

2. Cash Dividends

	Cash dividends per share for the fiscal year				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2018	Yen —	Yen 11.52	Yen —	Yen 11.08	Yen 22.60
Fiscal year ending March 31, 2019	—	10.21			
Fiscal year ending March 31, 2019 (Forecast)			—	12.46	22.67

(Note) Revision of the latest forecast for cash dividends: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	343,000	9.6	35,000	0.4	35,200	1.5	25,700	0.4	90.69

(Note) Revision of the latest financial results forecasts: Yes

* Notes:

- (1) Changes in significant consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of shares outstanding (common shares)
 - 1) Total number of shares outstanding at the end of the period (including treasury stock):
 - As of September 30, 2018 : 283,524,157 shares
 - As of March 31, 2018 : 283,439,597 shares
 - 2) Total number of treasury stock at the end of the period:
 - As of September 30, 2018 : 129,626 shares
 - As of March 31, 2018 : 129,536 shares
 - 3) Weighted average number of shares outstanding during the period:
 - Six months ended September 30, 2018 : 283,356,707 shares
 - Six months ended September 30, 2017 : 279,653,714 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit corporations.

* Explanation on the appropriate use of forecasts and other notes

- The earnings forecasts and other forward-looking statements herein are based on information available to the Company at the time of preparation and certain assumptions deemed to be reasonable, and actual results may differ significantly from the forecasts due to various factors. For the assumptions on the earnings forecasts and notes on their use, please refer to “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements” on page 4 of the attached document.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Global and Japanese economy trended towards deceleration during the first half period of FY2018, with the exception of the United States, as capital investments towards the manufacturing industry became cautious due to trade conflict concerns. In China, import and export began to slow down due to the trade conflict impact. Similarly in Asia and Europe, export environment deterioration concerns are slowing down manufacturing industry's business climate. In addition, the manufacturing industry in Japan showed signs of bearish tendency, given economic conditions such as soaring raw material prices, and increasing concerns relating to trade conflicts exacerbating uncertainties in production machinery and automotive related sectors.

Even under such circumstances, MISUMI Group's strategy remains unchanged, leveraging its unique business model, which encompasses both manufacturing and distribution businesses, and advancing the business foundation that supports these businesses globally. We are contributing to manufacturing industry worldwide by eliminating inefficiencies faced by customers. In an effort to address a new wave of manufacturing that positions IT at its core, even in this term we accelerated establishment of EC websites within respective region to respond immediately to each country's needs to strengthen competitiveness. Also, efforts were made to reinforce our global reliable and quick delivery business model by promoting local production, local sourcing for optimal procurement as well as expanding logistics sites in Japan and overseas.

Advancements to our business model offered high convenience to our customers. Despite demand showing a decelerating trend within the manufacturing industry, we managed to expand the number of customers in manufacturing and distribution businesses, both in Japan and overseas. In addition, accelerated global expansion of the VONA business assisted in driving consolidated net sales exceeding previous year's results notwithstanding the fact that the forecast plan was not met.

Reflecting this performance, consolidated net sales was ¥166,668 million (9.3% increase year-on-year), highest first half result to date. In terms of profit, as a result of deploying investments in advance in order to achieve accelerated growth, operating income was ¥15,896 million (15.9% decrease year-on-year), and ordinary income of ¥15,970 million (14.3% decrease year-on-year). Net income attributable to owners of parent was ¥11,573 million (11.2% decrease year-on-year). Profits decreased year-on-year compared to the most profitable first half period.

① Factory Automation (FA)

In the FA business, global needs for reliable and quick delivery of FA components expanded further, steadily permeating MISUMI's business model, incorporating demand for automation products in the automotive and electronics related industries. Accordingly, net sales was ¥56,068 million (8.4% increase year-on-year). Operating income was ¥9,791 million (7.1% decrease year-on-year) as a result of increased expenses incurred to further strengthen the business foundation.

② Die Components

Despite favorable sales activities in Asia, sales in the Die components business was ¥38,494 million (0.5% decrease year-on-year) due to lower demand in the automotive industry in Japan and the United States. Operating income was ¥3,231 million (16.8% increase year-on-year) due to decrease in amortization expenses of goodwill.

③ VONA

VONA business is MISUMI Group's sales and distribution business of production facilities related components, production auxiliary materials and MRO.* This business segment includes MISUMI brand products as well as third party manufacturer's products. Enhanced product lineup continued to support business growth this term. Items handled reached 25.3 million globally as at the end of the first half of FY2018. These efforts coupled with carrying out proactive sales expansion initiatives resulted in net sales of ¥72,105 million (16.2% increase year-on-year). Meanwhile, operating income was ¥3,117 million (46.5% decrease year-on-year) as upfront investments geared for business expansion in Japan and overseas increased.

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

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of the end of the second quarter of the fiscal year were ¥241,056 million, a decrease of ¥2,435 million compared to the previous year-end. Current assets decreased ¥7,799 million. This is mainly due to a decrease in cash and deposits of ¥11,363 million, a decrease in notes and accounts receivable - trade of ¥1,227 million and an increase in merchandise and finished goods of ¥3,522 million. Property, plant and equipment increased ¥4,054 million. Intangible assets increased ¥977 million. Investments and other assets such as investment securities increased ¥333 million.

Total liabilities were ¥43,676 million, a decrease of ¥13,095 million compared to the previous year-end. Current liabilities decreased ¥13,430 million. This is mainly due to a decrease in notes and accounts payable - trade of ¥1,645 million, a decrease in accounts payable - other of ¥5,906 million, a decrease in income taxes payable of ¥1,710 million, and a decrease in other current liabilities of ¥2,558 million. Long-term liabilities increased ¥334 million.

Total net assets were ¥197,380 million, an increase of ¥10,660 million compared to the previous year-end. This was primarily because shareholders' equity increased by ¥8,511 million mainly due to an increase of ¥8,434 million in retained earnings, and accumulated other comprehensive income including foreign currency translation adjustments increased by ¥1,887 million. As a result, the equity ratio was 81.1%, compared to 76.1% marked at the end of the previous year.

Effective from the fiscal year 2018, the presentation method has been changed following the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Accordingly, year-on-year comparisons were made with figures adjusted retroactively.

2) Cash flows

At the end of the second quarter of the fiscal year, cash and cash equivalents amounted to ¥42,544 million, a decrease of ¥9,169 million compared to the previous year-end.

The status of cash flows and their underlying factors for the six months ended September 30, 2018 were as follows.

Cash inflows from operating activities were ¥2,306 million (a net cash inflow of ¥7,621 million for the same period in the previous year). A breakdown of cash flows from operating activities is as follows. Income before income taxes was ¥15,970 million. Depreciation and amortization was ¥4,223 million. A decrease in provision for bonuses was ¥1,378 million. An increase in notes and accounts receivable - trade was ¥1,325 million. An increase in inventories was ¥4,158 million. A decrease in notes and accounts payable - trade was ¥1,483 million. A decrease in accounts payable - other was ¥3,207 million. Income taxes paid was ¥5,821 million.

Cash outflows from investing activities were ¥8,815 million (a net cash inflow of ¥1,264 million for the same period in the previous year). A breakdown of cash flows from investing activities is as follows. The purchase of fixed assets was ¥10,699 million. Payments into time deposits were ¥27,359 million. Refund from time deposits was ¥29,809 million.

Cash outflows from financing activities were ¥3,106 million (a net cash outflow of ¥2,487 million for the same period in the previous year). The main item of cash flows from financing activities was dividends paid of ¥3,139 million.

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

Based on the financial results for the six months ended September 30, 2018 and recent business trends, we have revised the full-year consolidated financial results forecast announced on May 10, 2018, for the fiscal year ending March 31, 2019 as follows.

[Full-year consolidated financial results forecast for the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)]

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Revised forecast	343,000	35,000	35,200	25,700	90.69
Previous forecast	361,000	39,700	39,500	28,500	100.60

The forecast for dividends is announced in the press release dated October 29, 2018, titled “Announcing an interim dividend distribution and revisions to forecasts for year-end and annual dividends.”

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	65,502	54,139
Notes and accounts receivable - trade	67,817	66,589
Merchandise and finished goods	33,208	36,730
Work in process	1,771	2,592
Raw materials and supplies	6,301	6,650
Other	5,622	5,697
Allowance for doubtful accounts	(319)	(295)
Total current assets	179,904	172,104
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,649	10,396
Machinery, equipment and vehicles, net	12,053	13,184
Land	3,728	3,738
Other, net	4,282	6,448
Total property, plant and equipment	29,714	33,768
Intangible assets		
Software	17,057	17,542
Other	7,529	8,022
Total intangible assets	24,587	25,564
Investments and other assets		
Investment securities	6	6
Other	9,467	9,806
Allowance for doubtful accounts	(187)	(194)
Total investments and other assets	9,285	9,618
Total non-current assets	63,587	68,952
Total assets	243,492	241,056

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,524	17,879
Current portion of convertible bonds	106	68
Accounts payable - other	14,001	8,094
Income taxes payable	4,494	2,783
Provision for bonuses	3,525	2,185
Provision for directors' bonuses	261	31
Other	7,770	5,211
Total current liabilities	49,684	36,254
Long-term liabilities		
Liability for retirement benefits	4,878	5,191
Other	2,209	2,230
Total long-term liabilities	7,087	7,421
Total liabilities	56,772	43,676
Net assets		
Shareholders' equity		
Common stock	12,812	12,868
Capital surplus	23,201	23,222
Retained earnings	148,059	156,493
Treasury stock	(77)	(78)
Total shareholders' equity	183,994	192,506
Accumulated other comprehensive income		
Foreign currency translation adjustments	1,291	3,171
Defined retirement benefit plans	(83)	(75)
Total accumulated other comprehensive income	1,208	3,096
Stock acquisition rights	986	1,216
Non-controlling interests	529	561
Total net assets	186,719	197,380
Total liabilities and net assets	243,492	241,056

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
For the Six Months Ended September 30, 2018 and 2017

(Millions of yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Net sales	152,465	166,668
Cost of sales	87,069	95,775
Gross profit	65,396	70,892
Selling, general and administrative expenses	46,493	54,996
Operating income	18,902	15,896
Non-operating income		
Interest income	99	118
Insurance premiums refunded	—	143
Subsidy income	38	—
Miscellaneous income	144	176
Total non-operating income	282	437
Non-operating expenses		
Sales discounts	41	44
Foreign exchange losses	428	244
Miscellaneous loss	86	74
Total non-operating expenses	557	363
Ordinary income	18,627	15,970
Income before income taxes	18,627	15,970
Income taxes	5,541	4,355
Net income	13,086	11,615
Net income attributable to non-controlling interests	45	42
Net income attributable to owners of parent	13,040	11,573

Quarterly Consolidated Statement of Comprehensive Income
For the Six Months Ended September 30, 2018 and 2017

(Millions of yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Net income	13,086	11,615
Other comprehensive income (loss)		
Foreign currency translation adjustments	2,313	1,848
Defined retirement benefit plans	6	7
Share of other comprehensive income (loss) in associates	(0)	(9)
Total other comprehensive income (loss)	2,319	1,846
Comprehensive income	15,406	13,461
Comprehensive income attributable to		
Owners of parent	15,342	13,460
Non-controlling interests	63	0

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Cash flows from operating activities		
Income before income taxes	18,627	15,970
Depreciation and amortization	3,387	4,223
Amortization of goodwill	861	—
Increase (decrease) in liability for retirement benefits	263	319
Increase (decrease) in provision for bonuses	1,188	(1,378)
Increase (decrease) in provision for directors' bonuses	(112)	(229)
Increase (decrease) in allowance for doubtful accounts	2	(19)
Interest and dividend income	(99)	(118)
Interest expenses	0	0
Share-based compensation expenses	206	286
Foreign exchange losses (gains)	(669)	93
Share of (profit) loss of entities accounted for using equity method	(29)	(27)
Insurance premiums refunded	—	(143)
(Increase) decrease in notes and accounts receivable – trade	(6,943)	(1,325)
(Increase) decrease in inventories	(3,310)	(4,158)
(Increase) decrease in consumption taxes refund receivable	177	(255)
Increase (decrease) in notes and accounts payable – trade	(260)	(1,483)
Increase (decrease) in accounts payable – other	(790)	(3,207)
(Increase) decrease in other assets	(485)	(655)
Increase (decrease) in other liabilities	356	(303)
Subtotal	12,373	7,589
Interest and dividend income received	110	205
Interest expenses paid	(0)	(0)
Insurance premiums received	—	143
Income taxes refund	95	190
Income taxes paid	(4,956)	(5,821)
Net cash provided by operating activities	7,621	2,306
Cash flows from investing activities		
Purchase of fixed assets	(5,119)	(10,699)
Proceeds from sales of fixed assets	2	42
Payments into time deposits	(13,080)	(27,359)
Refund from time deposits	20,203	29,809
Payments for lease and guarantee deposits	(345)	(959)
Proceeds from collection of lease and guarantee deposits	95	295
Other, net	(491)	55
Net cash used in investing activities	1,264	(8,815)
Cash flows from financing activities		
Proceeds from issuance of stock	20	33
Dividends paid	(2,507)	(3,139)
Other, net	(0)	(0)
Net cash used in financing activities	(2,487)	(3,106)
Effect of exchange rate change on cash and cash equivalents	799	445
Net increase (decrease) in cash and cash equivalents	7,197	(9,169)
Cash and cash equivalents at beginning of period	47,840	51,713
Cash and cash equivalents at end of period	55,038	42,544

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Additional information)

Following the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year, deferred tax assets are presented in investments and other assets, while deferred tax liabilities are presented in long-term liabilities.

(Matters related to quarterly consolidated statement of cash flows)

Details of significant non-monetary transactions

(Millions of yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Increase in common stock due to conversion of convertible bonds	5,084	21
Increase in capital surplus due to conversion of convertible bonds	5,084	21
Decrease in convertible bonds due to conversion of the bonds	10,169	43

(Segment information)

[Segment information]

For the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

1. Net sales and segment income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	51,731	38,692	62,041	152,465	–	152,465
Internal sales to other segments	–	–	–	–	–	–
Total	51,731	38,692	62,041	152,465	–	152,465
Segment income	10,539	2,767	5,823	19,130	(227)	18,902
Segment income before amortization of goodwill*	10,539	3,938	5,823	20,301	(227)	20,074

*(Note)

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

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

(Millions of yen)

Income	Amount
Total of reportable segment	19,130
Adjustments	(227)
Operating income in quarterly consolidated statement of income	18,902

For the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

1. Net sales and segment income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	56,068	38,494	72,105	166,668	–	166,668
Internal sales to other segments	–	–	–	–	–	–
Total	56,068	38,494	72,105	166,668	–	166,668
Segment income	9,791	3,231	3,117	16,140	(243)	15,896
Segment income before amortization of goodwill*	9,791	3,537	3,117	16,446	(243)	16,202

*(Note)

Other intangible assets related to the acquisition of Dayton Lamina Corporation were added back to Segment income.

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

(Millions of yen)

Income	Amount
Total of reportable segment	16,140
Adjustments	(243)
Operating income in quarterly consolidated statement of income	15,896

[Supplementary information]

For the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

1. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
79,289	29,121	20,690	13,318	7,502	2,542	152,465

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

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
10,485	7,078	5,822	2,810	1,536	27,732

2. Information on goodwill by reportable segment

(Millions of yen)

	Die Components Business
Amortization for the six months ended September 30, 2017	861
Balance as of September 30, 2017	145

For the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

1. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
85,461	30,933	25,409	13,496	8,633	2,734	166,668

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

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
12,534	7,725	7,670	2,826	3,012	33,768

2. Information on goodwill by reportable segment

Not applicable