

MISUMI Corporation



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

ANNUAL REPORT 2004

For the year ended March 31, 2004

Since its establishment in 1963, Misumi Corporation has been a behind-the-scenes player in the Japanese machine industry through its original catalog sales. One of Misumi's first achievements was standardization of the press die components business. Misumi has continued to grow by operating under its social mission to provide highly original products that customers need with a short delivery period, high quality and low prices.

Misumi's business model and management style emerged from the Company's masterful originality and foresight. Both have continued to spark innovation in the business world.

Through further development of its business model and strategic management, Misumi will carry out its mission of being a powerful behind-the-scenes presence supporting industrial production in Japan and around the world.

About the Cover



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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.

MISUMI Corporation and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Change	Thousands of U.S. Dollars ¹
	2004	2003	2004/2003	2004
For the Year:				
Net sales	¥69,562	¥57,750	20.5%	\$658,168
Factory automation-related components	26,569	19,163	38.6	251,387
Press die components and plastic mold components	25,815	23,560	9.6	244,248
Electronics-related components	7,497	5,809	29.1	70,939
Other businesses	9,681	9,218	5.0	91,594
Operating income	¥ 8,824	¥ 6,641	32.9%	\$ 83,486
Income before income taxes and minority interest	8,785	6,221	41.2	83,119
Net income	5,023	3,518	42.8	47,527
At Year-End:				
Total assets	¥44,348	¥36,781	20.6%	\$419,601
Shareholders' equity	32,189	27,496	17.1	304,563
Interest-bearing debt ²	800	831	(3.7)	7,569
Per Share Value and Return Indicators:				
	Yen		Change	U.S. Dollars ¹
Net income ³	¥119.37	¥ 86.54	37.9%	\$1.13
Cash dividends ³	24.67	17.33	42.3	0.24
Shareholders' equity ³	799.06	689.58	15.9	7.56
Return on equity	16.8%	13.5%	3.3 points	

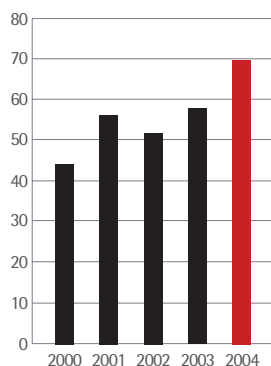
Notes: 1. The U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥105.69 to US\$1, the approximate exchange rate as of March 31, 2004, as described in Note 1 of Notes to Consolidated Financial Statements.

2. Interest-bearing debt = Long-term and Short-term debt + Bonds + Warrant bonds + Discount on notes

3. Adjusted for stock splits up to May 20, 2004.

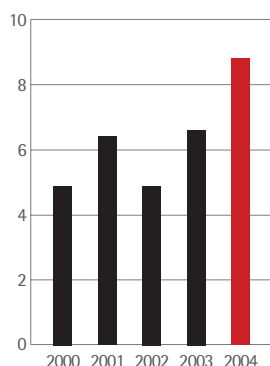
Net Sales

(Billions of Yen)



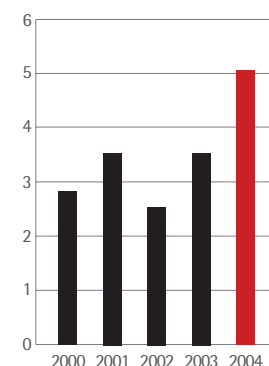
Operating Income

(Billions of Yen)



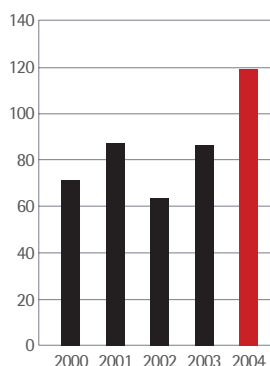
Net Income

(Billions of Yen)



Net Income per Share

(Yen)

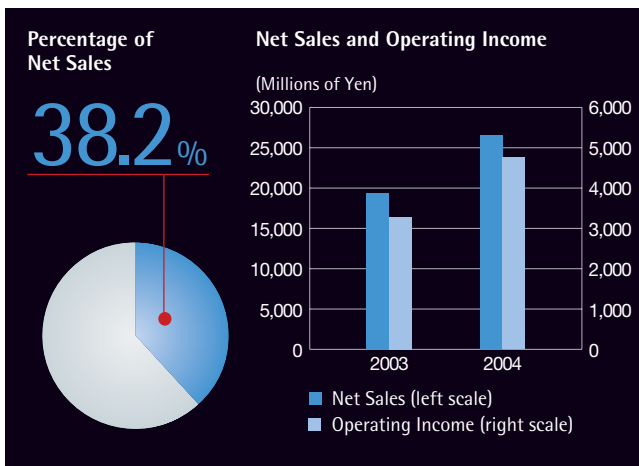


2004 Results (Year Ended March 31)

Business Categories

Factory Automation-Related Components Business

Net sales in the factory automation-related components business increased ¥7.5 billion, or 38.6 percent, to ¥26.6 billion due to aggressive sales promotion measures, such as introducing new catalogs and reducing prices based on customer needs.



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 150,000 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.

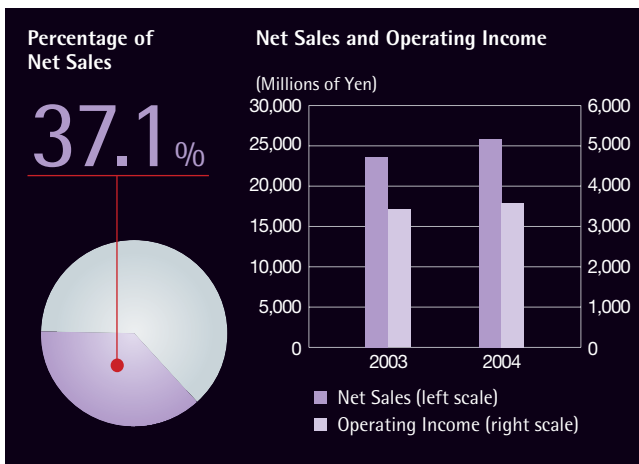


Custom Mechanical Parts for Factory Automation

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 the 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 cooperating manufacturers across Japan.

Press Die Components and Plastic Mold Components Business

Net sales in the press die components business and plastic mold components business increased ¥2.3 billion, or 9.6 percent, to ¥25.8 billion due to favorable results of implementation of various measures, such as substantial price reductions based on customer needs.



Press Die Components

Misumi carries a range of standardized press die components necessary for pressing metal plates. The approximately 260,000 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.

Note: In the year ended March 31, 2004, Misumi changed its method of allocating operating expenses. Operating income for the previous fiscal year has been restated.

2004 Results (Year Ended March 31)

Business Categories

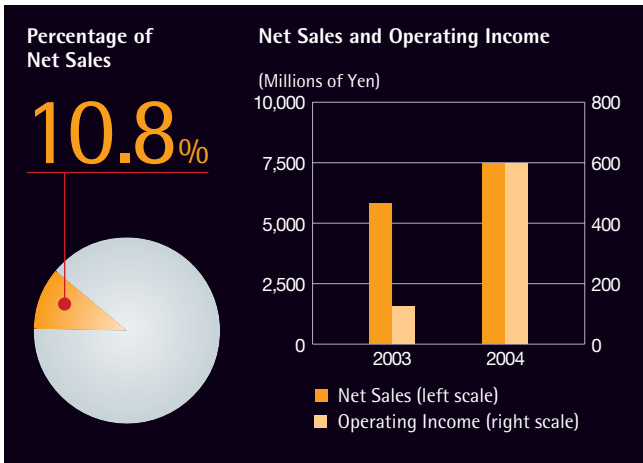
Electronics-Related Components Business

Overall segment sales in the electronics-related components business increased ¥1.7 billion, or 29.1 percent, to ¥7.5 billion due to continued strong gains in the number of customers and orders in the wiring components business.



● **PC Components for Control and Network**

Misumi carries approximately 2,200 products essential in the areas of measurement and control, including computer frames and related structural components, peripherals, network devices and connection cables for connecting measuring and control devices with computers. In addition, in response to customer demands, Misumi offers a full range of services, including an "assembly service" through which products in the catalog can be shipped after being pre-assembled, and 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 cable connectors, wires, 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.

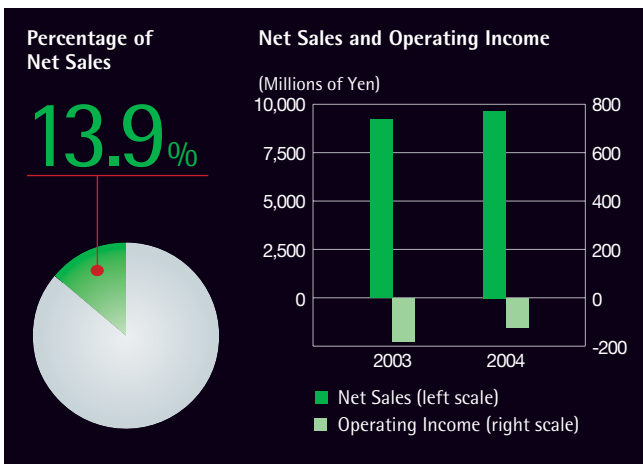
Other Businesses

Net sales in other businesses increased ¥463 million, or 5.0 percent, to ¥9.7 billion.



● **Machine Tools**

Misumi carries approximately 11,700 machine tools useful in customer worksites, ranging from end mills, drills, wire electrodes, and whetstones, as well as approximately 5,000 new products. In addition, Misumi offers a service for re-grinding cutting tools, returning them to their original quality.



● **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 6,200 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.



● **Food Service Supplies**

Misumi offers approximately 4,000 different food supplies, ranging from prepared foodstuffs and original ready-made products to seasonings, consumable supplies 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.

In fiscal 2003, the year ended March 31, 2004, against a backdrop of expansion in domestic demand and exports, Misumi steadily pursued product originality and implemented its pricing strategies. As a result, Misumi achieved record high sales and profits for the second consecutive year.

Guided by our corporate message, "Misumi – It's about TIME," we will accelerate execution of our strategies and work to increase Misumi's corporate value.

TADASHI SAEGUSA
President and CEO



Fiscal 2003 Performance

For fiscal 2003, ended March 31, 2004, Misumi achieved record highs in both sales and income. Net sales increased ¥11,812 million, or 20.5 percent, from the previous fiscal year to ¥69,562 million. Operating income grew ¥2,183 million, or 32.9 percent, to ¥8,823 million, and net income increased ¥1,505 million, or 42.8 percent, to ¥5,023 million.

These results were backed by a global economic rebound that supported favorable capital investment trends among Misumi's main customer segments – the automobile, semiconductor manufacturing equipment and liquid crystal-related industries – and expansion in domestic demand and exports.

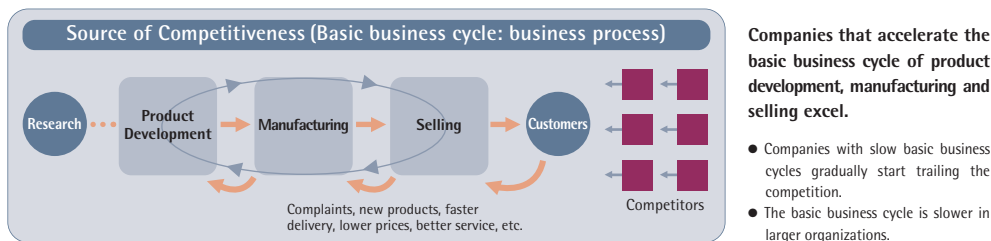
We continued to focus on development of new products, published timely new catalogs and conducted new sales promotion initiatives, such as direct mail to meet customer needs for shorter delivery periods. In addition to the favorable economic conditions, aggressive implementation of these measures helped Misumi generate even better results than we had projected.

Up to now, we have largely avoided direct impact in periods of economic slowdown, while expanding faster than other companies during favorable times. We should not be too easily satisfied with our results for fiscal 2003, because they merely follow this pattern. The current recovery wave will inevitably be followed by a corresponding downturn. What matters is how effectively Misumi can demonstrate its strengths when that time comes.

Strategies Implemented in Fiscal 2003

Misumi – It's about TIME

Our "time strategy" of rapidly putting into motion the basic business cycle of product development, manufacturing and selling has been at the heart of our growth strategy. From this management foundation, we created our business concept, "Misumi – It's about TIME." In other words, this expresses our stance as a "QCT Innovator" that consistently brings innovation to the areas of quality, cost and time. We pursue all types of management innovation, such as reviewing existing strategies and business processes, both for customers and Misumi itself. Going forward, we will incorporate this concept as a management tool and reflect it in execution and evaluation of all our corporate activities.



Bringing the Misumi Model to Overseas Business

In fiscal 2003, we focused in particular on developing our overseas business. In 2002, we decided to make China and the United States the key regions of our overseas strategy, and have been working to implement the complete Misumi model in each of these countries. Starting virtually from scratch, in just over a year we have taken steady steps toward establishing a business foundation and instituting the Misumi model in both regions. We have constructed shipping centers and computer systems, and have attracted cooperating manufacturers who work with us in Japan.

In China, we issued a Chinese edition of the *Standard Components for Press Dies* catalog, and began sales in October 2003. In the United States, we entered the inch market with a new factory automation catalog in May 2004. Our success in building our business foundation with such extraordinary speed in both China and the United States is the result of the tremendous effort and concentration of the employees involved. Based on the theory that the linchpin of business success is selection and development of highly skilled employees, we are also strengthening our local human resources. In the past, we have managed our businesses by putting one person in charge of each region. With the expansion of businesses in China and the United States, however, as of fiscal 2003 each business currently manages its own operations overseas.

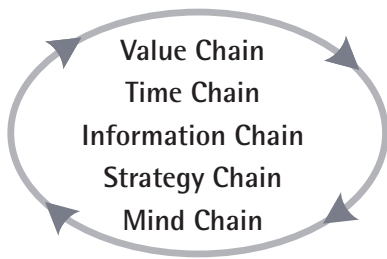
"Our success in building our business foundation with such extraordinary speed in both China and the United States is the result of the tremendous effort and concentration of the employees involved."

Key Issues for Fiscal 2004

Becoming a QCT Innovator

We will make additional management reforms to become a "QCT Innovator" that innovates in the areas of quality, cost and time. One part of this effort will be overhauling our call centers. At our 13 call centers throughout Japan, we handle complaints, requests and other customer feedback. In the basic business cycle

The Five Chains



– product development, manufacturing and selling – the “selling” depends upon the existence of customers. The reverse flow is the cycle that comes back from customers. Building a system that swiftly reflects customer feedback in our business is an important issue for Misumi.

In reforming the call centers, we created the 5C Reengineering Department. “5C” refers to the five chains in the chart to the left. These five chains are vital to the smooth turning of the basic cycle of product development, manufacturing and selling. Strengthening these chains will be a key point of reform.

Putting Overseas Business on a Growth Trajectory

We will continue strongly promoting overseas business. In China, from fall 2004 through to the end of the year, we plan to follow sales of standardized press die components with the launch of three new businesses – mechanical standard components for factory automation, plastic mold components and machine tools. This will bring us closer to our goal of developing all of our machinery-related businesses in China, except for the electronics-related components business, and creating a company with a business base on the scale of Misumi in Japan.

A key to our success in global development will be our production strategy. Misumi’s cooperating manufacturers must possess the technological ability to provide the product features our customers require and a production system capable of delivering high-quality components in a short period of time. Finding cooperating manufacturers that match Misumi’s standards is not easy. Overseas, as in Japan, our policy is to seek out and nurture partners that meet Misumi’s requirements, regardless of their size.

After China and the United States, we plan to strengthen business development in Asia and Europe. Misumi’s overseas sales ratio is currently in the 10 percent range, but we want to expand it to 30 percent or higher. Considering that Misumi’s domestic sales will also grow, we will not be able to reach this target unless we expand overseas sales to six or seven times what they were several years ago. Overseas businesses are developing on a scale unprecedented for Misumi, and are playing the same role that new internal businesses did in the past. The expansion of overseas sales will strengthen Misumi’s consolidated management and enable dramatic growth. Since we are currently in the start-up period, sales expansion is still on a gradual curve; however, our efforts are meeting with a solid response, and we will work to further accelerate our expansion.

Cultivating the Managers of Tomorrow

Since November 2003, Misumi has held President Saegusa’s “President’s School Session” as part of the “Executive Management Forum.” At this session, which targets approximately 40 core personnel at the team director level and higher, managers give presentations on business strategies they are executing, and participating members engage in discussions. The session represents an attempt to integrate practice and strategic theory for implementation in actual management. With submission of post-session reports and feedback from the president, the session is becoming a springboard for cultivating the management-oriented employees Misumi values.



Major Theme of Developing Management-Oriented Employees

Since I took over as president, my priority has been strengthening Misumi's management team. Over the past two years, we have been able to attract highly capable and experienced employees. The Management Committee, a group made up of very diverse, young members, is organizing a system for executing business strategies through lively debate. In our corps of organizational leaders, we will look for people who are passionate and adept at strategic thinking. We also need to provide opportunities for mid-level and regular employees to learn management and strategic thinking.

In November 2003, we started a lecture program called the "Executive Management Forum" for executives and executive candidates. This monthly program includes a "President's School Session" in which I myself serve as instructor, as well as lectures by experts from outside Misumi.

Misumi is organized around the principle that leaders of each business take responsibility for conducting the business process of product development, manufacturing and selling. This allows our employees to hone their management skills on the job. The lecture program aims to foster independent thinking in our employees, enabling them to overcome the challenges they will face in running businesses. Increasing management literacy and acquiring strategic theory lay the foundation for dynamic management. I am committed to building an organization at Misumi that combines the actual management situations each team faces with the theoretical training of the lecture program. Fostering management-oriented employees is one of Misumi's most important tasks.

"We are making steady progress toward our major management task of developing management-oriented employees."

Increasing Corporate Value

My goal is to build Misumi into a truly global enterprise. As we establish a solid footing, we will also work on developing dynamic strategies covering a five- to ten-year span. As an international company originating in Japan, Misumi will have a powerful behind-the-scenes presence in global manufacturing. I want to create the circumstances in which Misumi's high-quality industrial components, short delivery periods and low prices support a variety of industries globally. Achieving this will support sustainable growth of Misumi's corporate value, and enable us to fulfill our social responsibility as a unique company.

My sincerest thanks to all our shareholders for their past and continued support.



September 2004

T. Saegusa

Tadashi Saegusa
President and CEO

Misumi business teams are composed of only a few members. As a result, they cultivate expertise in their product fields while developing new products demanded by the market. Misumi aims to create mutually beneficial relationships with customers and cooperating manufacturers by further refining its core competence of providing products with short delivery periods, high quality and low prices.

FA Mechanical Division



Accelerated Growth through Cell Division Management

Since April 2003, the FA Mechanical Division has twice performed "cell divisions," further splitting teams created within the division into cells, and currently operates with six teams. Small teams specializing in specific areas have contributed to dramatic growth in sales. In addition, strategic processes implemented during fiscal 2003 are yielding steady results. In fiscal 2004, Misumi will continue to implement the FA Mechanical business strategy, meet customer expectations and increase Misumi's value.

YUTAKA USHINOHAMA
Team Director, Mechanical Components Business Team

Cell Division Management

During fiscal 2003, net sales for the factory automation-related components business increased by 38.6 percent from the previous fiscal year to ¥26,569 million and operating income increased by 45.4 percent¹ to ¥4,765 million. These increases were due to robust operations at companies involved in production of electronic components and automobile manufacturing equipment. As a result, factory automation-related components became Misumi's largest business, surpassing the press die components and plastic mold components business.

Cell division has subdivided operations into business teams in six specialized areas: Linear Motion (linear shafts, linear bushings, etc.), Fasteners & General Components (standardization of products sub-contracted for processing), Mechanical Components (standardization of internally produced components), Structural Components (aluminum frames, etc.), Fluid Control (heaters, pipe components, etc.), and Custom Parts (custom orders, etc.). This division logically facilitates specialized product development, with each business team developing highly detailed strategies for its operations.

As a result, compared with attempting to operate omni-directionally in a single division, product development is now dramatically quicker and the number of new product market launches is increasing. Specialized business operations facilitate even deeper customer relations, as well as the

collection and study of numerous new product design ideas. Misumi will continue to grow and expand through cell division, which is necessary for accelerating the basic business cycle of product development, manufacturing and selling.

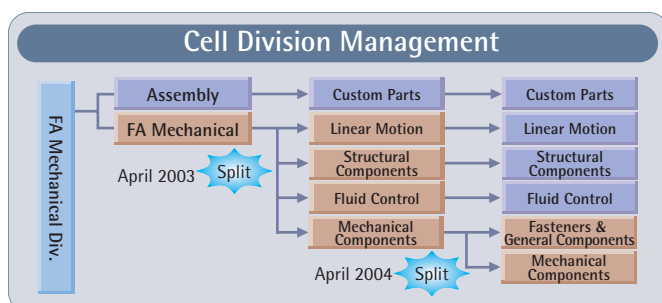
Product Development, Manufacturing and Selling

Another strength of the Misumi business team system is that each member assumes responsibility for all aspects of the business cycle of product development, manufacturing and selling. Product development, purchasing and marketing functions are usually handled by different divisions, but at Misumi they are all managed by one person. We select products based on useful information gained from customer visits, then search for the manufacturer best able to provide each product with a short delivery period, high quality and low price. This straightforward system stresses individual responsibility for everything from sales performance to complaints.

We carefully consider whether new products will have the synergy that will make customers want to purchase them together with other products in the same order after seeing them in the catalog. As part of these efforts, we analyze the functionality of hot-selling products, and often create series based on them.

Future Development

Faster delivery of products and improvement of on-time delivery rates are important tasks. In the lead-up to publication of the catalog every year, we work sincerely to shorten procurement times for customers as much as possible. We strive to reduce delivery periods of products in the catalog to three days for products that usually require five days, to the day after the order for products that usually require three days, and to the same day for products ordered in the morning.



Note 1: In fiscal 2003, Misumi changed its method of allocating operating expenses. Operating income for the previous fiscal year has been restated to facilitate comparison.

Electronics Division



Success of New Products Based on Understanding of Customer Needs

Maintaining many points of contact with customers is a crucial task in developing the electronics business. New products that contribute to business results incorporate the valuable information obtained from customers. In managing this team, I encourage team members to place our customers at the center of the basic cycle of product development, manufacturing and selling, and draw out customer needs in order to realize our goal of being a "QCT Innovator." In fiscal 2004, we will continue working to cut procurement times and further shorten delivery periods.

SHIGEHITO NAKAMURA
Team Director, Wiring Components Business Team

Wiring Components Business Contributes to Substantial Increase in Revenues

During fiscal 2003, net sales in the electronics-related components business increased by 29.1 percent to ¥7,497 million and operating income increased by 370.0 percent¹ to ¥595 million.

Performance in the wiring components business was particularly strong. The Wiring Components Business Team focuses primarily on planning and sales of wiring connection components used in factory automation equipment. Against the backdrop of economic recovery in fiscal 2003, the number of customers and orders from booming production facilities increased substantially for the Wiring Components Business Team, due to Misumi's advantage in supplying components in small lots with short delivery periods.

Product Development Based on an Understanding of Customer Needs

New products developed and launched within the past four years account for 40 percent of all sales in the Wiring Components Business Team. Through cooperation with the Technical Support Team in the Electronics Division, Misumi develops products by anticipating market needs from customer responses. In particular, Misumi analyzes customer opinion to

narrow down areas with potential, and continues to listen closely to customers in establishing project teams. Products introduced in the previous fiscal year sold well in fiscal 2003, indicating that efforts to grasp customer needs earlier and develop products that incorporate this understanding are succeeding.

Misumi introduced the environmentally friendly Navy Series in fiscal 2004. Keenly aware of current demand for environmental preservation, Misumi was first among its competitors in developing an environmentally friendly image. Small-lot production does not make good business sense, but Misumi has succeeded in making use of its business model to supply components at low cost through mass production. Misumi expects demand to increase for products free of harmful chemical substances.

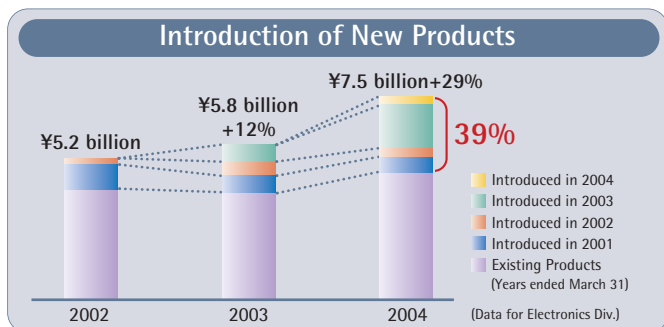
Future Development

We aim to increase the speed of all our operations through various measures, including further shortening the time needed for delivery, procurement and product development, and accelerating access to the information necessary to do so. Long-



Harmful substances contained in each part are displayed.

term tasks include human resource development. Business teams emphasize the importance of strategic thinking, applying this thinking to new business processes, and feedback on results. We will continue to strengthen our workforce to aim for accelerated development of new core businesses and mainstay products.



China Division



Developing the Misumi Model in the Chinese Market

Since starting from scratch two years ago, the China Division has operated under the business concept, "Misumi – It's about TIME." Fiscal 2004 marks the beginning of full business development in China, where we aim to further accelerate product and business process development, and to establish and entrench the Misumi business model in this highly competitive market.

MASATO NAKAO

Director of the Board, Executive Officer, President of China Division

Development of Business in China

Growth in industrial production in China has been strong, with brisk activity in the automobile industry since the beginning of 2004. This industry's broad base makes it a driving force for Chinese industry overall.

Misumi fully launched operations in China in October 2003 with the publication of a Chinese edition of the *Standard Components for Press Dies* catalog. In launching operations, Misumi has aimed to establish a domestic Chinese supply chain, from production to distribution and sales, to provide the same services it does in Japan. Misumi established the QCT Center, a production and distribution hub, in the suburbs of Shanghai, and created a production supply system with six cooperating manufacturers in the area. Since the beginning of operations, sales in the press die components business in China have increased every month.

In fiscal 2004, Misumi is launching three new businesses – mechanical standard components for factory automation, plastic mold components and machine tools. Misumi plans to begin full-scale operations by building a comprehensive system for production, distribution and sales, as in the press die components business, and publishing Chinese-language catalogs.

The mechanical standard components for factory automation business established a framework for production with three cooperating manufacturers in the Wuxi region. With its own framework for global procurement and optimal production utilizing bases in four countries, the machine tools business is expected to achieve a level of price competitiveness sufficient for the highly competitive Chinese market. With the completion of construction to expand the Shanghai QCT Center, which stocks products, the number of items in stock is now approximately four times the number at the start of operations in 2003.

Global Strategy and the Misumi Business Model in China

Misumi's global strategy is developed within a matrix synthesizing horizontal and vertical strategies. First, each business division at headquarters outlines its own global strategy (horizontal), and then each country division makes a local strategy (vertical) focused on its individual role. Misumi's individual businesses in China are not concerned merely with expanding their own sales volume in China, but operate with an understanding of their role in the overall global scheme. China is expected to be a driving force for sales growth for all business divisions at headquarters, and also a supply base for operations around the globe.

In developing business in China, Misumi's basic thinking stresses the importance of treating operations in China no differently than those in Japan, and not compromising in faithfully developing Misumi's strength in Japan. However, various constraints exist in China, and many problems remain to be solved. For example, the size of the country and its underdeveloped distribution infrastructure lead to distribution handicaps that must be overcome. To ensure a level of timeliness and quality equivalent to its operations in Japan, Misumi must apply even more stringent checks to the ordering, manufacturing and delivery process than it does in Japan. Creating a Misumi production zone around the QCT Center in order to minimize the time from production to delivery constitutes one part of these efforts.



Chinese-language catalog for press die components

Employees Support the Misumi Model

Human resource development is a high-priority task in China, where Misumi's local businesses operate in close cooperation with business divisions at headquarters. Misumi is concentrating on hiring and developing superior employees, and creating a strong organization with business capabilities equivalent to those of the headquarters. Misumi aims to instill its excellent management methods and corporate culture in its employees in China to create an organization capable of acting on its own judgment.

Future Development

China is the world's most highly competitive production market, and, like Misumi itself, Misumi's customers are searching for new production and procurement methods and working to expand their businesses. It is no exaggeration to say that Misumi's growth is tied to the growth of these companies at the forefront of the Chinese market. Misumi believes that its time strategy will prove successful in China, where there is an extremely high consciousness of the value of time. The continuing support of Misumi's major customers in China will be the source of Misumi's growth there.



QCT Center in China

With three new businesses bringing the total to four in fiscal 2004, Misumi is at a new stage of its operations in China. In addition to traditional business development in Japan, Misumi expects new ideas for business strategies to originate in China in the near future.

Developments in the U.S. Market

MISUMI USA, INC.*, Misumi's base in the United States, currently provides services to customers in the United States, Canada, Mexico and South America. Misumi has traditionally sold mechanical standard components for factory automation, press die components, and plastic mold components measured in metric units. However, in May 2004 Misumi entered the major U.S. "inch market" with publication of an English-language catalog of inch-based components for factory automation.

Misumi is also working for further reductions of delivery periods in the U.S. market. To strengthen its system for local procurement, Misumi added two cooperating manufacturers in fiscal 2003. In addition, Misumi established the

QCT Center, its own distribution center, in Chicago, creating a system for same-day shipments.

At the same time, Misumi strengthens human resource development to hone its expertise in providing products with short delivery periods, high quality and low prices.

In fiscal 2004, Misumi plans to conduct aggressive promotional activities to elevate awareness of the Company in the United States.

(*MISUMI OF THE AMERICAS, INC. plans to change its name to MISUMI USA, INC. on October 1, 2004.)



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



MISUMI USA, 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 Nichido Bldg., 1005-2,
Iida-cho, Ota City, Gunma 373-0851
Tel: 81-276-46-8551 Fax: 81-276-46-8557

Tokyo Marketing Center

5F Toyo Central Bldg., 1-13,
Tokyo 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
PRECISION MACHINERY
CO., LTD.



MISUMI KOREA CORP.



MULTI-BITS CO., LTD.



MISUMI
Corporation
(Head Office)



MISUMI TAIWAN CORP.



MISUMI (THAILAND) CO., LTD.



MISUMI SOUTH EAST ASIA
PTE. LTD.

● Overseas Network

MISUMI USA, INC.*

1105 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: 1-949-262-3212 Fax: 1-949-262-3299

● Mexico Agent

Tel: 52-7-91913-7443 Fax: 52-7-91913-4855

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 EUROPA GmbH

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

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.

Thai CC Tower, 3rd Floor,
889 South Sathorn Rd., Yannawa,
Sathorn, 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 PRECISION MACHINERY CO., LTD.

16 th Floor, Jingling Hai Xin Bldg.,
No.666 Fu Zhou Rd., Shanghai 200001, China
Tel: 86-21-6391-7080 Fax: 86-21-6391-7085

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

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

(*MISUMI OF THE AMERICAS, INC. plans to change its
name to MISUMI USA, INC. on October 1, 2004.)

Misumi aims to make broad economic and social contributions in Japan and around the world through its business operations and development of management-oriented human resources. Misumi has set three main corporate social responsibility (CSR) themes – Environment, Social Contribution and Employees – and actively promotes original CSR activities.

Environment

Environmental Policies

1

Reduce environmental impact and prevent pollution in business activities.

2

Comply with laws, regulations and other requirements.

3

Regularly review environmental targets and continuously improve on them.

Misumi established its Environmental Policy in December 2002, and has created an environmental management system to fulfill it. In April 2003, Misumi's head office received ISO 14001 certification for its environmental management systems.

In April 2004, a compliance team was established within the Corporate Center which is a management division, to supervise each division's environmental activities and serve as a contact point inside and outside the Company. In this way, Misumi is creating a Company-wide, systematic framework for addressing environment issues in all processes related to procurement, sales and other business activities. Compliance managers currently emphasize two points in environmental management:

1. Revision of the Waste Management System

We will rebuild our waste management system to improve waste disposal methods and ensure thorough legal compliance. We will also promote recycling and reuse of wastes as resources, and establish operating standards for waste separation and disposal methods for outside contractors.

2. Hazardous Waste Management

We will survey the management of hazardous substances in accordance with EU regulations, and improve product traceability in collaboration with all suppliers. In addition, we plan to create and begin implementing guidelines for green procurement from around 2005.

Society demands environmental management, and Misumi's mission is to satisfy this demand. Accordingly, Misumi positions environmental management as a central corporate stance, and will implement it in accordance with common values and policies.

Social Contribution

Since April 2004, Misumi has been holding special lectures on strategic management theory for students at the Hitotsubashi University Graduate School of Commerce and Management as part of its social contribution efforts. These lectures, conducted by Misumi's team of instructors comprising the president, executive officers, division presidents and general managers analyze management concepts and examples from management in the field in real time from various perspectives. By deepening participants' understanding of theoretical and practical management approaches, we hope to nurture managers who will energize the Japanese economy. This corporate activity embodies Misumi's human resource development philosophy.

The lectures represent a form of collaboration between corporate training and academic education at the graduate level, and have been enthusiastically received by students. For Misumi, the lectures offer an opportunity to raise the quality of management by helping improve the skills of the core executives who are sent as instructors. It also provides a means of synergistic cooperation with academia.

Employees

People are Misumi's most important resource. Developing management-oriented personnel is crucial in raising our corporate value to our various stakeholders. Contributing to society by cultivating human resources with superior management qualifications will further enhance Misumi's standing.

Since its founding, Misumi has been creating a corporate culture in which employees can exercise their entrepreneurial spirit. The team leader candidate system and performance-based evaluation are driving forces of Misumi's growth, and are essential to shaping an environment for nurturing management-oriented employees.

Since 2003, under President Saegusa, Misumi has established an organizational environment that promotes the attainment of management qualifications and the growth of employees. For example, we have introduced lecture-based management training for key executives and executive candidates, to nurture managers who think strategically and logically. At the same time, we place importance on encouraging all employees to think more like managers, and are creating a training system in which employees will be able to raise awareness of management issues through their own work.

Misumi's two-pronged evaluation system combines performance evaluation using target management and the Value and Competency Evaluation system that assesses the level of employees' growth in terms of qualifications and skills. Misumi bases evaluations on performance, but the Value and Competency Evaluation system also rates aspects such as leadership, management-oriented thinking and communication skills for each position, in addition to the basic skills needed for the job. We have established a model of the proficiency standards for employees. Evaluations show where employees fall short of these standards, which can be used as direct or indirect guidelines. By using the Value and Competency Evaluation system that assesses whether each employee appropriately produces the desired performance, we aim to prevent a decline in morale, which can have a negative effect on the performance-based system, and to conduct balanced development of human resources.

Misumi's Hiring Strategy

Misumi's hiring policy focuses on whether job candidates understand management-oriented thinking. This does not mean we only hire people who aspire to be managers, but we want employees who think about their contribution to the Company and their own growth regardless of their position.

In Japan, we also regularly hire new university graduates. As Misumi's name recognition among students increases, we are attracting many outstanding students who have a basic understanding of Misumi. Combining new graduates and mid-career workers, we interview more than 100 people on average every month. This adds up to over 1,000 people a year. Nonetheless, key executives of the hiring divisions and I directly interview all of them to determine whether they are interested in management and possess a sense of balance.

We also actively hire overseas. Partly due to differences in

values, finding people who match Misumi's business strategies and management philosophy is more difficult than in Japan, but in China, for example, recruiting is going well, as we have hired an excellent local personnel manager. Without a doubt, human resources will back Misumi's globalization, so we must conduct timely, targeted hiring to carry out Misumi's aggressive international strategy. Building strong human resources and organizations while implementing the Misumi model overseas is the core mission of the Human Resource Development Department. Instilling Misumi's management orientation while taking into account business customs, culture and the labor environment is particularly crucial overseas. We assign human resource development specialists in charge of overseas hiring to promote the realization of our global personnel and organizational development strategy.



YOSHIHIRO ITO
Director of the Board,
Executive Officer, General
Manager of Human
Resource Development
Department

Aiming to make broad economic and social contributions in Japan and around the world through original business and human resource development, Misumi conducts an active program of corporate governance as a leading management task.

Corporate Governance System and Activities in Fiscal 2003

Under its business division system, Misumi uses simplified management layers for efficient organizational operations. In addition, Misumi has created a system in which matters of significance to operations and business results are reported promptly to the Board of Directors and Auditors.

Supervision and execution are separated through the executive officer system. Misumi has also introduced an external director and external auditors to provide objective, third-party oversight.

The Board of Directors consists of seven directors, including one non-executive external director, who make decisions on business execution and other important legal matters, and supervise business execution.

Misumi has established the Compensation Committee, composed of three directors, including the external director, as an advisory body to the Board of Directors. The Compensation Committee objectively examines the compensation system and compensation levels.

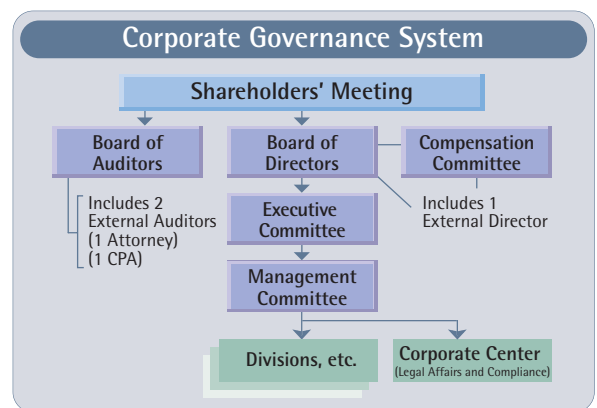
Misumi has three auditors, including two external auditors. Each auditor oversees directors' execution of their duties by attending meetings of the Board of Directors, the Executive Committee and the Management Committee, and examining the state of business operations and assets, according to their assigned duties and the policies set by the Board of Auditors. The external auditors, one of whom is an attorney and another a certified public accountant, facilitate objective audits from the standpoint of specialists. In addition, at the Annual General Meeting of Shareholders held in June 2003, a provision was established in the Articles of Incorporation to create an alternate auditors system for unexpected events.

No special interests exist between the Company and the external director or the external auditors.

As executive bodies, Misumi has established the Executive Committee and a Management Committee made up of the President, Executive Officers and division presidents, both of

which are under the supervision of the Board of Directors. The Company is creating a system to enable rapid management decision-making on important matters in business execution.

In addition, Misumi seeks appropriate counsel from its advising attorney and auditors in the event that questions arise concerning business execution.



During fiscal 2003, the Board of Directors met 14 times, the Executive Committee met 25 times, and the Management Committee met 26 times. At these meetings, the participants deliberated on important executive decisions and managerial matters, and reviewed and set policies to enhance corporate governance.

The Board of Auditors met 13 times to determine auditing policy, assignments and other issues, and to report the results of their surveys. Audits were performed on the Head Office, as well as on the Marketing Centers and Distribution Centers.

In addition to posting company-specific information including monthly sales data on the Company website, Misumi aggressively pursues timely and accurate information disclosure concerning management measures and policies, by announcing financial results biannually and holding information meetings for investors.

Compliance

Managing directors at Misumi routinely use the company intranet to educate employees and raise awareness of compliance and risk management. While increasing the independence

of each division, Misumi will create a systematic framework for elevating levels of legal compliance awareness and risk management.



(Seated) From left: Hiroshi Taguchi, Tadashi Saegusa
 (Standing) From left: Hiroyuki Izutsu, Susumu Toda, Koji Nishitani, Masahiko Eguchi, Hiroshi Fukino, Masato Nakao, Yoshihiro Ito, Ryusei Ono

Directors

President and Chief Executive Officer.....	Tadashi Saegusa
Director of the Board, Executive Officer, President of FA Mechanical Division (concurrently serves as General Manager of IT System Center, President of North America Division and Europe Division, and General Manager of 5C Reengineering Department)	Masahiko Eguchi
Director of the Board, Executive Officer, President of China Division	Masato Nakao
Director of the Board, Executive Officer, President of Electronics Division	Koji Nishitani
Director of the Board, Executive Officer, General Manager of Human Resource Development Department	Yoshihiro Ito
Director of the Board & Senior Advisor (non-executive)	Hiroshi Taguchi
Director of the Board (non-executive external director)	Hiroshi Fukino

Auditors

Standing Auditor	Toshio Takemura
Auditor	Kouichi Takemata
Auditor	Teruhisa Maruyama

Executive Officers

Executive Officer President of Die and Mold Components Division (concurrently serves as President of Asia Division)	Susumu Toda
Executive Officer President of Visual Media Division	Ryusei Ono
Executive Officer Chief Financial Officer & General Manager of Finance Department	Hiroyuki Izutsu

Six-Year Summary (Consolidated) // // // //

MISUMI Corporation and Consolidated Subsidiaries
Years Ended March 31

	Millions of Yen					
	2004	2003	2002	2001	2000	1999
For the Year:						
Net sales.....	¥69,562	¥57,750	¥51,644	¥56,071	¥44,049	¥39,036
Factory automation-related components ¹	26,569	19,163	14,877	16,602	12,100	10,177
Press die components and plastic mold components ¹	25,815	23,560	22,643	24,135	21,608	20,922
Electronics-related components ¹	7,497	5,809	5,160	6,639	4,546	3,480
Other businesses ¹	9,681	9,218	8,964	8,695	5,795	4,457
Operating income.....	8,824	6,641	4,938	6,471	4,911	4,232
Income before income taxes and minority interest.....	8,785	6,221	4,462	6,160	4,973	4,208
Net income.....	5,023	3,518	2,544	3,553	2,876	2,073
At Year-End:						
Total assets.....	44,348	36,781	32,202	32,317	27,117	23,719
Shareholders' equity.....	32,189	27,496	24,521	22,787	19,733	16,725
Interest-bearing debt ²	800	831	807	1,150	1,350	1,826
Investment Indicators:						
Price/Earnings ratio – PER (times).....	29.7	24.8	50.1	46.9	87.2	35.9
Price/Cash flow ratio – PCFR (times).....	21.7	18.6	31.6	66.8	194.9	–
Price/Book value ratio – PBR (times).....	2.9	3.1	5.4	7.4	12.7	4.5
Stock Price:						
High (¥).....	5,390	5,270	8,100	12,450	14,950	3,440
Low (¥).....	2,840	2,690	3,030	5,600	3,200	1,575
Close (year ended March 31) (¥).....	3,550	3,220	4,990	7,010	11,500	3,430
Number of outstanding shares (thousands).....	26,638	26,512	26,500	24,081	21,821	21,702
Marketable capitalization (billions of yen).....	946	854	1,322	1,688	2,510	744
Value Indicators:						
EBITDA.....	9,828	7,491	5,835	7,480	5,603	4,843
Net income per share ³ (¥).....	119.37	86.54	63.66	87.84	71.28	51.99
Cash dividends per share ³ (¥).....	24.67	17.33	14.00	18.79	14.88	11.57
Shareholders' equity per share ³ (¥).....	799.06	689.58	616.95	573.48	498.21	424.60
Cash flow per share ³ (¥).....	109.20	115.20	105.13	63.58	32.51	–
Return Indicators:						
Return on equity (%).....	16.8	13.5	10.8	16.7	15.8	13.0
Return on assets (%).....	21.9	19.5	15.6	22.2	19.7	18.5
Liquidity Ratios:						
Current ratio (times).....	3.5	3.7	3.8	2.7	3.5	3.1
Interest coverage ratio ⁴ (times).....	835.4	786.1	474.8	139.4	38.9	–
Number of Customers:						
Domestic.....	98,445	92,497	87,772	80,717	72,231	58,170
Overseas.....	24,732	19,050	15,124	11,866	9,016	7,623
Number of Employees	472	389	340	317	279	–

Notes: 1. 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.

2. Interest-bearing debt = Long-term and Short-term debt + Bonds + Warrant bonds + Discount on notes

3. Adjusted for stock splits up to May 20, 2004

4. Interest coverage ratio = Net cash provided by operating activities/Interest payment

Misumi conducts mail-order sales and purchasing of factory automation-related components, press die components and plastic mold components, electronics-related components, machine tools and other products.

SCOPE OF CONSOLIDATION

During fiscal 2003, the year ended March 31, 2004, Misumi added two companies to the scope of consolidation, for a total of 12 consolidated subsidiaries. In order to actively expand its overseas business, Misumi established MISUMI EUROPA GmbH in Germany in April 2003, and SHANGHAI MISUMI PRECISION MACHINERY CO., LTD. in the high-growth area of Shanghai, China in June 2003.

CONSOLIDATED INCOME ANALYSIS

In Japan, business confidence steadily improved along with the recovery in the economy. Despite continued weakness in employment and income, the underlying strength of consumer spending indicators increased. Exports also expanded, supported by the global economic recovery.

Overseas, the United States economy was firm, consumer spending was brisk and capital investment rebounded due to increased demand for renewal of IT-related products. European economies continued on a mild recovery track, as exports rebounded with the recovery of the global economy, despite ongoing weak employment conditions in Germany, France and other countries. Asian economic conditions were favorable, especially in Thailand, Malaysia and Indonesia.

Among Misumi's main customer segments, healthy capital investment trends continued in the automobile, semiconductor manufacturing equipment and liquid crystal-related industries, and production of digital cameras and LCD televisions remained solid in information and communications machinery industries. In general machinery industries, production of flat-panel display manufacturing equipment and semiconductor manufacturing equipment expanded sharply.

Under these conditions, while results were supported by strong capital investment in main customer industries, Misumi continued to focus on development of new products, and promptly listed these products in new catalogs. In addition, Misumi implemented aggressive sales promotion measures through direct mail services and other methods. Misumi also took measures to meet customer needs for shorter delivery periods.

As a result, consolidated net sales increased ¥11.8 billion (20.5 percent) to a record ¥69.6 billion (US\$658.2 million). Operating income increased ¥2.2 billion (32.9 percent) to ¥8.8 billion (US\$83.5 million), and net income increased ¥1.5 billion (42.8 percent) to ¥5.0 billion (US\$47.5 million), also a record high.

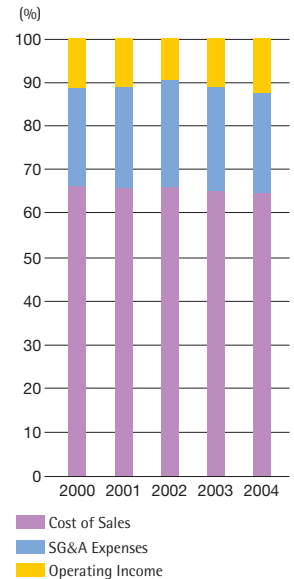
NET SALES

Net sales increased 20.5 percent to a record ¥69.6 billion (US\$658.2 million). Against a backdrop of strong capital investment in major customer industries, Misumi continued to focus on new product development and timely listing in new catalogs. In addition, Misumi cultivated new customers through measures such as direct mail services, and met customer needs by further shortening the time from ordering to delivery. As a result, sales increased in all business segments. Sales growth was particularly strong in the factory automation-related components business.

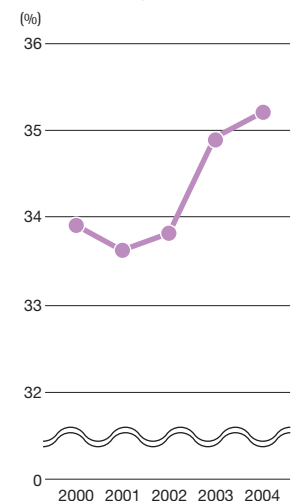
COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

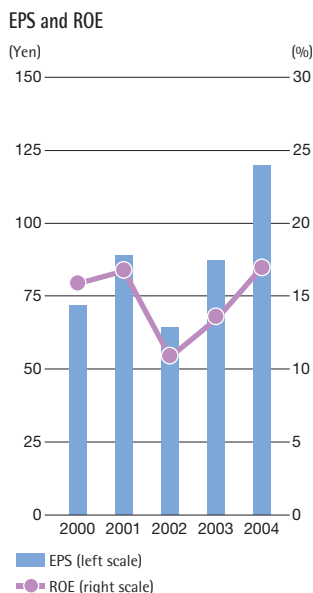
Cost of sales rose 19.9 percent to ¥45.1 billion (US\$426.4 million), a rate of increase lower than that of net sales. As a percentage of net sales, cost of sales decreased to 64.8 percent from 65.1 percent in the previous fiscal year. Gross profit increased 21.4 percent to ¥24.5 billion (US\$231.7 million), and the gross profit margin increased to 35.2 percent from 34.9 percent in the previous fiscal year. Selling, general and administrative (SG&A) expenses increased 15.8 percent to ¥15.7 billion (US\$148.3 million), reflecting an increase in shipping and packing costs associated with higher sales and an increase in advertising expenses due to aggressive sales promotion measures. SG&A expenses as a percentage of net sales decreased to 22.5 percent from 23.4 percent in the previous fiscal year. Operating income therefore increased 32.9 percent to ¥8.8 billion (US\$83.5 million). Operating income accounted for 12.7 percent of net sales, compared to 11.5 percent for the previous fiscal year.

Ratio of Cost of Sales, SG&A Expenses, and Operating Income to Net Sales



Gross Profit Margin





OTHER INCOME (EXPENSES)

Other expenses – net totaled ¥39 million (US\$0.37 million), a substantial decrease from ¥420 million in the previous fiscal year. This reflected the turnaround from a net exchange loss in the previous fiscal year to a net exchange gain and a large reduction in loss on devaluation of investment securities due to an upturn in the stock market, which more than offset an increase in loss on disposal of property, plant and equipment and a decrease in interest and dividend income.

As a result, income before income taxes and minority interest increased 41.2 percent to ¥8.8 billion (US\$83.1 million), and accounted for 12.6 percent of net sales, compared to 10.8 percent for the previous fiscal year.

NET INCOME

Total income taxes increased 39.1 percent to ¥3.7 billion (US\$35.1 million). As a result, net income increased 42.8 percent to ¥5.0 billion (US\$47.5 million), and represented 7.2 percent of net sales, compared to 6.1 percent for the previous fiscal year. Net income per share increased to ¥119.37 (US\$1.13) from ¥86.54 for the previous fiscal year. Diluted net income per share increased to ¥118.81 (US\$1.12) from ¥86.50 for the previous fiscal year.

SHAREHOLDER RETURN POLICY

Dividend Policy

Misumi considers returns to shareholders a top management priority, and maintains a policy of distributing more than 20 percent of profits as dividends.

Cash Dividends per Share

Based on this policy, in view of results for this fiscal year and the outlook for the next fiscal year, Misumi increased cash dividends applicable to the year to ¥24.67 (US\$0.24) per share from ¥17.33 per share for the previous fiscal year. The dividend payout ratio for fiscal 2003 was 20.2 percent, and the ratio of dividends to shareholders' equity was 3.3 percent.

Misumi deploys retained earnings to improve its products and services, optimize its domestic and overseas supply and sales network and expand in diversified business fields to secure a long-term, stable business foundation, while enhancing and strengthening its financial position.

RESULTS BY BUSINESS SEGMENT

In fiscal 2003, Misumi changed its method of allocating operating expenses, and is allocating them to each business segment to accurately show the actual state of operating income by segment. Figures for the previous fiscal year have been restated to facilitate comparison.

Factory Automation-Related Components

The factory automation-related components business (overseen by the FA Mechanical Division) implemented aggressive sales promotion measures, such as introducing new catalogs, and at the same time reducing prices based on customer needs, against a backdrop of customer requests for shorter delivery periods. In addition, operations were strong at companies related to the manufacture of electronic components and automobiles. As a result, sales increased 38.6 percent to ¥26.6 billion (US\$251.4 million). Operating income increased 45.4 percent to ¥4.8 billion (US\$45.1 million) as a result of higher net sales and continued focus on price reductions.

Press Die Components and Plastic Mold Components

This segment comprises the press die components business and plastic mold components business (overseen by the Die and Mold Components Division). Amid strong operating conditions for automobile manufacturing related companies, Misumi maintained favorable results by implementing various measures, such as substantial price reductions based on customer needs. As a result, sales increased 9.6 percent to ¥25.8 billion (US\$244.2 million). Operating income increased 4.8 percent to ¥3.6 billion (US\$33.9 million) as a result of the increase in sales and Misumi's focus on reducing expenses.

Electronics-Related Components

This business segment comprises the PC components for control and network business and the wiring components business (overseen by the Electronics Division). Sales of wiring components increased as a result of continued strong gains in the number of customers and orders. Overall segment sales increased 29.1 percent to ¥7.5 billion (US\$70.9 million), and operating income rose 370.0 percent to ¥595 million (US\$5.6 million).

Other Businesses

This business segment comprises machine tools (overseen by the Tool Division), digital design tools (overseen by the Visual Media Division), medical and veterinary supplies (overseen by the Medical Supplies Division) and food service supplies (overseen by the Food Service Supplies Division). Sales in other businesses increased 5.0 percent to ¥9.7 billion (US\$91.6 million). Operating loss totaled ¥121 million (US\$1.1 million), an improvement of ¥60 million from the previous fiscal year.

RESULTS BY REGION

Japan

Sales in Japan, including interarea transfers, increased 20.5 percent to ¥66.5 billion (US\$629.1 million), and as result of efforts to improve profitability, operating income increased 34.2 percent to ¥8.5 billion (US\$80.0 million). Backed by strong capital investment trends and a performance turnaround among electronic component manufacturing equipment companies and in the automobile industry, which are major customers of the Misumi Group, Misumi issued new catalogs and launched new products, and conducted sales promotions to develop new customers.

Asia

Sales in Asia, including interarea transfers, increased 33.3 percent to ¥5.9 billion (US\$55.6 million), and operating income rose 38.6 percent to ¥388 million (US\$3.7 million). Strong growth in China continued to support a recovery trend in the economies of other Asian countries. In Taiwan, a global rebound in IT demand and the positive effect from the Chinese economy contributed to favorable economic conditions, centered on machinery and equipment. In Korea, although improvement in employment conditions remained slow, the rebound in IT demand and the positive effect from the Chinese economy fueled a trend toward recovery led by exports. In Hong Kong, while expectations of a full-fledged recovery increased amid improved relations with mainland China, weak internal demand is delaying economic recovery. In Thailand, manufacturing industries expanded strongly, supported by favorable domestic and foreign demand. Foreign demand for integrated circuits, televisions and automobiles in particular remained strong. In Singapore, growth was negative due to the effect of SARS. Despite an incomplete recovery in domestic demand, the economy is trending toward recovery driven by external demand, reflecting favorable exports of electronics-related products.

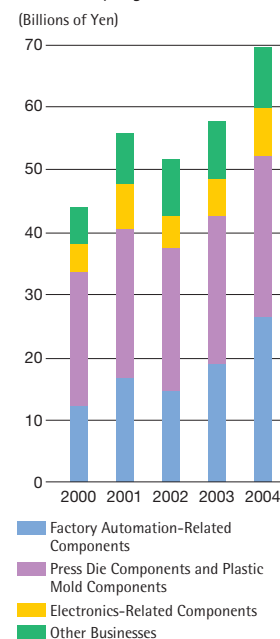
North, Central and South America

Sales in North, Central and South America, including interarea transfers, increased 9.7 percent to ¥1.7 billion (US\$15.9 million). Operating income decreased ¥4 million (9.7 percent) from the previous fiscal year to ¥37 million (US\$0.35 million). In the United States, the economy was strong, backed by a gradual improvement in employment rates. Capital investment rebounded, reflecting factors such as a reduction in investment taxes and increased renewal demand in the IT sector. This recovery trend in capital investment is expected to encourage other recoveries outside the IT market.

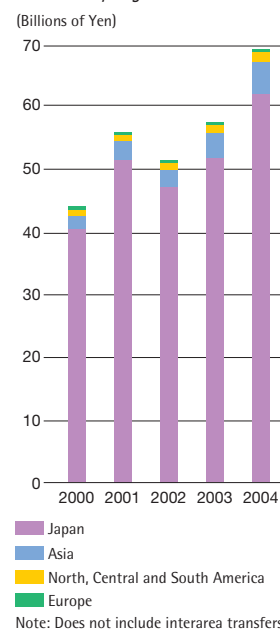
Europe

Sales in Europe, including interarea transfers, increased 32.9 percent to ¥774 million (US\$7.3 million). Operating loss was ¥35 million (US\$0.34 million), compared to operating income of ¥4 million in the previous fiscal year. Although employment remained weak in Germany, France and other countries, the gradual economic recovery process continued due to a rebound in exports reflecting the global economic recovery. Under these conditions, Misumi focused on sales of factory automation-related components.

Net Sales by Segment

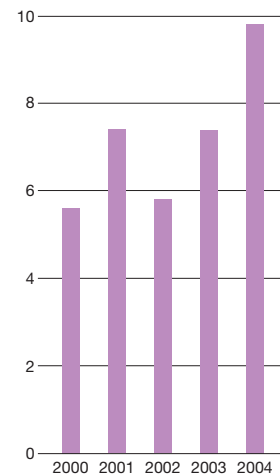


Net Sales by Region

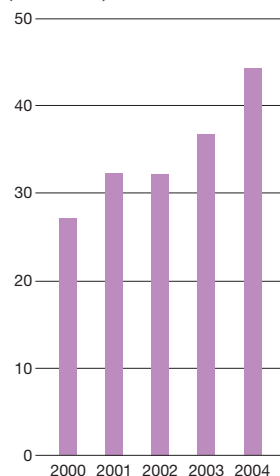


EBITDA

(Billions of Yen)


Total Assets

(Billions of Yen)


CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES
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. Misumi had no long-term debt as of the balance sheet date.

Cash Flows

Cash and cash equivalents at the end of the fiscal year increased ¥3.6 billion (29.2 percent) from a year earlier to ¥15.9 billion (US\$150.9 million).

Net cash provided by operating activities decreased ¥218 million (4.8 percent) to ¥4.4 billion (US\$41.3 million). Factors increasing net cash included substantial growth in income before income taxes and minority interest to ¥8.8 billion (US\$83.1 million), an increase in purchase liabilities and an increase in accrued expenses such as bonuses in connection with distribution of profits at the end of the year. However, trade receivables increased sharply, reflecting the increase in net sales and leading to a decrease in cash flow.

Net cash used in investing activities was ¥236 million (US\$2.2 million); in the previous year net cash provided by investing activities was ¥765 million. Proceeds from sales of marketable securities were ¥454 million (US\$4.3 million), a substantial decrease compared to the previous fiscal year.

Net cash used in financing activities was ¥415 million (US\$3.9 million), a decrease of ¥129 million (23.6 percent) from the previous fiscal year. The primary factor was a ¥491 million (US\$4.6 million) increase in proceeds from issuance of stock – net.

Assets

Total assets increased ¥7.6 billion (20.6 percent) from the end of the previous fiscal year to ¥44.3 billion (US\$419.6 million). Current assets increased 26.5 percent to ¥38.3 billion (US\$362.4 million), primarily reflecting increases in cash and cash equivalents and notes and accounts receivable. Notes and accounts receivable increased ¥3.6 billion (26.5 percent) from the end of the previous fiscal year to ¥16.9 billion (US\$160.2 million), reflecting higher net sales. Inventories increased 10.5 percent to ¥3.8 billion (US\$36.1 million). Net property and equipment increased to ¥1.7 billion (US\$15.8 million), compared to ¥1.6 billion a year earlier. Investments and other assets decreased ¥487 million (10.0 percent) to ¥4.4 billion (US\$41.4 million), mainly due to decreases in investment securities and deferred tax assets.

Liabilities

The total of current liabilities and long-term liabilities increased ¥2.8 billion (30.8 percent) from the end of the previous fiscal year to ¥12.0 billion (US\$113.7 million). Current liabilities increased ¥2.8 billion from a year earlier, primarily reflecting increases in trade notes and accounts payable and income taxes payable. As a result, the current ratio decreased to 3.5 to 1, compared to 3.7 to 1 at the previous fiscal year-end.

Shareholders' Equity

Total shareholders' equity increased ¥4.7 billion (17.1 percent) to ¥32.2 billion (US\$304.6 million), primarily reflecting higher retained earnings due to the increase in net income. The shareholders' equity ratio decreased to 72.6 percent, compared to 74.8 percent at the previous fiscal year-end. Return on shareholders' equity increased to 16.8 percent from 13.5 percent for the previous fiscal year.

CAPITAL INVESTMENT

Total capital investment in fiscal 2003 was ¥709 million (US\$6.7 million). Capital investment by segment was as follows:

Factory Automation-Related Components	Improvement of systems, etc.	¥256 million
Press Die Components Business and Plastic Mold Components	Improvement of systems, etc.	¥233 million
Electronics-Related Components	Improvement of systems, etc.	¥74 million
Other Businesses	Development of web systems, purchase of servers, development of software for main systems in Visual Media Division, etc.	¥146 million

BUSINESS RISKS AND OTHER RISKS

Among items related to Misumi's business situation and financial situation, the following may have a significant influence on investors' decisions.

Effect of Trends in Certain Markets on Business Results

Misumi primarily sells factory automation-related components and press die and plastic mold components. The major customers for these products are the electronic machinery (including semiconductors and liquid crystal) and automobile industries. Therefore, Misumi's results are affected by production and investment trends in these industries, and may change.

Overseas Business Risk

Misumi is actively developing its overseas business, which is strongly influenced by a number of factors, such as the establishment of each overseas subsidiary's organizational structure, the progress of local procurement plans, and the degree of Misumi's recognition in local markets. If business projects do not proceed according to plan, this may adversely impact Misumi's results due to advance payment of expenses, delayed recovery of market entry costs, and other factors.

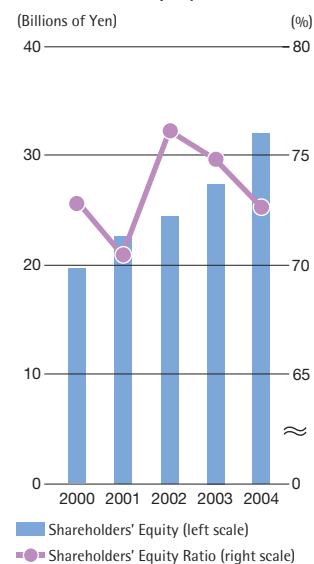
Safety Management

Misumi's businesses include certain segments, such as the food business and medical business, in which the occurrence of defective products could result in economic losses, including suspension of sales and compensation payments to injured parties.

Management of Customer Information

Misumi uses a catalog sales format, a form of database marketing, and handles a large volume of customer company information. Any leak of this information because of ineffective management or other reasons carries the inherent risk of a major loss of trust or economic losses.

Shareholders' Equity and Shareholders' Equity Ratio



Consolidated Balance Sheets

MISUMI Corporation and Consolidated Subsidiaries
March 31, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Current Assets:			
Cash and cash equivalents	¥15,945	¥12,342	\$150,864
Short-term investments	133	56	1,263
Marketable securities (Note 3)	666	457	6,302
Receivables:			
Trade notes	4,466	3,686	42,254
Trade accounts	12,470	9,700	117,984
Other	41	40	385
Allowance for doubtful receivables	(143)	(115)	(1,357)
Inventories (Note 4)	3,815	3,454	36,094
Deferred tax assets (Note 9)	646	463	6,114
Prepaid expenses and other current assets	260	192	2,462
Total current assets	38,299	30,275	362,365
Property and Equipment:			
Land	188	188	1,778
Buildings and structures	2,514	2,435	23,787
Vehicles	48	54	452
Furniture and fixtures	1,210	1,361	11,452
Total	3,960	4,038	37,469
Accumulated depreciation	(2,286)	(2,394)	(21,628)
Net property and equipment	1,674	1,644	15,841
Investments and Other Assets:			
Investment securities (Note 3)	2,089	2,359	19,767
Software	749	728	7,088
Refundable insurance premium	583	562	5,511
Leasehold deposits	281	270	2,662
Deferred tax assets (Note 9)	597	734	5,652
Other assets	76	209	715
Total investments and other assets	4,375	4,862	41,395
Total	¥44,348	¥36,781	\$419,601

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Current Liabilities:			
Short-term bank loans (Note 5)	¥ 800	¥ 831	\$ 7,569
Payables:			
Trade notes and accounts	4,998	3,785	47,285
Other	1,782	1,063	16,866
Income taxes payable (Note 9)	2,509	1,905	23,739
Accrued expenses and other current liabilities	851	586	8,051
Total current liabilities	10,940	8,170	103,510
Long-Term Liabilities:			
Liability for retirement benefits (Note 6)	1,061	1,002	10,035
Deferred tax liabilities (Note 9)	6	5	56
Other long-term liabilities	6	4	54
Total long-term liabilities	1,073	1,011	10,145
Minority Interest	146	104	1,383
Commitments (Note 10)			
Shareholders' Equity (Notes 7, 8, 12, 13 and 14):			
Common stock—authorized, 48,000,000 shares; issued, 26,638,351 shares in 2004 and 26,512,485 shares in 2003	2,328	2,078	22,024
Additional paid-in capital	3,400	3,150	32,173
Retained earnings	26,331	22,261	249,133
Unrealized gain (loss) on available-for-sale securities	311	(7)	2,944
Foreign currency translation adjustments	(148)	39	(1,398)
Total	32,222	27,521	304,876
Treasury stock—at cost, 7,960 shares in 2004 and 6,218 shares in 2003	(33)	(25)	(313)
Total shareholders' equity	32,189	27,496	304,563
Total	¥44,348	¥36,781	\$419,601

Consolidated Statements of Shareholders' Equity

MISUMI Corporation and Consolidated Subsidiaries
Years Ended March 31, 2004, 2003 and 2002

	Thousands	Millions of Yen					
	Issued 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, ¥14.00 per share				(674)			
Bonuses to directors				(69)			
Increase in treasury stock (3,298 shares)							¥(14)
Stock split	2,408						
Exercise of stock option rights	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, ¥17.33 per share				(583)			
Bonuses to directors				(14)			
Increase in treasury stock (2,903 shares)							(11)
Exercise of stock option rights	12	14	13		49		
Valuation on available-for-sale securities							
Foreign currency translation adjustments						(11)	
Balance, March 31, 2003	26,512	2,078	3,150	22,261	(7)	39	(25)
Net income				5,023			
Cash dividends, ¥24.67 per share				(875)			
Bonuses to directors				(78)			
Increase in treasury stock (1,742 shares)							(8)
Exercise of stock option rights	126	250	250				
Valuation on available-for-sale securities					318		
Foreign currency translation adjustments						(187)	
Balance, March 31, 2004	26,638	¥2,328	¥3,400	¥26,331	¥311	¥(148)	¥(33)

	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, 2003	\$ 19,657	\$ 29,806	\$ 210,626	\$ (63)	\$ 368	\$ (241)
Net income			47,527			
Cash dividends, \$0.24 per share			(8,280)			
Bonuses to directors			(740)			
Increase in treasury stock (1,742 shares)						(72)
Exercise of stock option rights	2,367	2,367				
Valuation on available-for-sale securities				3,007		
Foreign currency translation adjustments					(1,766)	
Balance, March 31, 2004	\$22,024	\$32,173	\$249,133	\$2,944	\$(1,398)	\$(313)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MISUMI Corporation and Consolidated Subsidiaries
Years Ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2004	2003	2002	2004
Operating Activities:				
Income before income taxes and minority interest	¥ 8,785	¥ 6,221	¥ 4,462	\$ 83,119
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities:				
Income taxes paid	(3,339)	(2,360)	(2,610)	(31,589)
Depreciation and amortization	636	615	639	6,021
Provision for doubtful receivables	8	50	80	74
Provision for severance payments	59	76	70	559
Bonuses to directors	(78)	(14)	(69)	(740)
Loss on devaluation of investment securities	48	305	193	452
Gain on sales of marketable and investment securities	(17)	(3)	(18)	(165)
Loss on disposal of property and equipment	83	27	14	785
Loss on disposal of software	20	72	320	192
Changes in assets and liabilities:				
(Increase) decrease in receivables	(3,726)	(1,333)	1,793	(35,252)
(Increase) decrease in inventories	(357)	(109)	159	(3,373)
(Increase) decrease in prepaid expenses and other assets	56	33	(66)	527
Increase (decrease) in payables	1,312	503	(203)	12,416
Increase (decrease) in consumption taxes payable	10	86	(36)	89
Increase (decrease) in accrued expenses and other current liabilities	814	325	(480)	7,704
Other—net	49	87	(68)	463
Total adjustments	(4,422)	(1,640)	(282)	(41,837)
Net cash provided by operating activities	4,363	4,581	4,180	41,282
Investing Activities:				
Purchase of marketable securities		(49)	(399)	
Proceeds from sales of marketable securities	454	1,649	899	4,295
Purchase of investment securities		(292)	(957)	
Purchase of subsidiaries' stocks		(31)		
Proceeds from sales of investment securities	117	64	1,638	1,104
Purchases of property and equipment	(681)	(409)	(1,001)	(6,444)
Cancellation of refundable insurance premium	12	12	21	114
Other—net	(138)	(179)	(51)	(1,301)
Net cash (used in) provided by investing activities	(236)	765	150	(2,232)
Financing Activities:				
Proceeds from short-term bank loans	147	31	7	1,391
Repayments of bond			(200)	
Repayments of short-term bank loans	(178)	(7)		(1,688)
Repayments of long-term debt			(150)	
Proceeds from issuance of stock—net	491	15	10	4,649
Dividends paid	(875)	(583)	(675)	(8,280)
Net cash used in financing activities	(415)	(544)	(1,008)	(3,928)
Net Increase in Cash and Cash Equivalents	3,712	4,802	3,322	35,122
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(109)	(56)	82	(1,036)
Cash and Cash Equivalents, Beginning of Year	12,342	7,596	4,192	116,778
Cash and Cash Equivalents, End of Year	¥15,945	¥12,342	¥ 7,596	\$150,864
Non-Cash Investing and Financing Activities:				
Increase in assets and liabilities due to consolidation of subsidiaries previously unconsolidated:				
Current assets		¥ 89		
Fixed assets		9		
Consolidated adjustment account		35		
Less: Current liabilities		(89)		
Acquisition cost of shares of new consolidated subsidiary		44		
Less: Cash and cash equivalents of new consolidated subsidiary		(13)		
Purchase of subsidiaries' stocks		¥ 31		

See notes to consolidated financial statements.

MISUMI Corporation and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements for the year ended March 31, 2004 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 2003 and 2002 financial statements to conform to the classifications used in 2004.

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 translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥105.69 to \$1, the rate of exchange at March 31, 2004. Such translation should not be construed as representation 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, 2004 include the accounts of the Company and its 12 (10 in 2003) 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 an 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 consist of time deposits with original maturities of over three months to one year at March 31, 2004.
- 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) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) 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 (3) available-for-sale securities, which are not classified as either of 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. Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

- g. 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 principally as follows:

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

- h. 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.
- i. Stock Issue Costs**—Stock issue costs are charged to income as incurred.
- j. Retirement Plan**—The Company and certain consolidated subsidiaries have defined benefit retirement plans and unfunded retirement benefit plans for employees which are non-contributory.

The annual provisions for retirement 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 retirement payments are not funded.

- k. 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.
- l. 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.
- m. Appropriations of Retained Earnings**—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.
- n. 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.
- o. 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.
- p. 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 May 20, 2004 and August 20, 2001. The average number of common shares used in the computation were 39,816,631 shares, 39,754,257 shares and 39,739,297 shares for 2004, 2003 and 2002, respectively. Diluted net income per share reflects the potential dilution that could occur if stock option rights were exercised. Diluted net income per share of common stock assumes full exercise of dilutive outstanding stock option rights. Basic net income and diluted net income per share for the years ended March 31, 2004, 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 retroactively adjusted for stock splits.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2004 and 2003, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current—Corporate and public bonds	¥ 666	¥ 457	\$ 6,302
Total	¥ 666	¥ 457	\$ 6,302
Non-current:			
Equity securities	¥ 748	¥ 280	\$ 7,080
Corporate and public bonds.....	348	1,033	3,288
Trust fund investments.....	993	1,046	9,399
Total.....	¥2,089	¥2,359	\$19,767

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2004 and 2003, were as follows:

	Millions of Yen			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities.....	¥1,250	¥510	¥19	¥1,741
Debt securities	880	35	2	913

	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

	Thousands of U.S. Dollars			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities.....	\$11,825	\$4,824	\$173	\$16,476
Debt securities	8,330	331	18	8,643

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2004 and 2003, were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		
	2004	2003	2004
Available-for-sale—Equity securities		¥ 47	
Held-to-maturity	¥97	97	\$919
Total	¥97	¥144	\$919

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003, were ¥110 million (\$1,037 thousand) and ¥60 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥15 million (\$145 thousand) for the year ended March 31, 2004 and ¥3 million for the year ended March 31, 2003. There were no realized losses in 2004 and 2003 on sales of available-for-sale securities.

The redemption amounts of debt securities by contractual maturities for securities classified either as available-for-sale or held-to-maturity at March 31, 2004, 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	¥ 565	¥100	\$ 5,346	\$946
Due after one year through five years	621	1	5,875	5
Due after five years through ten years	76		717	
Due after ten years	123		1,166	
Total	¥1,385	¥101	\$13,104	\$951

4. INVENTORIES

Inventories at March 31, 2004 and 2003, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Merchandise	¥3,695	¥3,379	\$34,960
Supplies	120	75	1,134
Total	¥3,815	¥3,454	\$36,094

5. SHORT-TERM BANK LOANS

Short-term bank loans are represented by loan on deed and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.47% to 0.59% and from 0.46% to 6.37% at March 31, 2004 and 2003, respectively.

6. RETIREMENT PLAN

Under most circumstances, terminated employees are entitled to retirement payments based on their rate of pay at the time of termination, years of service and certain other factors. Such retirement 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, 2004 and 2003, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥645	¥586	\$6,107
Net liability	¥645	¥586	\$6,107

The components of net periodic benefit costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost	¥109	¥99	\$1,031
Net periodic benefit costs	¥109	¥99	\$1,031

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 ¥1,061 million (\$10,035 thousand) as of March 31, 2004 and ¥1,002 million as of March 31, 2003, includes severance payments for directors and corporate auditors of ¥416 million (\$3,928 thousand) and ¥416 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 the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the balance of 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 dividends plus the 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.

The amount of retained earnings available for dividends under the Code was ¥25,672 million (\$242,898 thousand) as of March 31, 2004, 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.

On May 20, 2004, the Company made a stock split by way of a free share distribution at the rate of 0.5 shares for each outstanding share and 13,319,175 shares were issued to shareholders of record on March 31, 2004.

For the year ended March 31, 2004, common stock and additional paid-in capital were increased by ¥250 million (\$2,367 thousand) and ¥250 million (\$2,367 thousand) respectively, by exercising stock options for 126 thousand shares.

8. STOCK OPTION PLAN

The Company has a stock option plan for directors and key employees in accordance with the Code. The exercise price of stock options is subject to adjustment in circumstances. Stock option activity is as follows:

Date of Shareholders Meeting Approval	Number of Options Granted	Exercise Price	Allocated to Common Stock	Exercise Period
June 25, 1999	391,663	¥ 2,811	¥1,406	August 3, 2001–July 31, 2004
June 23, 2000	653,400	6,797	3,399	August 3, 2002–July 31, 2005
June 25, 2001	522,000	5,488	2,744	August 1, 2003–July 31, 2006
June 24, 2002	477,000	3,176	1,588	August 1, 2004–July 31, 2007
June 24, 2002	498,000	2,308	1,154	August 1, 2004–July 31, 2007
June 20, 2003	225,000	2,787	1,394	August 1, 2005–July 31, 2010
June 20, 2003	300,000	3,484	1,742	August 1, 2005–July 31, 2010

The number of options granted, the exercise price and the amount allocated to common stock as of March 31, 2004 were adjusted to account for the stock split on May 20, 2004.

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, 2004 2003 and 2002, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current deferred tax assets:			
Devaluation of inventories	¥ 92	¥ 68	\$ 867
Accrued enterprise tax	213	165	2,016
Accrued bonuses	224	151	2,117
Other—net	117	79	1,114
Current deferred tax assets	¥646	¥463	\$6,114
Non-current deferred tax assets:			
Liabilities for severance payments for employees	¥232	¥191	\$2,196
Liabilities for severance payments for directors and corporate auditors	169	169	1,598
Allowance for doubtful accounts	51	60	481
Valuation on available-for-sale	192	172	1,821
Other—net	226	171	2,135
Subtotal	870	763	8,231
Less valuation allowance	(62)	(29)	(583)
Non-current deferred tax assets	808	734	7,648
Non-current deferred tax liabilities:			
Valuation on available-for-sale	211		1,996
Depreciation expense	6	5	56
Non-current deferred tax liabilities	217	5	2,052
Net non-current deferred tax assets	¥591	¥729	\$5,596

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2004 and 2003, 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 a decrease of ¥13 million.

10. LEASES

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

Total rental expense for the years ended March 31, 2004, 2003 and 2002, was ¥793 million (\$7,505 thousand) ¥755 million and ¥763 million, respectively, including ¥6 million (\$54 thousand), ¥14 million 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, 2004 and 2003, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Furniture and fixtures:			
Acquisition cost	¥ 38	¥ 54	\$ 363
Accumulated depreciation	(15)	(25)	(145)
Net leased property	¥ 23	¥ 29	\$ 218
Obligations under finance leases:			
			Thousands of U.S. Dollars
			2004
Due within one year	¥ 8	¥14	\$ 78
Due after one year	15	16	140
Total	¥23	¥30	\$218

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 ¥6 million (\$54 thousand), ¥14 million and ¥12 million for the years ended March 31, 2004, 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, 2004 and 2003.

12. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2004, 2003 and 2002, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2004	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders. . . .	¥4,753	39,817	¥119.37	\$1.13
Effect of dilutive securities—Stock options.		186		
Diluted EPS—Net income for computation.	¥4,753	40,003	¥118.81	\$1.12
Year Ended March 31, 2003				
Basic EPS—Net income available to common shareholders. . . .	¥3,440	39,754	¥ 86.54	
Effect of dilutive securities—Stock options.		16		
Diluted EPS—Net income for computation.	¥3,440	39,770	¥ 86.50	
Year Ended March 31, 2002				
Basic EPS—Net income available to common shareholders. . . .	¥2,530	39,739	¥ 63.66	
Effect of dilutive securities—Stock options.		113		
Diluted EPS—Net income for computation.	¥2,530	39,852	¥ 63.48	

13. RELATED PARTY TRANSACTION

The stock option plan, which was approved at shareholders meeting on June 20, 2003, grants directors without compensation to purchase up to 80 thousand shares and 225 thousand shares of the Company's common stock, which will be granted at the exercise price of ¥3,484 and ¥2,787, respectively, or ¥904 million (\$8,553 thousand) in the period from August 1, 2005 to July 31, 2010.

14. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2004, were approved at the shareholders meeting held on June 22, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥13 (\$0.12) per share.....	¥506	\$4,787
Bonuses to directors.....	270	2,559

b. Stock Option Plan

At the general shareholders meeting held on June 22, 2004, 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 276 thousand shares of the Company's common stock in the period from August 1, 2006 to July 31, 2011. The options will be granted at an exercise price of ¥ 3,590.

c. Stock Split

On May 20, 2004, the Company made a stock split by way of a free share distribution at the rate of 0.5 shares for each outstanding share and 13,319,175 shares were issued to shareholders of record on March 31, 2004.

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, 2004, 2003 and 2002, is as follows:

(1) Operations in Different Industries

a. Sales and Operating Income	Millions of Yen					
	2004					
	Industry A	Industry B	Industry C	Industry D	Eliminations (Corporate)	Consolidated
Sales to customers	¥26,569	¥25,815	¥7,497	¥9,681		¥69,562
Intersegment sales						
Total sales	26,569	25,815	7,497	9,681		69,562
Operating expenses	21,804	22,230	6,902	9,802		60,738
Operating income (loss)	¥ 4,765	¥ 3,585	¥ 595	¥ (121)		¥ 8,824

b. Assets, Depreciation and Capital Expenditures	Millions of Yen					
	2004					
	Industry A	Industry B	Industry C	Industry D	Corporate	Consolidated
Assets	¥9,645	¥9,857	¥2,805	¥3,386	¥18,655	¥44,348
Depreciation	226	189	85	127		627
Capital expenditures	256	233	74	146		709

a. Sales and Operating Income	Thousands of U.S. Dollars					
	2004					
	Industry A	Industry B	Industry C	Industry D	Eliminations (Corporate)	Consolidated
Sales to customers	\$251,387	\$244,248	\$70,939	\$91,594		\$658,168
Intersegment sales						
Total sales	251,387	244,248	70,939	91,594		658,168
Operating expenses	206,300	210,337	65,306	92,739		574,682
Operating income (loss)	\$ 45,087	\$ 33,911	\$ 5,633	\$ (1,145)		\$ 83,486

b. Assets, Depreciation and Capital Expenditures	Thousands of U.S. Dollars					
	2004					
	Industry A	Industry B	Industry C	Industry D	Corporate	Consolidated
Assets	\$91,259	\$93,260	\$26,537	\$32,039	\$176,506	\$419,601
Depreciation	2,136	1,792	805	1,198		5,931
Capital expenditures	2,422	2,204	696	1,386		6,708

Notes: From the year ended March 31, 2004, the allocation of operating expenses was changed and all of the operating expenses related to the Company's management departments (used to be shown in eliminations (corporate) section) was distributed to each segment in order to present the true state of its operating income or loss based on the Company's business management.

The effect of those changes, comparing to the conventional way, was to increase the operating expenses of Industry A, B, C and D by ¥526 million (\$4,978 thousand), ¥442 million (\$4,181 thousand), ¥294 million (\$2,783 thousand) and ¥235 million (\$2,220 thousand), respectively, and to decrease the operating expense of eliminations (corporate) by ¥1,497 million (\$14,162 thousand). Thus, each segment's operating income was decreased or increased by those amounts.

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

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 and ¥496 million, respectively, to increase the sales and operating income of Industry B by ¥23,560 million and ¥3,649 million, respectively, to increase the sales and operating income of Industry C by ¥5,808 million and ¥391 million, respectively, and to decrease the sales of Industry D by ¥284 million and increase operating income by ¥105 million.

a. Sales and Operating Income	Millions of Yen					
	2002					
	Industry A	Industry B	Industry C	Industry D	Eliminations (Corporate)	Consolidated
Sales to customers	¥14,877	¥22,643	¥5,160	¥8,964		¥51,644
Intersegment sales						
Total sales	14,877	22,643	5,160	8,964		51,644
Operating expenses	12,497	19,233	4,908	9,024	¥ 1,044	46,706
Operating income (loss)	¥ 2,380	¥ 3,410	¥ 252	¥ (60)	¥(1,044)	¥ 4,938

b. Assets, Depreciation and Capital Expenditures	Millions of Yen					
	2002					
	Industry A	Industry B	Industry C	Industry D	Corporate	Consolidated
Assets	¥5,593	¥8,008	¥2,125	¥3,350	¥13,126	¥32,202
Depreciation	175	187	81	104	74	621
Capital expenditures	110	148	104	443	105	910

Note: The segment information for the year ended March 31, 2002 was retroactively adjusted based on the classification revised for the year ended March 31, 2003.

(2) Foreign Operations

The foreign operations of the Company and its consolidated subsidiaries for the years ended March 31, 2004, 2003 and 2002, are summarized as follows:

	Millions of Yen					
	2004					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	¥62,278	¥5,196	¥1,670	¥418		¥69,562
Interarea transfer	4,215	681	10	356	¥ (5,262)	
Total sales	66,493	5,877	1,680	774	(5,262)	69,562
Operating expenses	58,041	5,489	1,643	809	(5,244)	60,738
Operating income (loss)	¥ 8,452	¥ 388	¥ 37	¥ (35)	¥ (18)	¥ 8,824
Assets	¥22,956	¥3,359	¥ 752	¥305	¥16,976	¥44,348

	Thousands of U.S. Dollars					
	2004					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	\$589,252	\$49,164	\$15,803	\$3,949		\$658,168
Interarea transfer	39,881	6,442	90	3,371	\$ (49,784)	
Total sales	629,133	55,606	15,893	7,320	(49,784)	658,168
Operating expenses	549,163	51,938	15,543	7,656	(49,618)	574,682
Operating income (loss)	\$ 79,970	\$ 3,668	\$ 350	\$ (336)	\$ (166)	\$ 83,486
Assets	\$217,203	\$31,778	\$ 7,111	\$2,884	\$160,625	\$419,601

Notes to Consolidated Financial Statements

Notes: From the year ended March 31, 2004, the allocation of operating expenses was changed and all of the operating expenses related to the Company's management departments (used to be shown in eliminations (corporate) section) was distributed to each segment in order to present the true state of its operating income or loss based on the Company's business management.

The effect of those changes, comparing to the conventional way, was to increase operating expenses of Japan by ¥1,497 million (\$14,162 thousand) and to decrease operating expenses of eliminations (corporate) section by the same amount.

	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

	Millions of Yen					
	2002					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
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 (loss)	¥ 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, 2004, 2003 and 2002, were as follows:

	Millions of Yen			
	2004			
	Asia	North and South America	Europe	Total
Sales to foreign customers	¥5,207	¥1,670	¥417	¥7,294

	Thousands of U.S. Dollars			
	2004			
	Asia	North and South America	Europe	Total
Sales to foreign customers	\$49,263	\$15,803	\$3,949	\$69,015

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

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



Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81 (3) 3457 7321
Fax: +81 (3) 3457 1694
www.deloitte.com/jp

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, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2004, 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 generally accepted 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three the years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 15 to the consolidated financial statements, the Company changed its method of allocating operating expenses of segment information as of March 31, 2004.

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 22, 2004

Corporate Name: MISUMI Corporation

Established: February 23, 1963

Authorized Number of Shares: 48,000,000

Issued Number of Shares: 26,638,351

Paid-in Capital: ¥2,327,720,000

Ordinary General Meeting: June

Number of Shareholders: 4,232

Stock Listing:

Tokyo Stock Exchange (Ticker Code: 9962)

Transfer Agent:

UFJ Trust Bank Limited

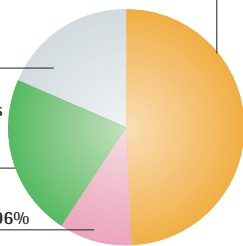
Composition of Shareholders

Banks and Other Financial Institutions 49.29%

Individuals and Others 18.48%

Foreign Corporations and Other Foreign Investors 22.27%

Other Companies 9.96%



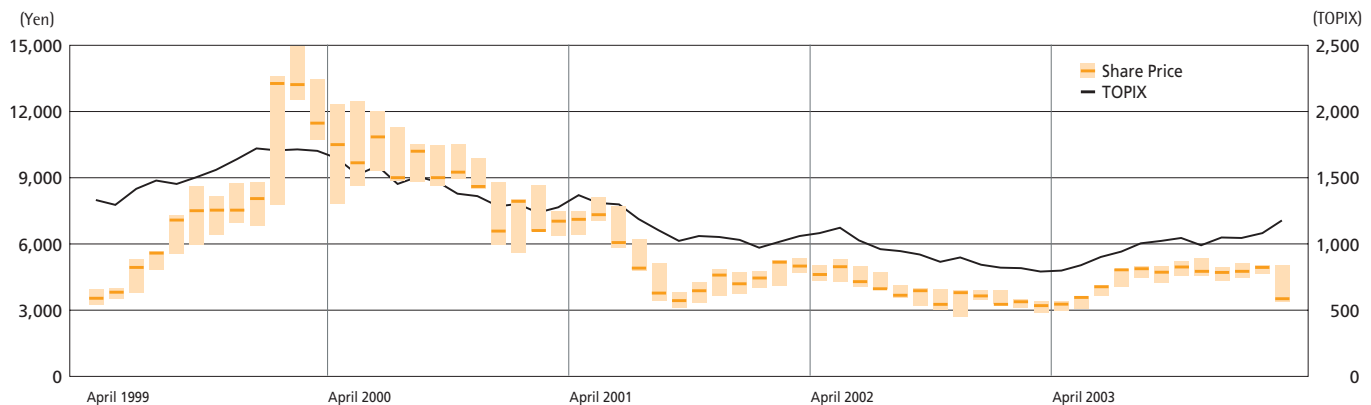
Major Shareholders

Name of Shareholders	Number of Shares Held	Percentage of Voting Rights (%)
The Master Trust Bank of Japan, Ltd.	4,294,200	16.12
Hiroshi Taguchi	3,008,900	11.29
Japan Trustee Services Bank, Ltd.	2,769,600	10.39
M-out Inc.	2,181,765	8.19
The Nomura Trust and Banking Co., Ltd.	1,607,000	6.03
Mizuho Trust & Banking Co., Ltd. (Retirement Benefits Trust, Mizuho Bank, Ltd. Account)	1,186,500	4.45
Trust & Custody Services Bank, Ltd.	1,177,800	4.42
The Chase Manhattan Bank, NA London SL Omnibus Account	985,680	3.70
The Chase Manhattan Bank, NA London	688,730	2.51
Nippon Life Insurance Company	571,630	2.14

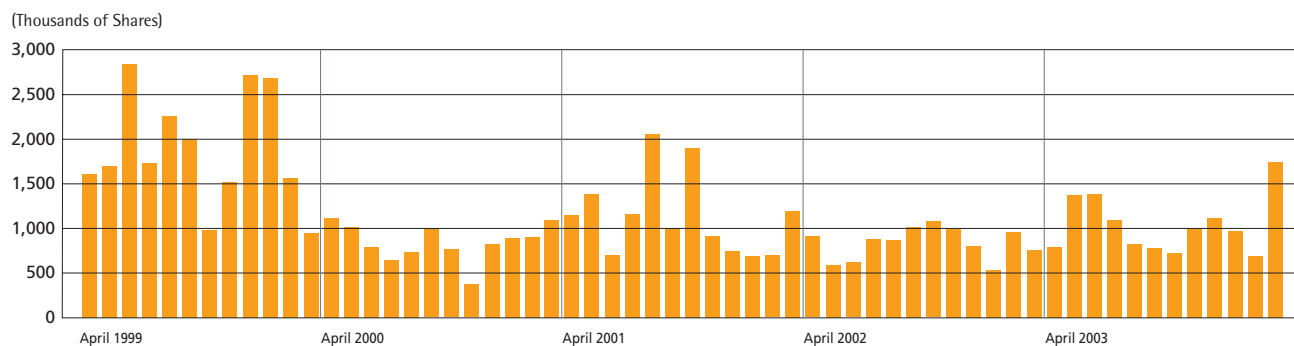
Stock Splits

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
May 2004	1 → 1.5

Monthly Share Price Range



Monthly Trading Volume



Further Information

For further information,
please contact:

MISUMI Corporation Corporate Center

4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458
Tel: 81-3-3647-7037 Fax: 81-3-3647-5802



MISUMI Corporation

4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458, Japan
URL: <http://www.misumi.co.jp/>



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