

October 13, 2004

Merger of MISUMI Corporation and SURUGA SEIKI CO., LTD

MISUMI Corporation (Head office: 4-43, Toyo 2-chome, Koto-ku, Tokyo; President: Tadashi Saegusa; hereinafter referred to as MISUMI) and Suruga Seiki Co, Ltd., (Head office: 549-1 Shimizu-Nanatsushinya, Shizuoka-shi, Shizuoka; President: Toshio Suzuki; hereinafter referred to as Suruga Seiki) announce that their respective boards of directors approved resolutions on October 13, 2004, on merging the two companies under a holding company and concluded a basic merger agreement and a stock-swap agreement.

I. Circumstances Leading to the Merger

MISUMI has established an industry standard in its catalog sales and provides highly original products satisfying customer requirements for fast delivery, high quality, and low cost. Suruga Seiki has based its business on precision processing technology and is seeking to realize a new business model as a systems maker rather than parts maker. It has endeavored to become a research and development-oriented company responding to the needs of the times. While pursuing distinctive business models, MISUMI and Suruga Seiki have built a relationship of trust in the years since their founding as manufacturing and sales partners in the die parts business.

In light of recent changes in the market and the competitive environment, MISUMI and Suruga Seiki have decided that the strategically optimum choice is to merge under a spirit of equality and to consolidate their business strengths with the view to further develop their business models, maintain partnerships with allied manufacturers, and progress to a new growth stage. The senior management of both companies resolved firmly to work toward a new growth stage based on a foundation of strong mutual trust. This was followed by a careful examination of the merger by a joint project team of both companies and resulted in the conclusion of the basic merger agreement.

Although Suruga Seiki was just listed on the Second Section of the Tokyo Stock Exchange in June 2004, both companies were convinced that it was strategically important to conclude the merger without delay and that this would contribute to increasing the corporate value of the successor company.

II. Objectives of the Merger

The merger intends to further strengthen competitiveness and profitability and to increase corporate value by combining MISUMI's planning and sales capabilities and Suruga Seiki's strengths in development and manufacturing technology. In addition, it seeks to respond to rapid changes in the market and the competitive environment in Japan and the world and to achieve true globalization.

Specifically, the following synergies will be sought:

- The key to global development will be synergies achieved through the fundamental reform of MISUMI's distribution network and through Suruga Seiki's production system, offering high technology, high quality, and short delivery times. By leveraging the two, we will rapidly develop our business in Asia, Europe, and North America.
- We will further consolidate our integrated business cycle of "create, manufacture, sell," which has been our core growth strategy, we will dramatically improve competitiveness regarding quality, cost, and time, and we will continue to innovate.
- Through Suruga Seiki's leading-edge technology and production systems, we will strengthen our capacity to develop new businesses and new products in the machinery industry satisfying customer requirements for fast delivery, high quality, and low cost. In addition, taking advantage of MISUMI's extensive sales network, we will dramatically expand the sales avenues for Suruga Seiki's existing product lines, identify new customer needs, and create opportunities for developing new products.

III. Merger Specifics

A. Form of Merger

The merger will take the form of a holding company. MISUMI will change its name to MISUMI Group Inc. (hereinafter, MISUMI Group) and will use the corporate divestiture and stock swap process to become the holding company of two wholly-owned subsidiaries, (1) a new company assuming the business of MISUMI and (2) Suruga Seiki.

B. Merger Timetable

- October 13, 2004 The boards of directors of MISUMI and Suruga Seiki approve a basic merger agreement and stock-swap agreement
- December 17, 2004 MISUMI and Suruga Seiki hold extraordinary general shareholders meetings (planned)
- April 1, 2005 Date of merger (planned)

C. Corporate Divestiture

1. Divestiture timetable

- October 13, 2004 The board of directors of MISUMI approves the corporate divestiture plan
- December 17, 2004 MISUMI holds an extraordinary general shareholders meeting on the divestiture plan (planned)
- April 1, 2005 Date of divestiture (planned); the name of MISUMI is changed to MISUMI Group, and a new company, MISUMI Corporation (hereinafter, new MISUMI), is incorporated to assume the current business of MISUMI (planned)

2. Divestiture method

On April 1, 2005, MISUMI's name will be changed to MISUMI Group, a holding company, and a new MISUMI will be established through divestiture to assume all the business of current MISUMI. In this process, MISUMI Group (MISUMI's name after divestiture) will be the divesting company and new MISUMI the divested company.

3. Reasons for adopting the divestiture method

The divestiture method was adopted to turn MISUMI into a holding company.

4. Allocation of shares

The divesting company will receive all of the 20,000 shares of common stock issued by the new company.

5. Divestiture payment

No divestiture payment will be made.

6. Rights and obligations assumed by the divested company

Unless otherwise prescribed by the divestiture plan, in principle, all claims and obligations, employment agreements, and other rights and obligations associated with the entire business of the divesting company will be assumed by the divested company.

The terms of labor of the divesting company will be assumed by the divested company. Specifics will be decided through labor-management discussions.

7. Prospects for the fulfillment of obligations

Given that assets will exceed liabilities following divestiture for both the divesting and divested company and given that impediments to the fulfillment of obligations to be assumed are not foreseen from the current earnings situation, it is reasonable to believe that obligations will be fulfilled.

D. Stock Swap

1. Stock-swap timetable

- October 13, 2004 The boards of directors of MISUMI and Suruga Seiki approve the stock-swap agreement; the stock-swap agreement is concluded
- December 17, 2004 MISUMI and Suruga Seiki hold extraordinary general shareholders meetings on the stock-swap agreement (planned)
- April 1, 2005 Date of stock swap (planned)

2. Stock-swap method

After becoming a holding company through divestiture, MISUMI Group will carry out a stock swap on April 1, 2005, and become the parent company of wholly-owned subsidiary Suruga Seiki.

3. Stock-swap ratio

- The common stock of MISUMI Group and Suruga Seiki will be exchanged at a ratio of 1:0.50.
- Shareholders recorded in the shareholders list and beneficial shareholders recorded in the beneficial shareholders list as of the close of the day before the stock swap date will receive 0.5 shares of MISUMI Group common stock for each share of Suruga Seiki common stock they own. However, the 137,500 shares of Suruga Seiki common stock held by MISUMI Group will not be swapped.
- Estimations of the stock-swap ratio were made by Daiwa Securities SMBC Co., Ltd., for MISUMI and by South Toranomon Law Offices for Suruga Seiki. Based on these estimations, the two parties discussed the matter and agreed on the ratio recorded above.

4. New shares to be issued by MISUMI Group for the stock swap: 2,934,250 shares of common stock

5. Required increase in the capital and capital reserve of MISUMI Group

- Capital: ¥0
- Capital reserve: An amount derived from the following equation

$$\begin{array}{r} \text{Net assets of Suruga Seiki} \\ \text{on the day of the stock swap} \end{array} \times \frac{\begin{array}{c} \text{Number of Suruga Seiki shares transferred to} \\ \text{MISUMI through the stock swap} \end{array}}{\begin{array}{c} \text{Number of issued and outstanding} \\ \text{shares of Suruga Seiki} \end{array}}$$

6. Stock-swap payment

No stock-swap payment will be made.

7. Interim dividend and annual dividend

- a. MISUMI will be capable of paying a maximum interim dividend of ¥19 per share, or a total of ¥765,840,488, to shareholders listed or recorded in the shareholders list and to registered pledgees as of the close of September 30, 2004.
- b. MISUMI and Suruga Seiki will be capable of paying a maximum annual dividend of the following amounts to shareholders listed or recorded in the shareholders list and to registered pledgees as of the close of March 31, 2005.
 - A dividend of ¥19 per share, or a total of ¥806,698,048, for MISUMI
 - A dividend of ¥15 per share, or a total of ¥90,090,000, for Suruga SeikiMISUMI is planning to pay out 20% of fiscal 2004 net income through its annual and interim dividends. The actual amount of its annual dividend will be decided after being approved by MISUMI's ordinary general meeting of shareholders.*

Depending on the existence of earnings that can be paid out and as permitted by law, Suruga Seiki intends to present an appropriation of earnings proposal to its ordinary general meeting of shareholders for the fiscal year ending March 31, 2005, consisting of a dividend of ¥15 per share, or a total of ¥90,090,000, which has been agreed to by both MISUMI and Suruga Seiki.

8. Delisting of Suruga Seiki

The common stock of Suruga Seiki listed on the Tokyo Stock Exchange is scheduled for delisting on March 28, 2005.

* MISUMI intends for the sum of the interim and year-end dividend to equal 20% of net income for the full year. In addition, it intends to pay out 20% of first-half net income through its interim dividend. The dividend amount stated in this document is the maximum amount estimated at the present moment, and the final dividend is likely to be less.

IV. Name Change of MISUMI and Overview of MISUMI Group following the Merger

A. Name Change of MISUMI

1. Reason for the name change

As described above, on April 1, 2005, MISUMI will establish a new wholly-owned subsidiary through divestiture that will assume its business. MISUMI will therefore change its name in becoming a holding company.

2. New name

The new name will be Kabushiki Kaisha MISUMI Gurupu Honsha (MISUMI Group Inc. in English).

3. Effective date

After gaining approval at the extraordinary general meeting of shareholders scheduled for December 17, 2004, the new name will take effect on April 1, 2005.

B. Overview of MISUMI Group

- | | |
|------------------------------|---|
| 1. Corporate name : | Kabushiki Kaisha MISUMI Gurupu Honsha (MISUMI Group Inc. in English) |
| 2. Description of business : | Development of group management strategies, administration, and all functions related to group management |
| 3. Head office : | 4-43, Toyo 2-chome, Koto-ku, Tokyo |

4. Directors and auditors (pending approval by the extraordinary general meeting of shareholders) :

President and CEO	Tadashi Saegusa (currently president and CEO of MISUMI)
Vice-President	Toshio Suzuki (currently president of Suruga Seiki)
Director	Masahiko Eguchi
Director	Yoshihiro Ito
Director (non-executive)	Hiroshi Taguchi
Director (non-executive)	Hiroshi Fukino
Director (non-executive)	Nobuyuki Mochizuki
Standing Auditor	Toshio Takemura
Auditor	Kouichi Takemata
Auditor	Juichi Nozue

5. Executive officers :

President and CEO	Tadashi Saegusa (currently president and CEO of MISUMI)
Vice-President and executive officer	Toshio Suzuki (currently president of Suruga Seiki)
Executive officers	Masahiko Eguchi, Yoshihiro Ito, Masato Nakao, Koji Nishitani, Hiroyuki Izutsu, Susumu Toda, Masayuki Takaya, Koushi Haraguchi, and Haruo Asakawa

- | | |
|------------------------------------|---|
| 6. Capital : | ¥2,814 million |
| 7. Issued and outstanding shares : | 43,241,642 (trading unit of 100 shares) |
| 8. Balance sheet date : | March 31 |
| 9. Accounts auditor : | Deloitte Touche Tohmatsu |
| 10. Transfer agent : | UFJ Trust Bank Ltd. |

Notes:

- (1) The figure for capital is as of September 30, 2004. Capital will not increase as a result of the stock swap.
- (2) Issued and outstanding shares is the sum of shares outstanding as of September 30, 2004, and the increase of 2,934,250 shares resulting from the stock swap.
- (3) The outlook for consolidated results following the merger will be announced when it becomes available.

V. Overview of Subsidiary Companies (as of the merger date of April 1, 2005)

A. New MISUMI

1. Corporate name : Kabushiki Kaisha MISUMI (MISUMI Corporation in English)
2. Description of business : Catalog sales and procurement of factory automation components, press die components, electronic components, and machine tools
3. Head office : 4-43, Toyo 2-chome, Koto-ku, Tokyo
4. Directors and auditors (pending approval by the extraordinary general meeting of shareholders) :
- | | |
|--------------------------|-------------------|
| President and CEO | Tadashi Saegusa |
| Director | Masahiko Eguchi |
| Director | Yoshihiro Ito |
| Director (non-executive) | Toshio Suzuki |
| Standing Auditor | Hiroshi Miyamoto |
| Auditor | Teruhisa Maruyama |
| Auditor | Kouichi Takemata |
| Auditor | Toshio Takemura |
5. Capita : ¥1,000 million

B. SURUGA SEIKI

1. Corporate name : Suruga Seiki Kabushiki Kaisha (Suruga Seiki Co., Ltd., in English)
2. Description of business : Manufacture and sale of precision press die parts, optical-related devices, and automation support devices
3. Head office : 549-1 Shimizu-Nanatsushinya, Shizuoka-shi, Shizuoka
4. Directors and auditors (pending approval by the extraordinary general meeting of shareholders) :
- | | |
|--------------------------|--------------------|
| President and CEO | Toshio Suzuki |
| Director | Koushi Haraguchi |
| Director | Haruo Asakawa |
| Director (non-executive) | Tadashi Saegusa |
| Director (non-executive) | Nobuyuki Mochizuki |
| Director (non-executive) | Motoki Sugimoto |
| Director (non-executive) | Takeshi Umehara |
| Standing Auditor | Etsushi Asami |
| Auditor | Hiroyuki Kuroha |
| Auditor | Juichi Nozue |
| Auditor | Toshio Takemura |
5. Capital : ¥541 million

For further inquiries, please contact:
MISUMI Corporation
Masayuki Takaya, General Manager of
Strategic Planning Department
Phone: +81-3-3674-7037

Suruga Seiki Co., Ltd.
Makoto Sugiyama, Manager Chief
Executive Office
Phone: +81-543-44-0311 (main
switchboard)

Attachment 1

Overview of MISUMI and Suruga Seiki
Before the Divestiture and Stock Swap

As of March 31, 2004

Corporate name	MISUMI Corporation	Suruga Seiki Co, Ltd.
Description of business	Catalog sales and procurement of factory automation components, press die components, electronic components, and machine tools	Manufacture and sale of precision press die parts, optical-related devices, and automation support devices
Date of establishment	February 1963	May 1964
Head office	4-43, Toyo 2-chome, Koto-ku, Tokyo	549-1 Shimizu-Nanatsushinya, Shizuoka-shi, Shizuoka
Corporate representative	Tadashi Saegusa, president and CEO	Toshio Suzuki, president
Capital*	¥2,814 million	¥541 million
Issued and outstanding shares*	40,307,392 (treasury stock: 18,685)	6,006,000 (treasury stock: 523)
Shareholders' equity	¥32,114 million	¥5,432 million
Total assets	¥43,619 million	¥11,068 million
Balance sheet date	March 31	March 31
Employees	268 (consolidated: 472)	312 (consolidated: 430)
Major customers	Electronic and electrical machinery makers, automotive-related manufacturers, machinery-related manufacturers, and other	MISUMI, electronic and electrical machinery makers, public research institutions, university research laboratories, and other
Major shareholders and percentage share of outstanding stock	The Master Trust Bank of Japan, Ltd. (16.12%) Hiroshi Taguchi (11.29%) Japan Trustee Services Bank, Ltd. (10.39%) M-out Inc. (8.19%) The Nomura Trust and Banking Co., Ltd. (6.03%)	Toshio Suzuki (17.46%) Techno Suruga L.L.C. (15.76%) Suruga Seiki Employees Shareholding Association (3.54%) Japan Trustee Services Bank, Ltd. (3.50%) Katsuhiko Sugiyama (2.75%)
Business bank	Mizuho Bank, Ltd.	Mizuho Bank, Ltd.

*Figures for capital and issued and outstanding shares are as of September 30, 2004.

Relationship of the two companies	Capital interest	MISUMI holds 2.28% of Suruga Seiki's outstanding shares. Suruga Seiki holds 0.41% of MISUMI's outstanding shares.
	Personnel relationship	None
	Business interest	Sales to MISUMI account for 43.2% of Suruga Seiki's total sales

Attachment 2

Recent Financial Highlights of MISUMI and Suruga Seiki

Consolidated

(millions of yen)

	MISUMI			Suruga Seiki		
	FY 2001	FY 2002	FY 2003	FY 2001	FY 2002	FY2003
Sales	51,643	57,749	69,561	10,606	12,200	12,962
Operating profit	4,938	6,640	8,823	412	379	711
Ordinary income	4,988	6,624	8,939	464	574	691
Net income	2,543	3,518	5,023	253	419	1,232
Net income per share (¥)	99.51	129.80	179.05	42.69	68.95	204.39
Net assets per share (¥)	925.43	1,034.38	1,198.59	558.32	588.21	879.48

Nonconsolidated

(millions of yen)

	MISUMI			Suruga Seiki		
	FY 2001	FY 2002	FY 2003	FY 2001	FY 2002	FY 2003
Sales	49,697	55,197	66,493	8,321	8,764	11,319
Operating profit	4,684	6,310	8,452	297	524	699
Ordinary income	4,867	6,351	8,545	350	531	616
Net income	2,507	3,400	4,859	202	261	1,169
Net income per share (¥)	98.11	125.37	172.88	34.19	42.68	193.90
Dividends per share (¥)	21.00	26.00	37.00	10.00	10.00	20.00
Net assets per share (¥)	925.75	1,030.67	1,195.76	582.13	596.58	903.81