sales of ¥95,509 million (27.1% increase year-on-year). Meanwhile, mainly due to business expansion related expenses increase, operating income was ¥8,082 million (0.9% decrease year-on-year).

*MRO: Maintenance, repair, and operations; ie. expendable supplies

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of the end of the third quarter of the fiscal year were ¥233,581 million, an increase of ¥21,539 million compared to the previous year-end. Current assets increased ¥18,015 million. This is mainly due to an increase in notes and accounts receivable - trade of ¥7,031 million and an increase in merchandise and finished goods of ¥6,076 million. Property, plant and equipment increased ¥593 million. Intangible assets increased ¥2,022 million. Investments and other assets such as investment securities increased ¥908 million.

Total liabilities were ¥48,800 million, a decrease of ¥7,582 million compared to the previous year-end. Current liabilities increased ¥3,322 million. This is mainly due to an increase in provision for bonuses of ¥1,443 million, a decrease in income taxes payable of ¥406 million, a decrease in notes and accounts payable - trade of ¥134 million, and a decrease in accounts payable - other of ¥877 million. Long-term liabilities decreased ¥10,904 million mainly due to conversion of convertible bonds.

Total net assets were ¥184,780 million, an increase of ¥29,121 million compared to the previous year-end. The primary reason for this was due to convertible bonds being converted; subsequently, common stock increased by ¥5,131 million, and capital surplus increased by ¥5,131 million. These factors coupled with retained earnings increasing by ¥14,335 million, increased shareholders' equity by ¥24,597 million. Accumulated other comprehensive income including foreign currency translation adjustments increased by ¥4,125 million. Consequently, the equity ratio was 78.5% compared to 72.9% at the end of the previous year.

2) Cash flows

At the end of the third quarter of the fiscal year, cash and cash equivalents amounted to ¥57,168 million, an increase of ¥9,327 million compared to the previous year-end.

The status of cash flows and their underlying factors for the nine months ended December 31, 2017 were as follows.

Cash inflows from operating activities were ¥17,242 million (a net cash inflow of ¥13,226 million for the same period in the previous year). A breakdown of cash flows from operating activities is as follows. Income before income taxes was ¥26,886 million. Depreciation and amortization was ¥5,300 million. Amortization of goodwill was ¥1,009 million. An increase in notes and accounts receivable - trade was ¥5,928 million. An increase in inventories was ¥5,293 million. A decrease in notes and accounts payable - trade was ¥183 million. A decrease in accounts payable - other was ¥596 million. Income taxes paid was ¥7,980 million.

Cash outflows from investing activities were ¥3,253 million (a net cash outflow of ¥4,912 million for the same period in the previous year). A breakdown of cash flows from investing activities is as follows. The purchase of fixed assets was ¥8,902 million. Payments into time deposits were ¥17,640 million. Refund from time deposits was ¥24,397 million.

Cash outflows from financing activities were ¥5,749 million (a net cash outflow of ¥4,163 million for the same period in the previous year). The main item of cash flows from financing activities was dividends paid of ¥5,768 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements

The full-year consolidated financial results forecast for the fiscal year ending March 31, 2018 is unchanged from the figures announced on October 30, 2017.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	63,179	66,166
Notes and accounts receivable - trade	57,847	64,879
Merchandise and finished goods	25,448	31,525
Work in process	2,215	1,200
Raw materials and supplies	5,646	6,731
Other	6,245	8,105
Allowance for doubtful accounts	(301)	(311)
Total current assets	160,281	178,297
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,711	9,626
Machinery, equipment and vehicles, net	11,454	11,583
Land	3,712	3,738
Other, net	2,996	3,519
Total property, plant and equipment	27,874	28,467
Intangible assets		
Software	9,568	12,781
Goodwill	1,011	—
Other	8,432	8,253
Total intangible assets	19,012	21,034
Investments and other assets		
Investment securities	6	6
Other	5,062	5,973
Allowance for doubtful accounts	(195)	(198)
Total investments and other assets	4,873	5,781
Total non-current assets	51,759	55,283
Total assets	212,041	233,581

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,974	16,839
Accounts payable - other	9,033	8,155
Current portion of convertible bonds	—	113
Income taxes payable	3,332	2,926
Provision for bonuses	2,286	3,730
Provision for directors' bonuses	242	233
Other	5,378	8,570
Total current liabilities	37,246	40,569
Long-term liabilities		
Convertible bonds	10,388	—
Liability for retirement benefits	4,509	4,832
Other	4,237	3,399
Total long-term liabilities	19,135	8,231
Total liabilities	56,382	48,800
Net assets		
Shareholders' equity		
Common stock	7,593	12,725
Capital surplus	17,982	23,113
Retained earnings	128,226	142,561
Treasury stock	(76)	(77)
Total shareholders' equity	153,724	178,322
Accumulated other comprehensive income		
Foreign currency translation adjustments	863	4,979
Defined retirement benefit plans	(57)	(47)
Total accumulated other comprehensive income	805	4,931
Stock acquisition rights	675	993
Non-controlling interests	453	533
Total net assets	155,658	184,780
Total liabilities and net assets	212,041	233,581

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
For the Nine Months Ended December 31, 2017 and 2016

(Millions of yen)

	For the nine months ended December 31, 2016	For the nine months ended December 31, 2017
Net sales	187,230	231,058
Cost of sales	109,795	132,191
Gross profit	77,435	98,867
Selling, general and administrative expenses	56,702	71,695
Operating income	20,732	27,171
Non-operating income		
Interest income	141	154
Subsidy income	49	38
Miscellaneous income	192	230
Total non-operating income	384	423
Non-operating expenses		
Sales discounts	52	62
Foreign exchange losses	559	556
Contribution for establishing an educational institute	100	—
Miscellaneous loss	50	89
Total non-operating expenses	762	708
Ordinary income	20,354	26,886
Extraordinary losses		
Loss on business restructuring	383	—
Total extraordinary losses	383	—
Income before income taxes	19,970	26,886
Income taxes	7,107	6,721
Net income	12,862	20,164
Net income (loss) attributable to non-controlling interests	(31)	59
Net income attributable to owners of parent	12,894	20,104

Quarterly Consolidated Statement of Comprehensive Income
For the Nine Months Ended December 31, 2017 and 2016

(Millions of yen)

	For the nine months ended December 31, 2016	For the nine months ended December 31, 2017
Net income	12,862	20,164
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	1	—
Foreign currency translation adjustments	(1,949)	4,134
Defined retirement benefit plans	10	9
Share of other comprehensive income (loss) in associates	(19)	5
Total other comprehensive income (loss)	(1,956)	4,150
Comprehensive income	10,906	24,314
Comprehensive income attributable to		
Owners of parent	10,976	24,229
Non-controlling interests	(70)	84

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the nine months ended December 31, 2016	For the nine months ended December 31, 2017
Cash flows from operating activities		
Income before income taxes	19,970	26,886
Depreciation and amortization	4,322	5,300
Amortization of goodwill	1,272	1,009
Increase (decrease) in liability for retirement benefits	376	329
Increase (decrease) in provision for bonuses	(988)	1,398
Increase (decrease) in provision for directors' bonuses	(122)	(8)
Increase (decrease) in allowance for doubtful accounts	73	(2)
Interest and dividend income	(141)	(167)
Interest expenses	3	1
Share-based compensation expenses	284	391
Foreign exchange losses (gains)	795	(363)
Share of (profit) loss of entities accounted for using equity method	(42)	(42)
Loss on business restructuring	383	—
(Increase) decrease in notes and accounts receivable - trade	(3,938)	(5,928)
(Increase) decrease in inventories	(2,623)	(5,293)
(Increase) decrease in consumption taxes refund receivable	559	582
Increase (decrease) in notes and accounts payable - trade	72	(183)
Increase (decrease) in accounts payable - other	(157)	(596)
(Increase) decrease in other assets	(93)	(958)
Increase (decrease) in other liabilities	977	2,574
Subtotal	20,982	24,927
Interest and dividend income received	193	201
Interest expenses paid	(3)	(1)
Income taxes refund	716	96
Income taxes paid	(8,662)	(7,980)
Net cash provided by operating activities	13,226	17,242
Cash flows from investing activities		
Purchase of fixed assets	(5,280)	(8,902)
Proceeds from sales of fixed assets	4	3
Payments into time deposits	(20,017)	(17,640)
Refund from time deposits	17,672	24,397
Payments for lease and guarantee deposits	(441)	(449)
Proceeds from collection of lease and guarantee deposits	286	224
Other, net	2,863	(886)
Net cash used in investing activities	(4,912)	(3,253)
Cash flows from financing activities		
Proceeds from issuance of stock	136	20
Dividends paid	(4,299)	(5,768)
Other, net	(0)	(1)
Net cash used in financing activities	(4,163)	(5,749)
Effect of exchange rate change on cash and cash equivalents	182	1,087
Net increase (decrease) in cash and cash equivalents	4,333	9,327
Cash and cash equivalents at beginning of period	39,204	47,840
Net increase (decrease) in cash and cash equivalents resulting from change in fiscal year of consolidated subsidiaries	(781)	—
Cash and cash equivalents at end of period	42,756	57,168

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Matters related to quarterly consolidated statement of cash flows)

Details of significant non-monetary transactions

(Millions of yen)

	For the nine months Ended December 31, 2016	For the nine months ended December 31, 2017
Increase in common stock due to conversion of convertible bonds	—	5,084
Increase in capital surplus due to conversion of convertible bonds	—	5,084
Decrease in convertible bonds due to conversion of the bonds	—	10,169

(Segment information)

[Segment information]

For the nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016)

1. Net sales and Segment income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	61,352	50,752	75,125	187,230	—	187,230
Internal sales to other segments	—	—	—	—	—	—
Total	61,352	50,752	75,125	187,230	—	187,230
Segment income	10,788	2,349	8,152	21,290	(558)	20,732
Segment income before amortization of goodwill*	10,788	4,052	8,152	22,993	(558)	22,435

*(Note)

Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

2. Differences between the total amount of reportable segments and the amounts in quarterly consolidated statement of income, and major breakdown of such differences (reconciliation)

(Millions of yen)

Net sales	Amount
Total of reportable segment	187,230
Adjustments	—
Net sales in quarterly consolidated statement of income	187,230

(Millions of yen)

Income	Amount
Total of reportable segment	21,290
Adjustments	(558)
Operating income in quarterly consolidated statement of income	20,732

For the nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

1. Net sales and Segment income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	77,789	57,758	95,509	231,058	—	231,058
Internal sales to other segments	—	—	—	—	—	—
Total	77,789	57,758	95,509	231,058	—	231,058
Segment income	15,364	4,238	8,082	27,685	(513)	27,171
Segment income before amortization of goodwill*	15,364	5,714	8,082	29,160	(513)	28,647

*(Note)

Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

2. Differences between the total amount of reportable segments and the amounts in quarterly consolidated statement of income, and major breakdown of such differences (reconciliation)

(Millions of yen)

Net sales	Amount
Total of reportable segment	231,058
Adjustments	—
Net sales in quarterly consolidated statement of income	231,058

(Millions of yen)

Income	Amount
Total of reportable segment	27,685
Adjustments	(513)
Operating income in quarterly consolidated statement of income	27,171

(Supplementary information)

For the nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016)

1. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
102,492	31,255	22,672	18,474	9,233	3,101	187,230

(Note) Net sales represent the net sales of the Group in Japan and other countries or regions.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
10,126	7,357	5,967	3,191	1,370	28,013

2. Information on goodwill by reportable segment

(Millions of yen)

	Die Components Business
Amortization for the nine months ended December 31, 2016	1,272
Balance as of December 31, 2016	1,498

For the nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

1. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
121,870	43,070	31,153	19,878	11,305	3,781	231,058

(Note) Net sales represent the net sales of the Group in Japan and other countries or regions.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
10,656	7,289	6,147	2,703	1,670	28,467

2. Information on goodwill by reportable segment

(Millions of yen)

	Die Components Business
Amortization for the nine months ended December 31, 2017	1,009
Balance as of December 31, 2017	—