



MISUMI Corporation

Misumi — It's about **TIME**
Quality, Cost and TIME = QCT Innovator

ANNUAL REPORT 2003

For the year ended March 31, 2003

Misumi Corporation conducts mail-order sales of products including parts for factory automation and press die components. Since its establishment in 1963, the Company has consistently maintained high levels of growth. Misumi's world-class originality and foresight are reflected in its innovative business model and management style.

Tadashi Saegusa was appointed the new Company President and CEO in June 2002, and, with the new management staff, Misumi has been sustaining its drive for ongoing growth. Our desire and our mission is to use our strategic management and highly original product lineup to remain a leading light in Japanese industry.

About the Cover



Misumi—It's about TIME Quality, Cost and TIME = QCT Innovator

Misumi's corporate message reflects the Company's business stance as an innovator in the areas of quality, cost and time, working toward the ultimate in time savings, both for customers and for Misumi itself.

CONTENTS

Consolidated Financial Highlights	1
Misumi at a Glance	2
Interview with President and CEO Tadashi Saegusa	4
Unique Competencies	10
Global Network	14
Six-Year Summary (Consolidated)	16
Management's Discussion and Analysis	17
Consolidated Financial Statements	22
Independent Auditors' Report	37
Board of Directors and Statutory Auditors	38
Investor Information	39

Forward-Looking Statements

This annual report contains forward-looking statements regarding Misumi's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from information available to the Company at the time of publication.

Certain risks and uncertainties could cause Misumi's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's business, competitive pressures, related laws and regulations, product development programs and changes in exchange rates.

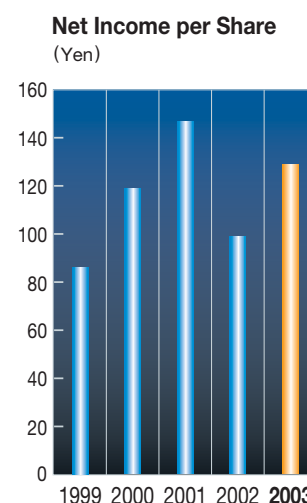
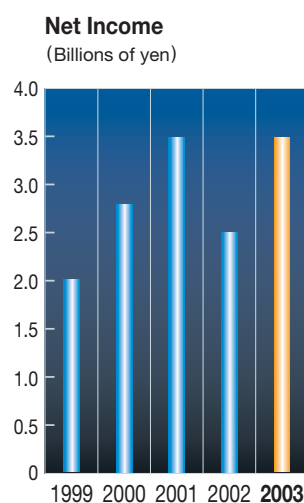
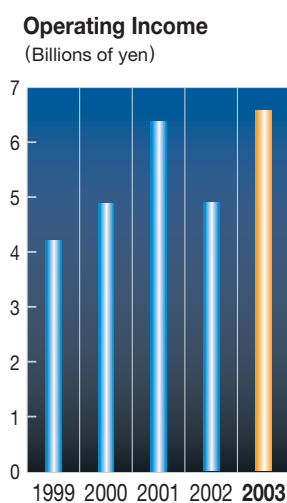
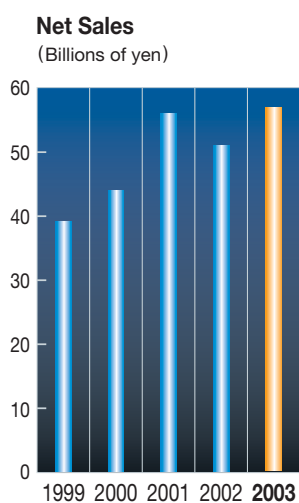
CONSOLIDATED FINANCIAL HIGHLIGHTS

MISUMI Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

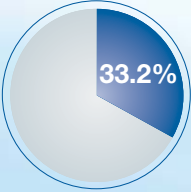
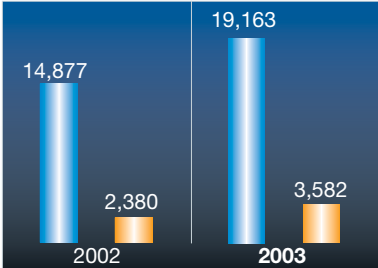
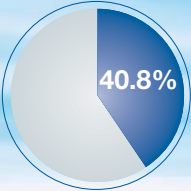
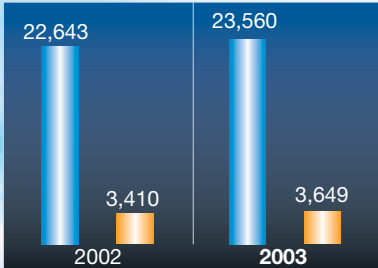
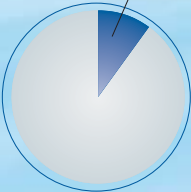
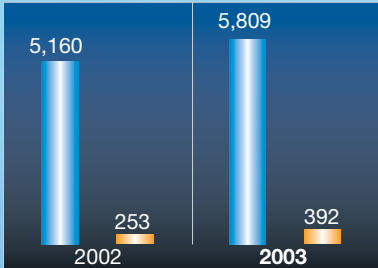
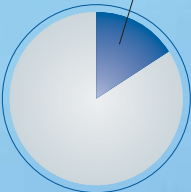
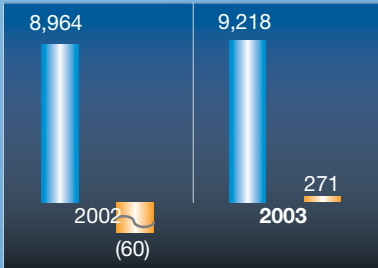
	Millions of yen		Net change	Thousands of U.S. dollars ¹
	2003	2002	%	2003
For the Year:				
Net sales	¥57,750	¥51,644	11.8%	\$480,446
Factory automation-related components ²	19,163	14,877	28.8	159,424
Press die components and plastic mold components ²	23,560	22,643	4.1	196,008
Electronics-related components ²	5,809	5,160	12.6	48,323
Other businesses ²	9,218	8,964	2.8	76,691
Operating income	¥ 6,641	¥ 4,938	34.5%	\$ 55,248
Income before income taxes and minority interest	6,221	4,462	39.4	51,753
Net income	3,518	2,544	38.3	29,272
At Year-End:				
Total assets	¥36,781	¥32,202	14.2%	\$305,999
Shareholders' equity	27,496	24,521	12.1	228,749
Interest-bearing debt ³	831	807	3.0	6,914
Per Share Value and Return Indicators:				
	Yen		Net change	U.S. dollars ¹
Net income per share	¥ 129.80	¥ 95.49	30.4%	\$1.08
Cash dividends per share	26.00	21.00	23.8	0.22
Shareholders' equity per share	1,034.38	925.43	11.8	8.61
Return on equity	13.5%	10.8%	2.7 points	

Notes:

- The U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥120.20 to US\$1, the approximate exchange rate as of March 31, 2003, as described in Note 1 of Notes to Consolidated Financial Statements.
- Net sales by segment in fiscal 2002 have been adjusted to reflect the change in segment reporting necessitated by the creation of new segments under the fiscal 2003 company reorganization.
- Interest-bearing debt = Long-term and Short-term debt + Bonds + Warrant bonds + Discount on notes



MISUMI AT A GLANCE

	Review of Operations	Net Sales & Operating Income*									
<p>Factory Automation-Related Components Business</p>  <p>33.2%</p>	<p>Amid increased capacity utilization among companies involved in equipment for manufacturing automobiles and electronic components, and customer requests for quicker delivery times for their investments in plants and equipment, the factory automation-related components business maintained solid sales through price cuts based on customer needs, and contributed to substantial increases in income.</p>	<p>■ Net Sales ■ Operating Income</p> <p>(Millions of yen)</p>  <table border="1"> <tr> <th>Year</th> <th>Net Sales</th> <th>Operating Income</th> </tr> <tr> <td>2002</td> <td>14,877</td> <td>2,380</td> </tr> <tr> <td>2003</td> <td>19,163</td> <td>3,582</td> </tr> </table>	Year	Net Sales	Operating Income	2002	14,877	2,380	2003	19,163	3,582
Year	Net Sales	Operating Income									
2002	14,877	2,380									
2003	19,163	3,582									
<p>Press Die Components and Plastic Mold Components Business</p>  <p>40.8%</p>	<p>Amid an environment of firm capacity utilization in the automobile manufacturing sector, income increased due to the success of aggressive marketing efforts, including investment in new catalogs.</p>	<p>■ Net Sales ■ Operating Income</p> <p>(Millions of yen)</p>  <table border="1"> <tr> <th>Year</th> <th>Net Sales</th> <th>Operating Income</th> </tr> <tr> <td>2002</td> <td>22,643</td> <td>3,410</td> </tr> <tr> <td>2003</td> <td>23,560</td> <td>3,649</td> </tr> </table>	Year	Net Sales	Operating Income	2002	22,643	3,410	2003	23,560	3,649
Year	Net Sales	Operating Income									
2002	22,643	3,410									
2003	23,560	3,649									
<p>Electronics-Related Components Business</p>  <p>10.0%</p>	<p>Income increased due to substantial ongoing gains in both the number of customers and order volume in the wiring components business. Increases since the third quarter in the number of customers and sales per customer in the PC control and network components business also contributed to higher income.</p>	<p>■ Net Sales ■ Operating Income</p> <p>(Millions of yen)</p>  <table border="1"> <tr> <th>Year</th> <th>Net Sales</th> <th>Operating Income</th> </tr> <tr> <td>2002</td> <td>5,160</td> <td>253</td> </tr> <tr> <td>2003</td> <td>5,809</td> <td>392</td> </tr> </table>	Year	Net Sales	Operating Income	2002	5,160	253	2003	5,809	392
Year	Net Sales	Operating Income									
2002	5,160	253									
2003	5,809	392									
<p>Other Businesses</p>  <p>16.0%</p>	<p>Substantial growth was seen in other businesses, particularly in the food service supplies business which has taken aggressive customer acquisition measures amid an overall contraction in the restaurant industry, and in the growing veterinary supplies business, which invested in a new catalog.</p>	<p>■ Net Sales ■ Operating Income</p> <p>(Millions of yen)</p>  <table border="1"> <tr> <th>Year</th> <th>Net Sales</th> <th>Operating Income</th> </tr> <tr> <td>2002</td> <td>8,964</td> <td>(60)</td> </tr> <tr> <td>2003</td> <td>9,218</td> <td>271</td> </tr> </table>	Year	Net Sales	Operating Income	2002	8,964	(60)	2003	9,218	271
Year	Net Sales	Operating Income									
2002	8,964	(60)									
2003	9,218	271									

*Net sales and operating income by segment in fiscal 2002 have been adjusted to reflect the change in segment reporting necessitated by the creation of new segments under the fiscal 2003 company reorganization.

● **Mechanical Standard Components for Factory Automation**



Misumi mainly offers standard components, such as shafts, linear bushings and ball screws, for a range of factory automation (FA) and flexible manufacturing systems (FMS) used to streamline production and conserve energy. Including products that have been added in new fields at the request of its customers, Misumi offers around 120,000 products. With its online ordering system, customers can precisely define the specifications of parts, such as the location of holes in metal plates, and receive estimates and place orders for made-to-order rotary shafts.

● **Custom Mechanical Parts for Factory Automation**



Misumi provides a full lineup of machinery products that customers can order by drawing their own diagrams. Misumi actually offers a dual service: customers can order parts listed in our factory automation mechanical components catalog, freely tailoring them to their exact specifications; or they can use these drawings to create estimates and procure the necessary parts. Misumi provides low-cost machinery parts promptly through its network of several hundred specialized factories across Japan.

● **Press Die Components**



Misumi carries a range of standardized press die components necessary for pressing metal plates. The approximately 218,000 products that Misumi offers include punches, dies, guides and springs used in the manufacture of automobiles, home appliances and precision components.

● **Plastic Mold Components**



Misumi carries a range of standardized mold components for plastic molds necessary for plastic injection molding. The approximately 67,400 products that Misumi offers include ejector pins, core pins and guides used in the manufacture of automobiles, home appliances and precision components.

● **PC Components for Control and Network**



Misumi carries 3,100 parts necessary for device integration and collecting data, including chassis, main boards, all expansion boards, touch-panel displays, and network devices and cables for network construction. Misumi also provides an Internet-based procurement service for computers and peripheral devices whereby customers can search some 150,000 products distributed in Japan, and output estimates and order forms.

● **Wiring Components**



Misumi offers a full array of wires, cable connectors, harness cables, and wiring accessories for automated machinery and inspection and measurement equipment. Including other factory tools, Misumi offers approximately 40,000 products that meet the working needs of customers. In addition, Misumi maintains an online service that allows customers to design their own harness cables or, for example, to specify where they want the apertures in metal box containers.

● **Machine Tools**



Misumi carries approximately 11,700 machine tools useful in customer worksites, ranging from end mills, drills, wire electrodes, and whetstones, and provides services such as grinding of cutting tools and readjusting measurement equipment.

● **Food Service Supplies**



Misumi offers approximately 2,600 different food supplies ranging from prepared foodstuffs and original ready-made products to seasonings, disposable chopsticks and kitchen goods for pubs and other eating and drinking establishments. Misumi also runs a used-oil collection service. In May 2001, Misumi began offering reasonably priced wines and select limited edition sakes from across Japan.

● **Digital Design Tools**



Misumi offers a broad array of professional-use DTP-related products for the publishing, printing, and graphic design industries including royalty-free images, software, hardware and design supplies. Misumi enjoys the largest sales of royalty-free images in Japan, which are also sold via the Internet.

● **Medical and Veterinary Supplies**



Misumi offers approximately 6,000 products for medical institutions ranging from syringes and X-ray films to office supplies. In 1997, Misumi expanded into the veterinary supplies market and now offers prescribed food and medicines for veterinary clinics as well as medical and veterinary supplies.

INTERVIEW WITH PRESIDENT AND CEO TADASHI SAEGUSA



Misumi's originality is a corporate strength that helped the Company achieve record high sales and income in fiscal 2002, the year ended March 31, 2003. Under the leadership of President and CEO Tadashi Saegusa, appointed in fiscal 2002, the Company is steadily implementing strategic business and organizational scenarios toward the creation of a new Misumi.

Net sales **¥57.8** billion ▶ **11.8%** year-on-year increase

Operating income **¥6.6** billion ▶ **34.5%** year-on-year increase

Net income **¥3.5** billion ▶ **38.3%** year-on-year increase

How would you analyze Misumi's strengths one year after your appointment as President and CEO?



Immediately after taking office in June 2002, I began comprehensive evaluations of all businesses and organizations, and initiated measures for solving conspicuous problems. After assessing each section's requirements for further growth and development, I put together a strategic management scenario. While conducting these activities, I became convinced anew of Misumi's potential.

How to bring greater speed to the basic cycle of creating, making and selling is a decisive point in corporate competition. Bloated organizations with poor inter-departmental communication make it difficult to keep this cycle operating smoothly. Misumi, however, has maintained its original team system, leaving it an ideally sized organization to maintain the structure for putting the cycle of creating, making and selling into motion.

Misumi was a pioneer among many trading companies in introducing the concept of "time strategy" which comes from the Kanban Method, originally created by Toyota. The Kanban Method has spread around the world, and trying to shorten delivery times and to operate without inventory is now the norm among manufacturers. Misumi,

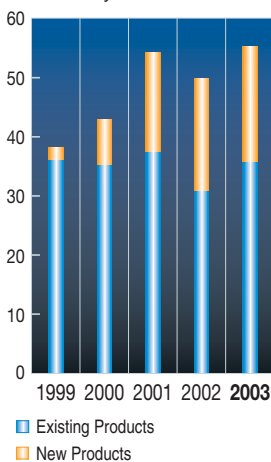
however, established a business model based on those goals before other companies. In other words, the times have caught up with Misumi. When a manufacturer is looking for a supplier from whom to buy only the necessary amount, Misumi is there. Misumi's unique delivery system offers customers tremendous value. Parts are generally delivered in three days, or by the next day for rush orders. With its emphasis on providing manufacturers, the backbone of the Japanese economy, with parts quickly and at low cost, the Misumi business model plays the role of the unsung hero, supporting competitive strength in industrial production from behind the scenes.

What were some of the factors behind Misumi's record-setting performance in fiscal 2002?



Contribution to Sales of Existing Products and New Products

(Billions of yen)



I believe there are three main factors behind Misumi's success in improving its performance while many other companies continue to falter. The most basic factor is the originality of Misumi's products. Misumi differs from fabless manufacturers around the world in that its engineers rarely draw plans. However, Misumi pays frequent visits and listens to its customers, designs in-house products they need, and then places their orders with trusted manufacturers before selling the products under the Misumi brand. This way of working facilitates the production of unique products.

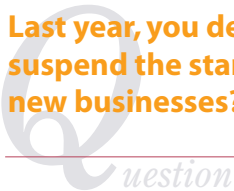
Unsurprisingly, the margin on these unique products is high. Because Misumi is not a trading company that merely buys goods in the marketplace and resells them, it is able to maintain high earnings that other companies cannot match. Misumi uses its strength in in-house product planning to add value.

The second factor is our price strategy. Misumi pursues a strategy of enhancing competitiveness by lowering prices as costs fall with increasing sales volume, beating customer demands for reduced prices. Our basic policy is to use a portion of profits to make prices reasonable, instead of blindly pursuing profit margins.

The third factor for growth is that Misumi searches out new fields, primarily in the factory automation parts business, and is actively involved in planning new products. Much virgin territory remains in the broad-ranging machinery-related business. Even in the factory automation-related components business, which was the engine for growth in fiscal 2002, new products developed in the last three to four years accounted for nearly half of sales.

Misumi delivers original products to customers in the shortest possible time, thereby rapidly putting into motion the cycle of creating, making and selling I so firmly believe in. We are proud of that accomplishment, which has established Misumi as a mainstay in Japan's manufacturing industry and, as such, a valuable member of society.

Last year, you decided to withdraw from some new businesses and suspend the start-up of others. What is your policy concerning new businesses?



The businesses I withdrew from or suspended the start-up of were unprofitable with little likelihood of improvement due to a lack of uniqueness for Misumi, low margins or no prospects for growth because the market for their products was too small. Previously, Misumi had no particular policy for establishing new businesses, instead accommodating and tackling new business ideas originating within the company with an indiscriminate approach. After becoming president, however, I established three conditions for starting new businesses, the “three S’s”: synergy (synergistic effects with existing business), segmentation (focus on particular fields to enter), and strategy (carefully thought-out strategies).

As we are placing priority on improving and reforming existing businesses in line with the “three S’s,” we have not yet ventured into new territory. When we do eventually turn our attention to new businesses, we will concentrate our efforts on businesses that we can set strict targets for and that strategically are poised for success.

New Businesses: The “Three S’s”

● SYNERGY

Business begins to deteriorate when growth stops. Business teams must not only cultivate existing businesses, but actively promote expansion of new products and new businesses in order to maintain growth. Misumi must now place emphasis on using synergy with existing businesses and infrastructure to uncover the seeds of new products and new businesses that can grow more profitably than those of our competitors.



● **SEGMENTATION**

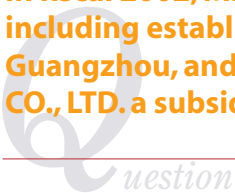
Misumi must challenge conventional market definitions of particular segments, and create its own unique segmentation. This intellectual battle will facilitate the development of new markets and customers.

● **STRATEGY**

However, even if new fields are selected through consideration of synergy and segmentation, they will inevitably have low earnings and a low market share if they do not have a strong strategic logic and operating structure. In order to achieve high earnings and overwhelming success, Misumi must undertake strong and highly original strategies and rapid execution scenarios to stay ahead of competitors.



In fiscal 2002, Misumi pursued aggressive global growth, including establishing local subsidiaries in Shanghai and Guangzhou, and making the South Korean distributor MULTI-BITS CO., LTD. a subsidiary. What is your future overseas strategy?



Although Misumi has sufficient competitive potential in overseas markets, the globalization of its business was delayed. Bases were indeed established in many countries, but activities in each country have yet to develop enough to produce overall synergy.

Strengthening Misumi's overseas strategy means switching from the traditional route of exporting from Japan to local production. Until now, the costs of shipping products from Japan made prices high for overseas customers. In addition, Misumi's standard three-day delivery time could not always be upheld; deliveries to the U.S., for example, required six to eight days. In order to solve such problems, we must construct a Misumi model for concluding arrangements in each country in which we do business. I call Misumi's overseas strategy "glocalization," implementing a combination of a global distribution network and local operations. In other words, we aim to establish business models for realizing rapid delivery and low costs to the fullest extent possible in each country in which we do business. In addition, we want to create a global strategy that integrates local strategies for maximizing Misumi's strengths with a horizontal, international strategy of procuring optimum products from optimum countries.



China is vital in bringing this horizontal, international strategy to fruition. With an emphasis on China as a market, but also as a production base, we would like in the future to create a global network for selling products made in China in the Japanese, European, U.S. and Southeast Asian markets. Actualizing Misumi's strengths overseas would make Misumi's growth potential even more secure. Timely implementation of Misumi's global strategy, however, is crucial to success. The overseas sales ratio in fiscal 2002 was 10 percent. First, we have to set a target of raising this ratio to 30 percent.

I would like to ask about the issue of nurturing managerial talent that can contribute to Japanese industry, which is one of Misumi's basic management policies. What are your thoughts on what is required of a professional?



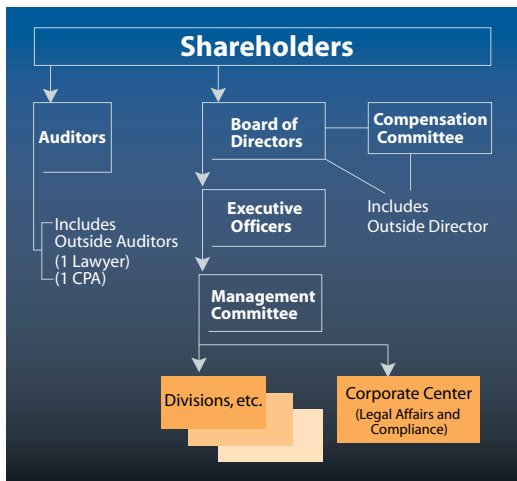
Human resource development is the key to making Misumi's growth-oriented reforms successful. In the past, company resources were not put to sufficient use in human resource development because Misumi held the attitude that people will develop naturally. We are now switching to a system for actively training employees. We have two policies. One is a rigorous system of competitive rearing within the company. This is a process that allows leaders to experience hands-on learning; they propose ambitious strategic targets, and must exert themselves and struggle over ways to meet them. The other policy is to prepare a proper training organization, and create an environment in the company conducive to learning. We believe that this policy will provide support training not only for those who undergo actual training courses, but also for the entire workplace, including managers. Through these measures, we will nurture personnel capable of thinking within a strategic framework. This will make Misumi a base for rearing managers who have high aspirations and are bold in taking risks and wanting to forge their own careers.

As I noted earlier, Misumi's team-oriented organization incorporates all of the fundamental elements of the business cycle — creating, making and selling — and is the optimal organization for training and honing the proficiency of high-quality young leaders. Through the company reorganization carried out in December 2002, we changed from the business organizations previously called "units" to "divisions." "Teams" created under the divisions are split into smaller teams organized as cells, allowing thorough realization of the "small is beautiful" maxim. Since my appointment as president, I have been in constant discussions with members of each division concerning the establishment of division-specific strategies. Through this process, young leaders will gain experience by confronting challenges, frustration and failure. My policy at Misumi is to pursue management that integrates the theoretical training gained through each team's actual management situation and study.

What initiatives to enhance corporate governance did Misumi take in fiscal 2002?



During fiscal 2002, the Board of Directors met 15 times, Executive Officers met 21 times, and Managers met 29 times. At these meetings, the participants deliberated on important executive decisions and managerial matters, and set policies to enhance corporate governance.



Auditors met 12 times to determine auditing policy, assignments and other issues, and to announce the results of their surveys. Audits were performed not only for the Head Office, but also for the Marketing Centers, Distribution Centers and foreign subsidiaries.

In addition to providing industry-specific information including monthly sales data on the company homepage, Misumi takes such active measures as announcing financial results biannually, holding information meetings for investors, and disclosing timely and active information on managerial policies.

In closing, what is your message to shareholders?



The review of business strategy, efforts to improve infrastructure, strengthening of overseas strategy and other measures I have pursued since becoming president are beginning to steadily bear fruit. In the current fiscal year, I will make the establishment of a long-term domestic and overseas strategy for strengthening Misumi's core machinery-related business a top priority. We plan to actively pursue overseas investment, particularly in China and the U.S.

We intend to maintain a dividend policy of a payout ratio of 20 percent for the full year.

Misumi will continue to pursue a growth-oriented strategy and aggressive business development. My sincerest thanks to all our shareholders for their past and continued support.

September 2003

Tadashi Saegusa
President and CEO

Since its creation, Misumi has pursued a unique business model that makes user opinion the starting point of product development. The strengths of the Misumi business model are the Company's expertise in providing products with short delivery periods, high quality and low prices, supported by the cooperative framework it has built with its many partners.

Under President Saegusa's management strategy, Misumi will further increase Company value as it strives to create a new Misumi.

Origin of Misumi's Competitive Strength: Creating, Making and Selling

● ORGANIZATIONAL REFORM

Through the company reorganization carried out in December 2002, Misumi changed from the business organizations previously called "units" to "divisions." The new divisions are organized by business type, and restructured to do business dynamically from a long-term, strategic vantage. Also, teams created within the divisions are split further into cells. The company reorganization aims to combine the "small is beautiful" idea and the mobility that only small teams can provide, with the strong points of the division system, which operates under a long-term strategy.

Furthermore, in June 2003, Misumi transferred sales functions to sales development teams within each division. These activities support the strategic development and raise the mobility of each division.

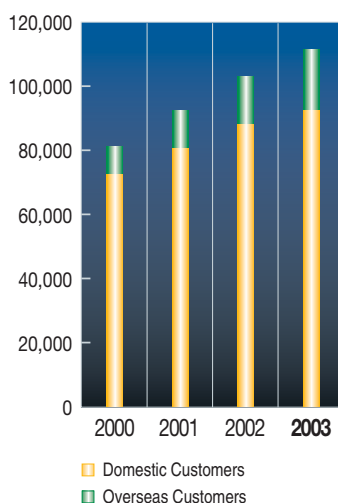
● SMALL IS BEAUTIFUL

The newly organized teams are composed of only a few members. For example, the FA Mechanical Division, which was the engine of growth in fiscal 2003, was reorganized into five business teams: Linear Motion Business Team (linear shafts, linear bushes, etc.); Mechanical Components Business Team (standardization of products produced in-house or subcontracted for processing); Structural Components Business Team (aluminum frames, etc.); Fluid Control Business Team (heaters, pipe components, etc.); and Custom Parts Business Team (custom orders, etc.). Each team does its part in implementing the cycle of creating, making and selling.

In the first phase of creating—product development—team members visit many users to directly hear customer needs and opinions concerning existing products and other information. Currently, Misumi has approximately 50,000 customers for its machinery-related business alone, and visits are paid regularly to collect their valuable opinions. The strength of Misumi's standardized products lies in condensing customer opinion in this way, and achieving extremely low prices through economies of scale.

Next, in the making (production) phase, Misumi has partnerships with many manufacturers. Misumi demands high quality, carefully selecting only manufacturers that can faithfully reproduce products from its specifications. Furthermore, Misumi holds annual open

Number of Customer
Companies



INTERVIEW WITH PRESIDENT OF THE FA MECHANICAL DIVISION

During the year ended March 31, 2003, sales for the factory automation components business increased substantially by 28.8 percent from the previous fiscal year. The major factor behind the increase was the growth in sales of new products introduced since 1999. 48 percent of sales, excluding those for custom components, came from the group of new products introduced since 1999. My mission is to continue without pause to develop new products advantageous for customers.

While Misumi is a trading company, it also conducts product planning through its own initiative and knowledge, and provides standard parts under the original Misumi brand. Sales for the FA Mechanical Division were approximately ¥10 billion when I took charge in 1999, and the first thing I initiated after being appointed was new product development. In certain fields, the team was then not yet fully aware of the possibilities in the FA Mechanical field. So I myself visited many customers, and this led to the development of new products.

From around this time, we began eliminating products already on

the market and products lacking originality, and began concentrating on making products in response to customer opinions. We paid attention to customer concerns regarding the price of customized components that would enhance their productivity, but also increase costs because they would necessitate specialized orders. Through their own individual abilities, my staff is now working on developing products that reflect customer ideas.

I have conducted a review of the FA Mechanical business strategy and business process with President Saegusa since his appointment. Through these processes, we were made aware anew of the profit structure of the FA Mechanical business. The ability to clarify product strategy and focus our activities has also raised employee morale.

The revised catalog *Face2003* is expected to contribute to earnings in fiscal 2003. Based on this business strategy, we can contribute to the evolution of the Misumi model of short delivery periods, high quality and low prices, and build a win-win relationship with customers and affiliated manufacturers.



MASAHIKO EGUCHI
Director of the Board
President of FA Mechanical Division

competitions, and vigorously works to keep costs down. Such industrial manufacturers are indispensable in creating competitive products, and partnerships with them are an invaluable asset.

Misumi conducted dynamic reform under the company reorganization for the third phase of selling (business). The sales development teams created within each division work to rapidly pass on customer opinions collected through user visits to the other teams and staff. The sales development teams act as lubricants in the smooth implementation of the cycle of creating, making and selling. This reform has added further vitality to Misumi's business activities focused on catalog sales.

The promotion of category-based business activities by small teams leads to increased specialization for each team, enabling them to narrow their focus on meeting strategic objectives. Clearly defined objectives raise employee morale, and drive rapid progress toward becoming a new Misumi.

● STRATEGIC POLICIES AND IMPLEMENTATION

Since the appointment of President Saegusa, Misumi has introduced Activity Based Costing analysis, and has been promoting product strategies and restructuring of customer-specific strategies based on this analysis.

The first major embodiment of these strategies was the *Face2003* catalog for Mechanical Standard Components for Factory Automation. In order to comply with a production system that emphasizes low cost, short delivery periods and diversification, Misumi reduced the prices of 549 items, periods for 675 items, and added 905 new products and 242 product line extensions, in addition to beginning new services, including an oil-removal service. Misumi has achieved a one- to three-day delivery time for most products in the Factory Automation Division, and has shortened from eight to five days the shipping time of custom mechanical parts for factory automation components, which have traditionally had a long period of delivery.

Furthermore, under a policy of strengthening its business platform, Misumi carried out a review of its computer system from orders to distribution and delivery, and is promoting efforts to raise the level of service through implementation of a time strategy.



Face catalogs for various mechanical industries, and catalogs for new businesses



Misumi Supports the Tokyo Denki University Formula-SAE Team

Misumi has been supporting the Tokyo Denki University Formula-SAE (Society of Automotive Engineering) team with free mechanical components for factory automation since February 2003.

The Formula-SAE competition is a contest for measuring the speed and durability of small-scale formula-style racing cars designed and produced by students from around the world. The philosophy of the competition, "To cultivate talent with experience in manufacturing and team management," and of Misumi, "Rearing talent to support Japanese industry," are cognate, and Misumi intends to continue to support the competition as part of the Company's social contribution activities.

Strengthening Global Development

● CONSTRUCTION OF A GLOBAL STRATEGY

Misumi's global strategy has just begun. Previous overseas business consisted of exports from Japan, but our future target is to implement the complete Misumi model in each country.

Furthermore, in each country where it does business, Misumi will review the composition of products in its overseas catalogs, which have long been a focus for the Company. Misumi will produce catalogs tailored to local needs, rather than translations from the Japanese catalog.

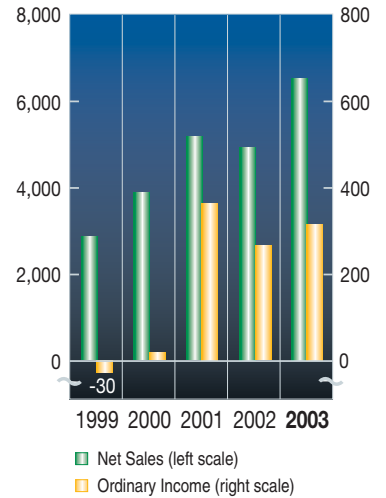
Moreover, Misumi aims to build a global strategy integrated with a horizontal, international strategy of procuring optimum products from optimum countries.

● CHINA STRATEGY

The core of Misumi's global strategy is China. Misumi plans to establish the Misumi business model in China, where products can be manufactured at low cost, and gain superiority in the domestic Chinese market. Also, Misumi will build a global network in which products produced through local manufacturing are placed in a sales network spanning the Japanese, European, U.S. and Southeast Asian markets.

Overseas Sales and Income

(Millions of yen)



INTERVIEW WITH PRESIDENT OF CHINA DIVISION

China is changing and growing at an extremely rapid pace. In this environment, it is our mission to provide customers in China with service equal to or surpassing that in Japan. I am in charge of the greater China region including Hong Kong, and am actively employing and recruiting local talent to advance the construction of a service organization in China.

Establishing a complete Misumi model in China is the key to meeting customer demands, but there are special business customs in China, and developing business is not easy. Considering these circumstances, I will work with President Saegusa to

concentrate Misumi's collective strengths and deal logically with each task one by one, making accurate judgments and management decisions.

The level of trust in Misumi products in China is extremely high, with mainly foreign affiliates, particularly Japanese-related companies, already using Misumi products. In the future, I would like to advance a local strategy targeted at a broad range of companies, including Chinese manufacturers. This past year has constituted phase one of the Misumi China strategy plan, which we aim to complete in three to four years.



KOJI NISHITANI
Director of the Board
President of China Division

Misumi does business through 11 subsidiaries in 7 countries, aiming to establish the Misumi model in each country.



MISUMI OF THE AMERICAS, INC.



MISUMI UK LTD.



MISUMI EUROPA GmbH

● Domestic Network

Head Office

4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458
Tel: 81-3-3647-7111 Fax: 81-3-3647-6241

Sendai Marketing Center

3F Dai-Ni Serizawa Bldg., 17-21, Hon-cho 2-chome, Aoba-ku, Sendai City, Miyagi 980-0014
Tel: 81-22-224-0561 Fax: 81-22-224-0617

Fukushima Marketing Center

11F Koriyama Daiichi Bldg., 13-23, Shimizu Dai 2-chome, Koriyama City, Fukushima 963-8005
Tel: 81-24-939-3431 Fax: 81-24-939-3436

Ota Marketing Center

2F Ota Tokyo Kaijo Bldg., 1005-2, Iida-cho, Ota City, Gunma 373-0851
Tel: 81-276-46-8551 Fax: 81-276-46-8557

Tokyo Marketing Center

1F USC Bldg., 11-38, Toyo 4-chome, Koto-ku, Tokyo 135-0016
Tel: 81-3-3645-5111 Fax: 81-3-3647-7107

Yokohama Marketing Center

4F Kubota Bldg., 31-5, Tsuruya-cho 3-chome, Kanagawa-ku, Yokohama City, Kanagawa 221-0853
Tel: 81-45-324-1141 Fax: 81-45-324-1143

Shizuoka Marketing Center

7F Kawamura Bldg., 9-1, Tenma-cho, Shizuoka City, Shizuoka 420-0858
Tel: 81-54-255-5230 Fax: 81-54-255-5270

Matsumoto Marketing Center

8F Nihon Kasai Matsumoto Bldg., 13-5, Honjo 1-chome, Matsumoto City, Nagano 390-0814
Tel: 81-263-36-7721 Fax: 81-263-36-7777

Kanazawa Marketing Center

4F Kanazawa Park Bldg., 1-1, Hirooka 3 chome, Kanazawa City, Ishikawa 920-0031
Tel: 81-76-224-3330 Fax: 81-76-224-5288

Nagoya Marketing Center

Status Bldg., 286, Fujimori 2-chome, Meito-ku, Nagoya City, Aichi 465-0026
Tel: 81-52-774-6611 Fax: 81-52-774-6614

Osaka Marketing Center

2F Shinwa-Esaka Bldg., 13-33, Esaka-cho 1-chome, Suita City, Osaka 564-0063
Tel: 81-6-6378-1001 Fax: 81-6-6378-1004

Okayama Marketing Center

5F Kotsu Oasis Bldg., 10-12, Mayamachi, Okayama City, Okayama 700-0826
Tel: 81-86-226-1520 Fax: 81-86-226-1521

Hiroshima Marketing Center

4F Dai-Ni Kyotani Bldg., 7-17, Hikari-machi 2-chome, Higashi-ku, Hiroshima City, Hiroshima 732-0052
Tel: 81-82-263-0900 Fax: 81-82-263-0906

Fukuoka Marketing Center

7F Phase In Hakata Bldg., 3-17, Hiemachi, Hakata-ku, Fukuoka City, Fukuoka 812-0014
Tel: 81-92-452-1910 Fax: 81-92-452-1905

International Strategy Team

4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458
Tel: 81-3-3647-7116 Fax: 81-3-3647-7125



MISUMI E.A. HK LTD.



SHANGHAI MISUMI INTERNATIONAL TRADING CO., LTD.



MISUMI KOREA CORP.



MULTI-BITS CO., LTD.



MISUMI Corporation



MISUMI TAIWAN CORP.



MISUMI (THAILAND) CO., LTD.



MISUMI SOUTH EAST ASIA PTE. LTD.

Overseas Network

MISUMI OF THE AMERICAS, INC.

105 Remington Road, Suite B,
Schaumburg, IL 60173, U.S.A.
Tel: 1-847-843-9105 Fax: 1-847-843-9107

● Michigan Office

Tel: 1-313-388-6910 Fax: 1-313-388-8088

● California Office

Tel: 1-408-727-3418 Fax: 1-408-727-4075

● Mexico Agent

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MISUMI UK LTD.

No. 1, The Courtyard, 76-78 High Street,
Staines, Middlesex TW18 4DP U.K.
Tel: 44-1784-465530 Fax: 44-1784-466695

MISUMI SOUTH EAST ASIA PTE. LTD.

331 North Bridge Road, #03-01 Odeon
Towers, Singapore 188720
Tel: 65-733-7211 Fax: 65-733-0211

MISUMI TAIWAN CORP.

3F, No. 152 Nanking East Road Sec. 4,
Taipei, 105 Taiwan, R.O.C.
Tel: 886-2-2570-3766 Fax: 886-2-2570-3767

MISUMI E.A. HK LTD.

Suite 1602B, 16/F, Tower 5, China Hong Kong
City, 33 Canton Rd, Tsim Sha Tsui, Kowloon, H.K.
Tel: 852-2375-4550 Fax: 852-2302-4589

MISUMI (THAILAND) CO., LTD.

889 Thai CC Tower 342-343 Rm., 34 Floor,
South Sathorn Road, Sathorn, Yanawa,
Bangkok, 10120, Thailand
Tel: 66-2-675-5682 Fax: 66-2-675-5687

MISUMI KOREA CORP.

3804 World Trade Center, 159-1, Samsung-
dong, Kangnam-ku, Seoul 135-729, Korea
Tel: 82-2-551-3611 Fax: 82-2-551-4811

SHANGHAI MISUMI INTERNATIONAL TRADING CO., LTD.

Suite A, 13/D., Jingling Hai Xin Building,
666 Fu Zhou Road, Shanghai 200001, China
Tel: 86-21-6391-7301 Fax: 86-21-6391-7602

GUANGZHOU MISUMI INTERNATIONAL TRADING CO., LTD.

Room B, 18 Floor, Jin Tian Building, No 559
Tian He Bei Road, Tian He, District Guangzhou
510620, China
Tel: 86-20-3847-9988 Fax: 86-20-3847-9989

MISUMI EUROPA GmbH

TOPAS 2 Mergenthaler Allee 79-81
D-65760 Eschborn, Germany
Tel: 49-6196-9994-167 Fax: 49-6196-9994-360

MULTI-BITS CO., LTD.

Dong Hwa-bldg., 43-1, Pil Dong 1 ga,
Jung-gu, Seoul 100-866, Korea
Tel: 82-2-2265-4233 Fax: 82-2-2265-4266

SIX-YEAR SUMMARY (CONSOLIDATED)

MISUMI Corporation and Consolidated Subsidiaries
Years ended March 31

Millions of yen

For the Year:	2003	2002	2001	2000	1999	1998
Net sales	¥57,750	¥51,644	¥56,071	¥44,049	¥39,036	¥40,023
Factory automation-related components ¹	19,163	14,877	16,602	12,100	10,177	11,951
Press die components and plastic mold components ¹	23,560	22,643	24,135	21,608	20,922	22,119
Electronics-related components ¹	5,809	5,160	6,639	4,546	3,480	2,867
Other businesses ¹	9,218	8,964	8,695	5,795	4,457	3,086
Operating income	6,641	4,938	6,471	4,911	4,232	3,951
Income before income taxes and minority interest	6,221	4,462	6,160	4,973	4,208	3,737
Net income	3,518	2,544	3,553	2,876	2,073	1,919
At Year-End:						
Total assets	36,781	32,202	32,317	27,117	23,719	22,749
Shareholders' equity	27,496	24,521	22,787	19,733	16,725	15,138
Interest-bearing debt ²	831	807	1,150	1,350	1,826	1,995
Investment Indicators:						
Price/Earnings ratio — PER (times)	24.8	50.1	46.9	87.2	35.9	24.5
Price/Cash flow ratio — PCFR (times)	18.6	31.6	66.8	194.9	—	—
Price/Book value ratio — PBR (times)	3.1	5.4	7.4	12.7	4.5	3.3
Stock Price:						
High (¥)	5,270	8,100	12,450	14,950	3,440	3,090
Low (¥)	2,690	3,030	5,600	3,200	1,575	1,620
Close (year ended March 31) (¥)	3,220	4,990	7,010	11,500	3,430	2,300
Number of outstanding shares (thousands)	26,512	26,500	24,081	21,821	21,702	21,702
Marketable capitalization (billions of yen)	854	1,322	1,688	2,510	744	499
Value Indicators:						
EBITDA	7,491	5,835	6,992	5,603	4,843	4,968
Net income per share ³ (¥)	129.80	95.49	147.81	119.94	86.83	85.36
Cash dividends per share (¥)	26.00	21.00	31.00	27.00	21.00	19.00
Shareholders' equity per share ³ (¥)	1,034.38	925.43	946.25	904.26	770.65	697.55
Cash flow per share (¥)	172.8	157.7	104.9	59.0	—	—
Return Indicators:						
Return on equity (%)	13.5	10.8	16.7	15.8	13.0	13.4
Return on assets (%)	19.5	15.6	22.2	19.7	18.5	18.6
Liquidity Ratios:						
Current ratio (%)	370.5	376.5	265.2	354.9	314.7	312.0
Interest coverage ratio ⁴ (times)	786.1	474.8	139.4	38.9	—	—
Number of Customers:						
Domestic	92,497	87,772	80,717	72,231	58,170	47,575
Overseas	19,050	15,124	11,866	9,016	7,623	6,315
Number of Employees	389	340	317	279	—	—

Notes:

- Net sales by segment prior to fiscal 2003 have been adjusted to reflect the change in segment reporting necessitated by the creation of new segments under the fiscal 2003 company reorganization.
- Interest-bearing debt = Long-term and Short-term debt + Bonds + Warrant bonds + Discount on notes
- Adjusted for stock splits up to May 19, 2000
- Interest coverage ratio = Net cash provided by operating activities/Interest payment

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL POLICY

Misumi emphasizes a sound balance sheet and sufficient liquidity. While selectively accessing external funding sources as needed to supplement internal capital resources, Misumi avoids excessive expansion of current assets and emphasizes efficient, profitable business expansion. Misumi relies on internal capital resources for funding requirements such as capital expenditures to develop and diversify the products, services and marketing capabilities needed for stable, long-term growth. The Company had no long-term debt as of the balance sheet date.

CONSOLIDATED INCOME ANALYSIS

Net Sales

Net sales for fiscal 2002, ended March 31 2003, increased 11.8 percent to a record ¥57.8 billion (US\$480.4 million). During fiscal 2002, Misumi developed and introduced new products, diversified its customer base, aggressively employed direct marketing and other strategies to acquire customers, and enhanced responsiveness to customer needs by compressing the time from order to delivery. Sales in each of Misumi's operating segments increased as a result, with sales of mechanical components for factory automation benefiting in particular.

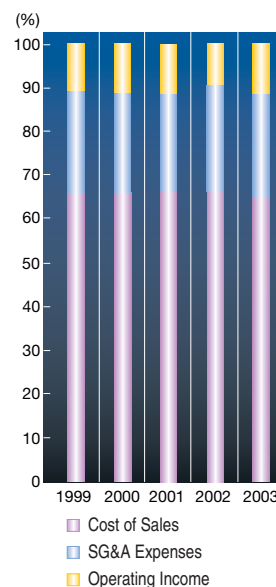
Gross Profit and Selling, General and Administrative Expenses

Cost of sales rose 9.9 percent to ¥37.6 billion (US\$312.6 million), below the rate of growth in net sales, and accounted for 65.1 percent of net sales, compared to 66.2 percent in the previous fiscal year. Gross profit therefore increased 15.7 percent to ¥20.2 billion (US\$167.8 million), and the ratio of gross profit to net sales increased to 34.9 percent from 33.8 percent for the previous fiscal year. Selling, general and administrative (SG&A) expenses increased 8.3 percent to ¥13.5 billion (US\$112.6 million), also below the rate of growth in net sales. The ratio of SG&A expenses to net sales was 23.4 percent, compared to 24.2 percent for the previous fiscal year. Misumi controlled growth in personnel expenses and maintained outsourcing expenses at essentially the same level as in the previous fiscal year, thus offsetting increased investment in advertising and sales promotion. Logistics and packaging expenses increased in line with the gain in net sales. Operating income therefore increased 34.5 percent to ¥6.6 billion (US\$55.2 million). Operating income accounted for 11.5 percent of net sales, compared to 9.6 percent for the previous fiscal year.

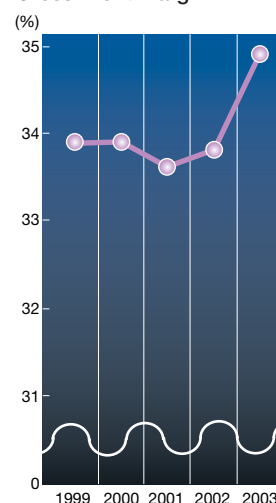
Other Income (Expenses)

Other expenses — net totaled ¥420 million (US\$3.5 million) in fiscal 2002, compared to other expenses — net of ¥476 million in the previous fiscal year. Loss on disposal of software totaled ¥72 million (US\$0.6 million), a decrease of ¥248 million from the loss of ¥320 million in the previous fiscal year as Misumi has largely completed ordering and information system upgrades. This improvement compensated for the substantial increase in loss on devaluation of investment securities that resulted from the weakness of security markets during the past fiscal year, and for the increase in net exchange loss to ¥84 million (US\$0.7 million). As a result, income before income taxes and minority interest increased 39.4 percent to ¥6.2 billion (US\$51.8 million), and accounted for 10.8 percent of net sales, compared to 8.6 percent for the previous fiscal year.

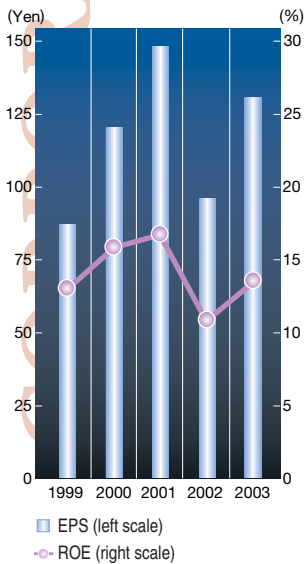
Ratio of Operating Cost and Expenses, and Operating Income to Net Sales



Gross Profit Margin



EPS & ROE



Net Income

Total income taxes, net of deferrals, increased 41.3 percent to ¥2.7 billion (US\$22.2 million). Net income increased 38.3 percent to ¥3.5 billion (US\$29.3 million), and represented 6.1 percent of net sales, compared to 4.9 percent for the previous fiscal year. Basic net income per share increased to ¥129.80 (US\$1.08) from ¥95.49 for the previous fiscal year, and fully diluted net income per share increased to ¥129.75 (US\$1.08) from ¥95.22 for the previous fiscal year.

Cash Dividends

Misumi increased its cash dividends applicable to the year to ¥26.00 (US\$0.22) per share from ¥21.00 per share for the previous fiscal year. Misumi considers returns to shareholders to be a top management priority and maintains a policy of distributing more than 20 percent of profits as dividends. The dividend payout ratio for fiscal 2002 was 20.3 percent of both basic and diluted consolidated net income per share.

SALES BY SEGMENT

In fiscal 2002, Misumi revised the classification of certain business segments to reflect business expansion. Segment results for the previous fiscal year have been restated to reflect the change and permit year-on-year comparison.

Under the new segments, the PC control and network components business and the wiring components business, which were previously part of the factory automation-related components segment, were reclassified as the electronics-related components segment. The mechanical parts for assisted design business, which was included in the other businesses segment, was reclassified to the factory automation-related components segment. In addition, the former press die components segment and plastic mold components segment were combined to create the press die components and plastic mold components segment.

Factory Automation-Related Components

Compared to results for the previous fiscal year restated according to the change in segment reporting, sales of the factory automation-related components business increased 28.8 percent to ¥19.2 billion (US\$159.4 million) and operating income increased 50.5 percent to ¥3.6 billion (US\$29.8 million). This business segment comprises mechanical components for factory automation. Performance gains in this segment during fiscal 2002 reflected factors including increased capacity utilization rates in the principal customer segments of equipment for automobile and electronic component manufacturing, and continued solid sales due to price reductions based on customer needs against a backdrop of reduced delivery periods.

Press Die Components and Plastic Mold Components

Compared to results for the previous fiscal year restated according to the change in segment reporting, sales in the press die components and plastic mold components business increased 4.1 percent to ¥23.6 billion (US\$196.0 million). Amid firm capacity utilization rates in the automobile manufacturing sector, segment performance benefited from the success of aggressive marketing efforts including the issuance of new catalogs. The increase in net sales, together with efforts to reduce costs, supported a 7.0 percent increase in operating income to ¥3.6 billion (US\$30.4 million).

Electronics-Related Components

This business segment comprises components for the PC control and network business and the wiring components business. Compared to results for the previous fiscal year restated according to the change in segment reporting, sales in the electronics-related components business increased 12.6 percent to ¥5.8 billion (US\$48.3 million). Sales of wiring components increased as a result of substantial gains in both number of customers and order volume. Sales of PC control and network components drew strength from growth in both the number of customers and sales per customer. Operating income increased 54.8 percent to ¥392 million (US\$3.3 million).

Other Businesses

This segment comprises machine tools, digital design tools, medical and veterinary supplies, and food service supplies.

Compared to results for the previous fiscal year restated according to the change in segment reporting, sales in the other businesses segment increased 2.8 percent to ¥9.2 billion (US\$76.7 million), and operating income totaled ¥271 million, compared to an operating loss in the previous fiscal year.

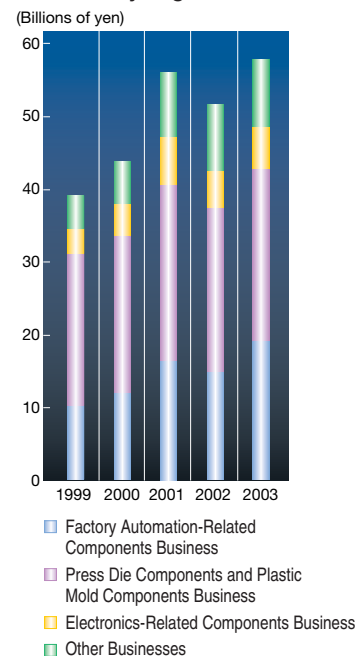
Sales of machine tools decreased 5.3 percent to ¥2.3 billion despite higher capacity utilization rates among automotive customers, due to continued delays in developing and supplying products that met customer needs.

Sales of digital design tools increased 0.4 percent to ¥2.9 billion. Enhanced marketing efforts, including new catalogs, offset the contraction of the commercial printing market due to weak consumer spending.

Sales of medical and veterinary supplies increased 9.9 percent to ¥1.8 billion. Growth factors included a new catalog for the veterinary market, which is expanding in tandem with the high-growth pet industry, sustained direct marketing programs and new product development and marketing based on customer needs.

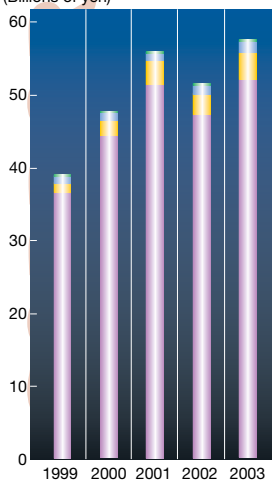
Sales of food service supplies increased 18.7 percent to ¥2.3 billion amid a contracting restaurant industry, supported by aggressive marketing, including new catalogs, and customer acquisition.

Net Sales by Segment



Net Sales by Region

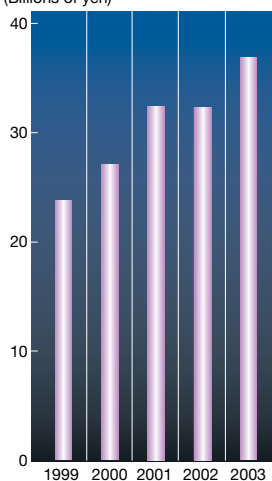
(Billions of yen)



Legend:
 Japan (Pink)
 Asia (Yellow)
 North and South America (Blue)
 Europe (Green)
 Note: Does not include interarea transfers

Total Assets

(Billions of yen)



SALES BY REGION

Japan

Sales in Japan increased 10.3 percent to ¥52.1 billion (US\$433.0 million) and accounted for 90.2 percent of total net sales. Performance gains reflected the success of the issuance of new catalogs amid continuing recovery in key customer segments, such as automotive and electronics manufacturing. Operating income increased 31.5 percent to ¥7.5 billion (US\$62.7 million).

Asia

Sales in Asia increased 33.1 percent to ¥3.8 billion (US\$32.0 million) and accounted for 6.7 percent of total net sales. Operating income increased 51.6 percent to ¥279 million (US\$2.3 million). Strong growth in China was complemented by moderate recovery in other markets in Southeast Asia, which supported Misumi's performance.

North and South America

Sales in the Americas increased 21.0 percent to ¥1.5 billion (US\$12.6 million), and accounted for 2.6 percent of total net sales. Operating income decreased 37.9 percent to ¥41 million (US\$342 thousand). While continuing firm demand from Japanese-affiliated automotive manufacturing companies increased sales, increased marketing expenses resulting from factors such as the issue of a new catalog in the first half of the fiscal year resulted in lower operating income.

Europe

Sales in Europe increased 16.3 percent to ¥329 million (US\$2.7 million), and accounted for 0.6 percent of total net sales. Operating income improved to ¥4 million (US\$32 thousand) from an operating loss of ¥25 million for the previous fiscal year. A focus on factory automation components supported sales despite weak demand among both corporations and individual consumers.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Assets

Total assets increased ¥4.6 billion (14.2 percent) to ¥36.8 billion (US\$306.0 million). Current assets increased 20.6 percent to ¥30.3 billion (US\$251.9 million), primarily reflecting an increase in cash and cash equivalents. Trade notes and trade accounts receivable increased ¥1.3 billion (10.7 percent), in line with the increase in net sales, to ¥13.4 billion (US\$111.4 million). Inventories increased 5.1 percent to ¥3.5 billion (US\$28.7 million), a rate of increase below that of net sales. Inventory turnover was 11.1 times, or 33 days, compared to 10.2 times, or 36 days, for the previous fiscal year. Net property and equipment decreased to ¥1.6 billion (US\$13.7 million) from ¥1.8 billion in the previous fiscal year, due primarily to the effect of depreciation in the absence of significant additions to property and equipment during the fiscal year. Investments and other assets decreased ¥483 million (9.0 percent) to ¥4.9 billion (US\$40.5 million), primarily reflecting sales of investment securities and devaluation of securities deemed to be irrecoverably impaired under generally accepted accounting practices in Japan.

Liabilities

The total of current liabilities and long-term liabilities increased ¥1.6 billion (20.8 percent) compared to the previous fiscal year-end to ¥9.2 billion (US\$76.4 million). Current liabilities increased ¥1.5 billion (22.5 percent), due primarily to an increase in income taxes payable. The current ratio was 3.7 to 1, compared to 3.8 to 1 at the previous fiscal year-end.

Shareholders' Equity

Total shareholders' equity increased ¥3.0 billion (12.1 percent) to ¥27.5 billion (US\$228.7 million). The ratio of shareholders' equity to total assets was 74.8 percent, compared to 76.1 percent at the previous fiscal year-end. Return on average total shareholders' equity was 13.5 percent, compared to 10.8 percent for the previous fiscal year.

Cash Flows

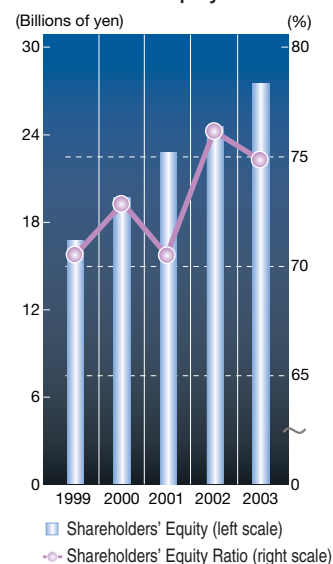
Net cash provided by operating activities increased 9.6 percent to ¥4.6 billion (US\$38.1 million). The increase in income before income taxes and minority interest compensated for the use of cash to increase receivables and inventory as a result of higher net sales.

Net cash provided by investing activities totaled ¥765 million (US\$6.4 million), compared to ¥150 million in the previous fiscal year. Net proceeds from sales of marketable securities totaled ¥1.6 billion (US\$13.3 million), compared to ¥500 million in the previous fiscal year, while purchase of investment securities totaled ¥292 million (US\$2.4 million), compared to ¥957 million for the previous fiscal year. Free cash flow, defined as the sum of net cash provided by operating activities and net cash provided by investing activities, totaled ¥5.3 billion (US\$44.5 million), compared to ¥4.3 billion for the previous fiscal year.

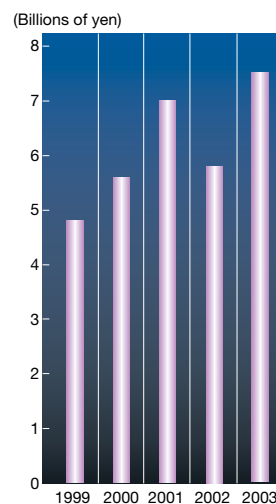
Net cash used in financing activities totaled ¥544 million (US\$4.5 million), compared to ¥1.0 billion in the previous fiscal year, primarily reflecting dividends paid totaling ¥583 million. Net proceeds from short-term bank loans totaled ¥24 million (US\$206 thousand).

Cash and cash equivalents at the end of the year increased to ¥12.3 billion (US\$102.7 million), compared to ¥7.6 billion at the previous fiscal year-end. Earnings before interest, taxes, depreciation, and amortization (EBITDA) rose to ¥7.5 billion from ¥5.8 billion for the previous fiscal year.

Shareholders' Equity and Shareholders' Equity Ratio



EBITDA



CONSOLIDATED BALANCE SHEETS

MISUMI Corporation and Consolidated Subsidiaries
 March 31, 2003 and 2002

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Current Assets:			
Cash and cash equivalents	¥12,342	¥ 7,596	\$102,681
Short-term investments	56	31	466
Marketable securities (Note 3)	457	1,600	3,800
Receivables:			
Trade notes	3,686	3,579	30,665
Trade accounts	9,700	8,513	80,697
Other	40	31	334
Allowance for doubtful receivables	(115)	(73)	(959)
Inventories (Note 4)	3,454	3,287	28,732
Deferred tax assets (Note 9)	463	334	3,851
Prepaid expenses and other current assets	192	208	1,601
Total current assets	30,275	25,106	251,868
Property and Equipment:			
Land	188	188	1,564
Buildings and structures	2,435	2,453	20,257
Vehicles	54	58	452
Furniture and fixtures	1,361	1,205	11,326
Total	4,038	3,904	33,599
Accumulated depreciation	(2,394)	(2,153)	(19,919)
Net property and equipment	1,644	1,751	13,680
Investments and Other Assets:			
Investment securities (Note 3)	2,359	2,804	19,625
Software	728	929	6,056
Refundable insurance premium	562	541	4,677
Leasehold deposits	270	342	2,246
Deferred tax assets (Note 9)	734	655	6,104
Other assets	209	74	1,743
Total investments and other assets	4,862	5,345	40,451
Total	¥36,781	¥32,202	\$305,999

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Current Liabilities:			
Short-term bank loans (Note 5)	¥ 831	¥ 807	\$ 6,914
Payables:			
Trade notes and accounts	3,785	3,289	31,493
Other	1,063	928	8,843
Income taxes payable (Note 9)	1,905	1,342	15,847
Accrued expenses and other current liabilities	586	303	4,876
Total current liabilities	8,170	6,669	67,973
Long-Term Liabilities:			
Liability for severance payments (Note 6)	1,002	925	8,339
Deferred tax liabilities (Note 9)	5		41
Other long-term liabilities	4	8	29
Total long-term liabilities	1,011	933	8,409
Minority Interest	104	79	868
Contingent Liabilities (Note 10)			
Shareholders' Equity (Notes 7, 8, 12, 13 and 14) :			
Common stock—authorized, 48,000,000 shares; issued and outstanding, 26,512,485 shares in 2003 and 26,500,250 shares in 2002	2,078	2,064	17,284
Additional paid-in capital	3,150	3,137	26,209
Retained earnings	22,261	19,340	185,199
Unrealized loss on available-for-sale securities	(7)	(56)	(55)
Foreign currency translation adjustments	39	50	324
Total	27,521	24,535	228,961
Treasury stock—at cost, 6,218 shares in 2003 and 3,315 shares in 2002	(25)	(14)	(212)
Total shareholders' equity	27,496	24,521	228,749
Total	¥36,781	¥32,202	\$305,999

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

 MISUMI Corporation and Consolidated Subsidiaries
 Years ended March 31, 2003 and 2002

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance, April 1, 2001	24,081	¥2,052	¥3,125	¥17,539	¥ 71		
Net income				2,544			
Cash dividends, ¥21 per share				(674)			
Bonuses to directors				(69)			
Increase in treasury stock (3,298 shares)							¥(14)
Stock split	2,408						
Issuance of common stock for exercise of warrant ..	11	12	12				
Valuation on available-for-sale securities					(127)		
Foreign currency translation adjustments						¥ 50	
Balance, March 31, 2002	26,500	2,064	3,137	19,340	(56)	50	(14)
Net income				3,518			
Cash dividends, ¥26 per share				(583)			
Bonuses to directors				(14)			
Increase in treasury stock (2,903 shares)							(11)
Issuance of common stock for exercise of warrant ..	12	14	13				
Valuation on available-for-sale securities					49		
Foreign currency translation adjustments						(11)	
Balance, March 31, 2003	26,512	¥2,078	¥3,150	¥22,261	¥ (7)	¥ 39	¥(25)

Thousands of U.S. Dollars (Note 1)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance, March 31, 2002	\$17,174	\$26,099	\$160,896	\$(462)	\$416	\$(118)
Net income			29,272			
Cash dividends, \$0.22 per share			(4,852)			
Bonuses to directors			(117)			
Increase in treasury stock (2,903 shares)						(94)
Issuance of common stock for exercise of warrant ..	110	110				
Valuation on available-for-sale securities				407		
Foreign currency translation adjustments					(92)	
Balance, March 31, 2003	\$17,284	\$26,209	\$185,199	\$ (55)	\$324	\$(212)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

MISUMI Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

Thousands of
U.S. Dollars
(Note 1)

	Millions of Yen		2003
	2003	2002	
Operating Activities:			
Income before income taxes and minority interest	¥ 6,221	¥ 4,462	\$ 51,753
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities:			
Income taxes paid	(2,360)	(2,610)	(19,635)
Depreciation and amortization	615	639	5,114
Provision for doubtful receivables	50	80	419
Provision for severance payments	76	70	635
Bonuses to directors	(14)	(69)	(117)
Loss on devaluation of investment securities	305	193	2,536
Gain on sales of marketable and investment securities	(3)	(18)	(26)
Loss on disposal of property and equipment	27	14	228
Loss on disposal of software	72	320	598
Changes in assets and liabilities:			
(Increase) decrease in receivables	(1,333)	1,793	(11,091)
(Increase) decrease in inventories	(109)	159	(902)
(Increase) decrease in prepaid expenses and other assets	33	(66)	275
Increase (decrease) in payables	503	(203)	4,182
Increase (decrease) in consumption taxes payable	86	(36)	718
Increase (decrease) in accrued expenses and other current liabilities	325	(480)	2,700
Other—net	87	(68)	725
Total adjustments	(1,640)	(282)	(13,641)
Net cash provided by operating activities	4,581	4,180	38,112
Investing Activities:			
Purchase of marketable securities	(49)	(399)	(410)
Proceeds from sales of marketable securities	1,649	899	13,721
Purchase of investment securities	(292)	(957)	(2,430)
Purchase of subsidiaries' stocks	(31)		(258)
Proceeds from sales of investment securities	64	1,638	528
Purchases of property and equipment	(409)	(1,001)	(3,402)
Proceeds from sales of property and equipment		3	4
Cancellation of refundable insurance premium	12	21	100
Other—net	(179)	(54)	(1,491)
Net cash provided by investing activities	765	150	6,362
Financing Activities:			
Proceeds from short-term bank loans	31	7	257
Repayments of bond		(200)	
Repayments of short-term bank loans	(7)		(51)
Repayments of long-term debt		(150)	
Proceeds from issuance of stock—net	15	10	123
Dividends paid	(583)	(675)	(4,852)
Net cash used in financing activities	(544)	(1,008)	(4,523)
Net Increase in Cash and Cash Equivalents	4,802	3,322	39,951
Foreign Currency Translation Adjustments of Cash and Cash Equivalents	(56)	82	(468)
Cash and Cash Equivalents, Beginning of Year	7,596	4,192	63,198
Cash and Cash Equivalents, End of Year	¥12,342	¥ 7,596	\$102,681
Non-Cash Investing and Financing Activities:			
Increase in assets and liabilities due to consolidation of subsidiaries previously unconsolidated:			
Assets (primarily inventory and property)	¥85		\$705
Liabilities (primarily trade payables)	35		289

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MISUMI Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2002 financial statements to conform to the classifications used in 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MISUMI Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.20 to \$1, the rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2003 include the accounts of the Company and its ten (seven in 2002) significant subsidiaries (collectively the "Group"). Consolidation of remaining subsidiary would not have a material effect on the accompanying consolidated financial statements.

The consolidated financial statements have been prepared under the control or influence concept. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investment in the unconsolidated subsidiary is stated at cost. If the equity method of accounting had been applied to the investment in the Company, the effect on the accompanying consolidated financial statements would not be material.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries at acquisition are included in investments and other assets and are amortized on a straight-line basis over three years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and money management funds similar to money market mutual funds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

c. Short-term Investments—Short-term investments consisted of time deposits with original maturities of over three months to one year at March 31, 2003.

d. Inventories—Merchandise is principally stated at cost determined by the moving-average method. Supplies are principally stated using the last purchase price method.

e. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Property and Equipment—Property and equipment are stated at cost. Depreciation of property and equipment of the Company is computed substantially by the declining-balance method at rates based on the usage of the assets over the estimated useful lives of the assets, except for art (classified within furniture and fixtures) for which the straight-line method over five years, has been used. The straight-line method is principally applied to the property and equipment of consolidated foreign subsidiaries.

The range of useful lives is as follows:

Buildings and structures	3 to 45 years
Furniture and fixtures	3 to 15 years

g. Other Assets—Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method over five years for intangible assets and over three years for goodwill.

h. Stock Issue Costs—Stock issue costs are charged to income as incurred.

i. Liability for Severance Payments—The Company and certain consolidated subsidiaries have unfunded retirement benefit plans for employees.

The annual provisions for severance payments to directors and corporate auditors are calculated to present the liability at the amount that would be required if all the Company’s directors and corporate auditors retired at each balance sheet date.

The provisions for the above severance payments are not funded.

j. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

k. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders’ approval.

m. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for shareholders’ equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of shareholders’ equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into yen at the average exchange rate.

o. Per Share Information—Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits, including the split made as of August 20, 2001. The average number of common shares used in the computation were 26,502,838 shares and 26,492,865 shares for 2003 and 2002, respectively. Diluted net income per share reflects the potential dilution that could occur if securities were exercised. Diluted net income per share of common stock assumes full exercise of outstanding warrants. Basic net income and diluted net income per share for the years ended March 31, 2003 and 2002 are computed in accordance with the new standard.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of year, and are not adjusted for stock splits.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current—Corporate and public bonds	¥ 457	¥1,600	\$ 3,800
Total	¥ 457	¥1,600	\$ 3,800
Non-current:			
Equity securities	¥ 280	¥ 304	\$ 2,333
Corporate and public bonds	1,033	1,416	8,590
Trust fund investments	1,046	1,084	8,702
Total	¥2,359	¥2,804	\$19,625

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2003 and 2002, were as follows:

	Millions of Yen			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥1,296	¥100	¥116	¥1,280
Debt securities	1,389	13	10	1,392
	Millions of Yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥1,401	¥155	¥218	¥1,338
Debt securities	1,948	13	45	1,916
	Thousands of U.S. Dollars			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	\$10,780	\$831	\$966	\$10,645
Debt securities	11,553	107	80	11,580

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2003 and 2002, were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		2003
	2003	2002	
Available-for-sale—Equity securities	¥47	¥ 49	\$390
Held-to-maturity		1,100	
Total	¥47	¥1,149	\$390

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002, were ¥60 million (\$501 thousand) and ¥337 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥3 million (\$26 thousand) and no losses, respectively, for the year ended March 31, 2003 and ¥33 million and ¥15 million, respectively, for the year ended March 31, 2002.

The carrying values of debt securities by contractual maturities for securities classified either as available-for-sale or held-to-maturity at March 31, 2003, are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥ 456		\$ 3,794	
Due after one year through five years	1,010	¥101	8,406	\$836
Due after five years through ten years	168		1,395	
Due after ten years	97		804	
Total	¥1,731	¥101	\$14,399	\$836

4. INVENTORIES

Inventories at March 31, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Merchandise	¥3,379	¥3,178	\$28,109
Supplies	75	109	623
Total	¥3,454	¥3,287	\$28,732

5. SHORT-TERM BANK LOANS

Short-term bank loans are represented by bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.46% to 6.37% and from 0.52% to 2.78% at March 31, 2003 and 2002, respectively.

6. LIABILITY FOR SEVERANCE PAYMENTS

Under most circumstances, terminated employees are entitled to severance payments based on their rate of pay at the time of termination, years of service and certain other factors. Such severance payments are made in the form of a lump-sum payment from the Company and certain consolidated subsidiaries. If the termination is involuntary, caused by retirement at the mandatory retirement age or in certain other cases, the employee is entitled to greater payment than in the case of voluntary termination.

The liability for employees' severance payments at March 31, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation	¥586	¥557	\$4,876
Net liability	¥586	¥557	\$4,876

The components of net periodic benefit costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥99	¥102	\$823
Net periodic benefit costs	¥99	¥102	\$823

Directors and corporate auditors are not covered by the above plan. However, liabilities for retirement benefits include amounts equal to management's estimates of the amount which would be payable to them at each balance sheet date if they were to retire at that date. The amounts payable to directors and corporate auditors upon retirement is subject to the approval of the shareholders. The liability for severance payments of ¥1,002 million (\$8,339 thousand) as of March 31, 2003 and ¥925 million as of March 31, 2002, includes severance payments for directors and corporate auditors of ¥416 million (\$3,463 thousand) and ¥368 million, respectively.

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

Effective April 1, 2002, the Company adopted a new accounting standard for treasury stock and reversal of statutory reserves issued by the Accounting Standards Board of Japan. This standard requires that the cost of acquisition and retirement of treasury stock is accounted as non-operating expense.

The amount of retained earnings available for dividends under the Code was ¥22,261 million (\$185,199 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

For the year ended March 31, 2003, common stock and additional paid-in capital were increased by ¥14 and ¥13, respectively, by granting stock options for 12 thousand shares.

8. STOCK OPTION PLAN

The Company has a stock option plan for directors and key employees in accordance with the Code. Stock option activity is as follows:

Date of Shareholders Meeting Approval	Number of Options Granted	Exercise Price	Allocated to Common Stock	Exercise Period
June 24, 1998	93,170	¥ 2,075	¥1,038	July 3, 2000–June 30, 2003
June 25, 1999	373,890	4,216	2,108	August 3, 2001–July 31, 2004
June 23, 2000	435,600	10,195	5,098	August 3, 2002–July 31, 2005
June 25, 2001	348,000	8,232	4,116	August 1, 2003–July 31, 2006
June 24, 2002	318,000	4,764	2,382	August 1, 2004–July 31, 2007
June 24, 2002	332,000	3,462	1,731	August 1, 2004–July 31, 2007

9. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2003 and 2002, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current deferred tax assets:			
Devaluation of inventories	¥ 68	¥ 91	\$ 568
Accrued enterprise tax	165	121	1,370
Accrued bonuses	151	76	1,259
Other—net	79	46	654
Current deferred tax assets	¥463	¥334	\$3,851
Non-current deferred tax assets:			
Liabilities for severance payments for employees	¥191	¥169	\$1,591
Liabilities for severance payments for directors and corporate auditors	169	155	1,402
Allowance for doubtful accounts	60	66	496
Valuation on available-for-sale	172	90	1,434
Other—net	171	181	1,426
Subtotal	763	661	6,349
Less valuation allowance	(29)	(6)	(245)
Non-current deferred tax assets	734	¥655	6,104
Non-current deferred tax liabilities—Depreciation expense	5		41
Net non-current deferred tax assets	¥729		\$6,063

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2003 and 2002, and the actual effective tax rate reflected in the accompanying consolidated statements of income was not prepared because the two rates approximated each other.

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from 42% to 40%, effective for years beginning on or after April 1, 2004. The effect of this change on deferred taxes in the consolidated statement of income for the year ended March 31, 2003 was an increase of approximately ¥13 million (\$111 thousand).

10. LEASES

The Group leases certain computer and telecommunication equipment, and other assets.

Total rental expense for the years ended March 31, 2003 and 2002, was ¥755 million (\$6,282 thousand) and ¥763 million, respectively, including ¥14 million (\$114 thousand) and ¥12 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2003 and 2002, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Furniture and fixtures:			
Acquisition cost	¥54	¥52	\$451
Accumulated depreciation	25	16	208
Net leased property	¥29	¥36	\$243

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥14	¥13	\$112
Due after one year	16	23	131
Total	¥30	¥36	\$243

The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed using the straight-line method was ¥14 million (\$114 thousand) and ¥12 million for the years ended March 31, 2003 and 2002, respectively.

11. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The Group had no derivatives contracts outstanding at March 31, 2003 and 2002.

12. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2003 and 2002, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2003				
Basic EPS—Net income available to common shareholders	¥3,440	26,503	¥129.80	\$1.08
Effect of dilutive securities—Warrants		11		
Diluted EPS—Net income for computation	¥3,440	26,514	¥129.75	\$1.08
Year Ended March 31, 2002				
Basic EPS—Net income available to common shareholders	¥2,530	26,493	¥ 95.49	
Effect of dilutive securities—Warrants		75		
Diluted EPS—Net income for computation	¥2,530	26,568	¥ 95.22	

13. RELATED PARTY TRANSACTION

Stock option plan, which was approved at shareholders meeting on June 24, 2002, grants directors without compensation to purchase up to 310 thousand shares and 44 thousand shares of the Company's common stock, which will be granted at the exercise price of ¥4,764 and ¥3,462, respectively, or ¥1,629 million (\$13,554 thousand) in the period from August 1, 2004 to July 31, 2007.

14. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2003, were approved at the shareholders meeting held on June 20, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Year-ended cash dividends, ¥15 (\$0.13) per share	¥398	\$3,308
Bonuses to directors	78	651

b. Stock Option Plan

At the general shareholders meeting held on June 20, 2003, the Company's shareholders approved the following stock option plan for the Company's, subsidiaries' and affiliated company's directors, and key employees.

The plan provides for granting options to directors and key employees to purchase up to 350 thousand shares of the Company's common stock in the period from April 1, 2005 to July 31, 2010. The options will be granted at an exercise price of 105% of the average market value of the Company's common stock at the date one-month previous to the option grant date.

15. SEGMENT INFORMATION

Information about operations in different industry segments, foreign operations and sales to foreign customers of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002, is as follows:

(1) Operations in Different Industries

a. Sales and Operating Income	Millions of Yen					
	2003					
	Industry A	Industry B	Industry C	Industry D	Eliminations (Corporate)	Consolidated
Sales to customers	¥19,163	¥23,560	¥5,809	¥9,218		¥57,750
Intersegment sales						
Total sales	19,163	23,560	5,809	9,218		57,750
Operating expenses	15,581	19,911	5,417	8,947	¥ 1,253	51,109
Operating income	¥ 3,582	¥ 3,649	¥ 392	¥ 271	¥(1,253)	¥ 6,641

b. Assets, Depreciation and Capital Expenditures	Millions of Yen					
	2003					
	Industry A	Industry B	Industry C	Industry D	Corporate	Consolidated
Assets	¥6,671	¥8,289	¥2,350	¥3,517	¥15,954	¥36,781
Depreciation	183	165	84	97	78	607
Capital expenditures	83	94	24	177	58	436

a. Sales and Operating Income	Thousands of U.S. Dollars					
	2003					
	Industry A	Industry B	Industry C	Industry D	Eliminations (Corporate)	Consolidated
Sales to customers	\$159,424	\$196,008	\$48,323	\$76,691		\$480,446
Intersegment sales						
Total sales	159,424	196,008	48,323	76,691		480,446
Operating expenses	129,630	165,645	45,069	74,434	\$ 10,420	425,198
Operating income	\$ 29,794	\$ 30,363	\$ 3,254	\$ 2,257	\$(10,420)	\$ 55,248

b. Assets, Depreciation and Capital Expenditures	Thousands of U.S. Dollars					
	2003					
	Industry A	Industry B	Industry C	Industry D	Corporate	Consolidated
Assets	\$55,499	\$68,961	\$19,554	\$29,260	\$132,725	\$305,999
Depreciation	1,518	1,373	699	808	648	5,046
Capital expenditures	688	779	205	1,470	487	3,629

Notes: From the year ended March 31, 2003, the contents of industries were changed as follows in order to reflect the expansion of business:

- Industry A consists of the factory automation-related components business.
- Industry B consists of the press die components business and the plastic mold components business.
- Industry C consists of the electronics-related components business.
- Industry D consists of other businesses including the food service and medical businesses.

The effect of those changes, compared to the last years' contents of industries, was to decrease the sales and operating income of Industry A by ¥5,524 million (\$45,960 thousand) and ¥496 million (\$4,130 thousand), respectively, and to increase the sales and operating income of Industry B by ¥23,560 million (\$196,008 thousand) and ¥3,649 million (\$30,363 thousand), respectively, and to increase the sales and operating income of Industry C by ¥5,808 million (\$48,323 thousand) and ¥391 million (\$3,254 thousand), respectively, and to decrease the sales of Industry D by ¥284 million (\$2,363 thousand) and increase operating income by ¥105 million (\$877 thousand).

<i>a. Sales and Operating Income</i>	Millions of Yen					
	2002					
	Industry A	Industry B	Industry C	Industry D	Eliminations (Corporate)	Consolidated
Sales to customers	¥15,021	¥7,621	¥19,836	¥9,166		¥51,644
Intersegment sales						
Total sales	15,021	7,621	19,836	9,166		51,644
Operating expenses	12,681	6,551	17,064	9,366	¥ 1,044	46,706
Operating income	¥ 2,340	¥1,070	¥ 2,772	¥ (200)	¥(1,044)	¥ 4,938

<i>b. Assets, Depreciation and Capital Expenditures</i>	Millions of Yen					
	2002					
	Industry A	Industry B	Industry C	Industry D	Corporate	Consolidated
Assets	¥5,363	¥2,645	¥7,538	¥3,530	¥13,126	¥32,202
Depreciation	125	62	223	137	74	621
Capital expenditures	98	48	208	451	105	910

Notes: Industry A consists of the press die components business.
Industry B consists of the plastic mold components business.
Industry C consists of the factory automation-related components business.
Industry D consists of other businesses including the food service and medical businesses.

(2) Foreign Operations

The foreign operations of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002, are summarized as follows:

	Millions of Yen					
	2003					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	¥52,057	¥3,845	¥1,519	¥329		¥57,750
Interarea transfer	3,141	562	12	253	¥ (3,968)	
Total sales	55,198	4,407	1,531	582	(3,968)	57,750
Operating expenses	47,666	4,128	1,490	578	(2,753)	51,109
Operating income	¥ 7,532	¥ 279	¥ 41	¥ 4	¥ (1,215)	¥ 6,641
Assets	¥18,923	¥2,372	¥ 450	¥180	¥14,856	¥36,781

	Thousands of U.S. Dollars					
	2003					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	\$433,083	\$31,991	\$12,638	\$2,734		\$480,446
Interarea transfer	26,130	4,677	99	2,109	\$ (33,015)	
Total sales	459,213	36,668	12,737	4,843	(33,015)	480,446
Operating expenses	396,554	34,341	12,395	4,811	(22,903)	425,198
Operating income	\$ 62,659	\$ 2,327	\$ 342	\$ 32	\$ (10,112)	\$ 55,248
Assets	\$157,427	\$19,735	\$ 3,743	\$1,497	\$123,597	\$305,999

Millions of Yen

	2002					Consolidated
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	
Sales to customers	¥47,218	¥2,888	¥1,255	¥283		¥51,644
Interarea transfer	2,479	358	9	140	¥ (2,986)	
Total sales	49,697	3,246	1,264	423	(2,986)	51,644
Operating expenses	43,968	3,062	1,198	448	(1,970)	46,706
Operating income	¥ 5,729	¥ 184	¥ 66	¥ (25)	¥ (1,016)	¥ 4,938
Assets	¥18,453	¥1,309	¥ 440	¥ 143	¥11,857	¥32,202

Sales to foreign customers for the years ended March 31, 2003 and 2002, were as follows:

Millions of Yen

	2003			
	Asia	North and South America	Europe	Total
Sales to foreign customers	¥3,941	¥1,519	¥328	¥5,788

Thousands of U.S. Dollars

	2003			
	Asia	North and South America	Europe	Total
Sales to foreign customers	\$32,785	\$12,638	\$2,734	\$48,157

Millions of Yen

	2002			
	Asia	North and South America	Europe	Total
Sales to foreign customers	¥2,926	¥1,255	¥283	¥4,464

Independent Auditors' Report



To the Board of Directors of MISUMI Corporation:

We have audited the accompanying consolidated balance sheets of MISUMI Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MISUMI Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As discussed in Note 15 to the consolidated financial statements, the Company changed its method of presenting segment information as of March 31, 2003.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 20, 2003



Seated from left: Hiroshi Taguchi, Tadashi Saegusa
Standing from left: Yoshihiro Ito, Koji Nishitani, Masahiko Eguchi, Hiroshi Fukino, Masato Nakao, Ryusei Ono

President and CEO

Tadashi Saegusa
President & Chief Executive Officer

Directors

Masahiko Eguchi
Director of the Board
*President of FA Mechanical Division
(concurrently serves as General Manager of IT System Center
and President of Electronics Division and North America Division)
Director, Chairman of MISUMI OF THE AMERICAS, INC.*

Masato Nakao
Director of the Board
President of Forming Division

Koji Nishitani
Director of the Board
*President of China Division
President of SHANGHAI MISUMI INTERNATIONAL TRADING CO., LTD.
President of GUANGZHOU MISUMI INTERNATIONAL TRADING CO., LTD.*

Hiroshi Taguchi
Director of the Board & Senior Advisor

Hiroshi Fukino
Director of the Board (non-executive)

Auditors

Toshio Takemura
Standing Auditor

Kouichi Takemata
Auditor

Teruhisa Maruyama
Auditor

Executive Officers

Ryusei Ono
Executive Officer
*President of Visual Media Division
(concurrently serves as President of Medical Supplies Division)*

Yoshihiro Ito
Executive Officer
*General Manager of Human Resource Development Department
(concurrently serves as General Manager of Corporate Center)*

INVESTOR INFORMATION (As of March 31, 2003)

Corporate Name: MISUMI Corporation

Established: February 23, 1963

Authorized Number of Shares: 48,000,000

Issued Number of Shares: 26,512,485

Paid-in Capital: ¥2,077,580,000

Ordinary General Meeting: June

Number of Shareholders: 4,051

Stock Listing:

Tokyo Stock Exchange (Ticker Code: 9962)

Transfer Agent:

UFJ Trust Bank Limited

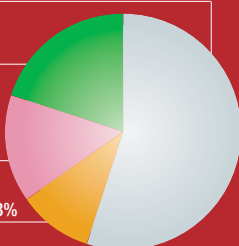
Composition of Shareholders

Banks and Other Financial Institutions 55.05%

Individuals and Others 19.86%

Foreign Corporations and Other Foreign Investors 14.66%

Other Companies 10.43%



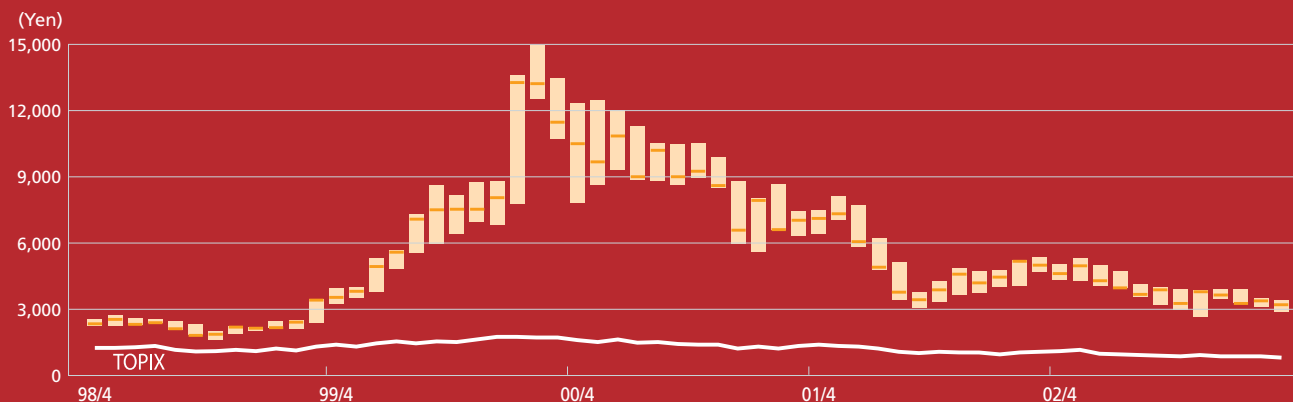
Major Shareholders

Name of Shareholders	Number of Shares Held	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan, Ltd.	3,410,800	12.86
Hiroshi Taguchi	3,358,900	12.66
Japan Trustee Services Bank, Ltd.	2,754,500	10.38
M-out Inc.	2,281,765	8.60
The Nomura Trust and Banking Co., Ltd.	1,663,100	6.27
Trust & Custody Services Bank, Ltd.	1,308,700	4.93
Mizuho Bank, Ltd.	1,186,622	4.47
UFJ Trust Bank Limited	1,006,899	3.79
Nippon Life Insurance Company	896,930	3.38
The Chase Manhattan Bank, NA London	807,110	3.04

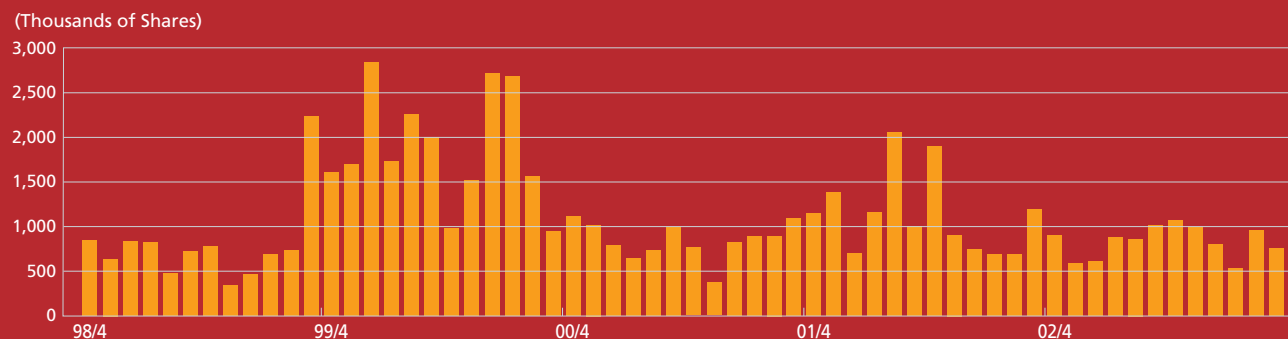
Stock Splits

May 1994	1	→	1.2
May 1995	1	→	1.1
May 1996	1	→	1.1
November 1997	1	→	1.1
May 2000	1	→	1.1
August 2001	1	→	1.1

Monthly Share Price Range



Monthly Trading Volume



Further Information
For further information,
please contact:

Corporate Center
4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458
Tel: 81-3-3647-7037 Fax: 81-3-3647-7243



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