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## Consolidated Financial Results for the Six Months Ended September 30, 2019 [Japanese GAAP]



October 28, 2019

Company name: MISUMI Group Inc.                      Stock exchange listing: Tokyo Stock Exchange  
Securities Code: 9962                                      URL: <https://www.misumi.co.jp>  
Representative: Ryusei Ono, Representative Director, President and CEO  
Contact: Ichiro Otokozawa, CFO and Executive Director    Phone: +81-3-5805-7401  
Scheduled date of filing quarterly securities report: November 5, 2019  
Scheduled date of dividend payments: December 3, 2019  
Preparation of supplemental explanatory materials: Yes (materials for institutional investors)  
Holding of quarterly financial results meeting: Yes (meeting for institutional investors)

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

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2019	157,133	(5.7)	11,737	(26.2)	11,566	(27.6)	8,510	(26.5)
September 30, 2018	166,668	9.3	15,896	(15.9)	15,970	(14.3)	11,573	(11.2)

(Note) Comprehensive income: Six months ended September 30, 2019: ¥2,910 million (78.4)%  
Six months ended September 30, 2018: ¥13,461 million (12.6)%

	Earnings per share attributable to owners of the parent (basic)		Earnings per share attributable to owners of the parent (diluted)	
	Yen		Yen	
Six months ended September 30, 2019	30.00		29.91	
September 30, 2018	40.84		40.71	

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019	253,229	205,575	80.3
As of March 31, 2019	252,393	205,424	80.6

(Reference) Shareholders' equity: As of September 30, 2019 : ¥203,376 million  
As of March 31, 2019 : ¥203,520 million

### 2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	—	10.21	—	10.99	21.20
Fiscal year ending March 31, 2020	—	7.51	—	—	—
Fiscal year ending March 31, 2020 (Forecast)	—	—	—	10.22	17.73

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

**3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)**

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Earnings per share attributable to owners of the parent (basic)
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	326,500	(1.6)	27,700	(13.1)	27,300	(14.2)	20,100	(16.4)	70.86

(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: Yes
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None

(Note) Please see the page 10 “2. Quarterly Consolidated Financial Statements and Primary Notes

(4) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)” for details.

- (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, 2019 : 283,791,397 shares
    - As of March 31, 2019 : 283,756,497 shares
  - 2) Total number of treasury stock at the end of the period:
    - As of September 30, 2019 : 129,616 shares
    - As of March 31, 2019 : 129,626 shares
  - 3) Weighted average number of shares outstanding during the period:
    - Six months ended September 30, 2019 : 283,648,617 shares
    - Six months ended September 30, 2018 : 283,356,707 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**

The global economy during the cumulative second quarter of FY2019 suffered further slowdown, impacted by a decline in capital investment demand in the manufacturing industry in countries such as China, due to the prolonged US-China trade conflict. In addition, decline in automotive related demand in principal countries, exacerbated the situation. In Japan, the export environment was weak and the manufacturing industry in general was sluggish, affecting production machinery and automotive related sectors.

Amid such economic environment, MISUMI Group is 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 the manufacturing industry worldwide by eliminating inefficiencies faced by customers. During this cumulative second quarter, innovations to our business model was sought by carefully selecting themes, to be better adapted to the world's evolving "digital manufacturing" trend. Efforts were made to strengthen the IT infrastructure by taking core system onto the cloud network, and 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. Despite these initiatives, both sales and profit decreased year-on-year due to continued sluggish capital investment demand in the manufacturing industry.

Consequently, consolidated net sales was ¥157,133 million, (5.7% decrease year-on-year). In terms of profit, decrease in sales volume, continued upfront investments which are carefully selected for sustainable growth both impacted upon profits. Subsequently, operating income was ¥11,737 million, (26.2% decrease year-on-year), and ordinary income was ¥11,566 million, (27.6% decrease year-on-year). Net income attributable to owners of parent was ¥8,510 million (26.5% decrease year-on-year).

#### **① Factory Automation (FA) Business**

In the FA business, rebound from large volume order in the same period of last year, coupled with sluggish capital investment demand in principal regions, excluding the Americas, caused net sales to be ¥49,836 million (11.1% decrease year-on-year). Operating income was ¥6,242 million (36.2% decrease year-on-year) impacted by decline in sales, and upfront investments which are carefully selected aimed at strengthening the business foundation.

#### **② Die Components Business**

Despite generally steady sales activities in Southeast Asia, net sales in the Die components business was ¥37,257 million (3.2% decrease year-on-year) due to worsening market conditions in the automotive industry within principal countries, such as China. Operating income was ¥2,498 million (22.7% decrease year-on-year) due to the impact of sales decrease.

#### **③ VONA Business**

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. Items handled reached 29.4 million globally as at the end of this first half. These efforts coupled with carrying out proactive sales expansion initiatives resulted in sales expansion in Southeast Asia and the Americas, but could not compensate for the slowdown in China and Japan. Consequently, net sales was ¥70,038 million (2.9% decrease year-on-year). Notwithstanding profit improvement measures taking effect, decreased sales and carefully selected investments geared towards fortifying the reliable quick delivery system, resulted in the operating income to be ¥2,995 million (3.9% decrease year-on-year).

\*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 ¥253,229 million, an increase of ¥835 million compared to the previous year-end. This was primarily because property, plant and equipment increased ¥7,384 million, while current assets decreased ¥6,324 million mainly due to a decrease in notes and accounts receivable - trade. MISUMI Group has applied IFRS 16 “Leases” from the first quarter of the current fiscal year to certain overseas consolidated subsidiaries. As a result, “other, net” under property, plant and equipment increased ¥5,181 million.

Total liabilities amounted to ¥47,653 million, an increase of ¥685 million compared to the previous year-end. This was mainly attributable to an increase of ¥4,518 million in long-term liabilities, while there was a decrease of ¥3,833 million in current liabilities mainly due to decreases in notes and accounts payable - trade and accounts payable - other. MISUMI Group has applied IFRS 16 “Leases” from the first quarter of the current fiscal year to certain overseas consolidated subsidiaries. As a result, “other” under current liabilities increased ¥1,420 million, and “other” under long-term liabilities increased ¥3,752 million.

Total net assets amounted to ¥205,575 million, an increase of ¥150 million compared to the previous year-end. This was primarily because shareholders’ equity increased ¥5,446 million mainly due to an increase in retained earnings, while accumulated other comprehensive income including foreign currency translation adjustments decreased ¥5,590 million. As a result, the equity ratio was 80.3%, compared to 80.6% at the end of the previous year.

### **2) Cash flows**

At the end of the second quarter of the fiscal year, cash and cash equivalents amounted to ¥49,076 million, an increase of ¥7,323 million compared to the previous year - end. The status of cash flows and their underlying factors for the six months ended September 30, 2019 were as follows.

Cash flows from operating activities amounted to a net cash inflow of ¥13,366 million (a net cash inflow of ¥2,306 million for the same period in the previous year). The breakdown of cash flows from operating activities is as follows. Income before income taxes was ¥11,566 million. Depreciation and amortization was ¥6,107 million. The amount of decrease in provision for bonuses was ¥442 million. The amount of decrease in notes and accounts receivable - trade was ¥5,118 million. An increase in inventories was ¥3,644 million. A decrease in notes and accounts payable - trade was ¥1,324 million. A decrease in accounts payable - other was ¥1,144 million. Income taxes paid was ¥3,201 million.

Cash flows from investing activities amounted to a net cash outflow of ¥287 million (a net cash outflow of ¥8,815 million for the same period in the previous year). The breakdown of cash flows from investing activities is as follows. The purchase of fixed assets was ¥9,109 million. Payments into time deposits was ¥1,163 million. Refund from time deposits was ¥9,918 million.

Cash flows from financing activities amounted to a net cash outflow of ¥3,818 million (a net cash outflow of ¥3,106 million for the same period in the previous year). The main item of cash flows from financing activities was dividends paid of ¥3,117 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, 2019 and recent business trends, we have revised the full-year consolidated financial results forecast announced on May 9, 2019, for the fiscal year ending March 31, 2020 as follows.

[Full-year consolidated financial results forecast for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)]

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Earnings per share attributable to owners of the parent (basic)
	Million yen	Million yen	Million yen	Million yen	Yen
Revised forecast	326,500	27,700	27,300	20,100	70.86
Previous forecast	355,000	35,400	35,200	25,900	91.32

The forecast for dividends is announced in the press release dated October 28, 2019, 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, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	50,684	49,207
Notes and accounts receivable - trade	67,252	60,351
Merchandise and finished goods	42,795	45,253
Work in process	2,372	2,583
Raw materials and supplies	6,564	6,071
Other	6,155	6,042
Allowance for doubtful accounts	(205)	(212)
Total current assets	175,620	169,296
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,560	11,219
Machinery, equipment and vehicles, net	14,018	15,887
Land	3,758	3,754
Other, net	9,298	14,160
Total property, plant and equipment	37,637	45,021
Intangible assets		
Software	22,186	22,293
Other	7,475	6,900
Total intangible assets	29,661	29,193
Investments and other assets		
Investment securities	6	6
Other	9,654	9,896
Allowance for doubtful accounts	(186)	(185)
Total investments and other assets	9,474	9,717
Total non-current assets	76,772	83,932
Total assets	252,393	253,229

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	18,218	16,492
Accounts payable - other	10,150	7,865
Income taxes payable	2,774	2,873
Provision for bonuses	2,549	2,045
Provision for directors' bonuses	35	17
Other	5,791	6,392
<b>Total current liabilities</b>	<b>39,520</b>	<b>35,686</b>
Long-term liabilities		
Liability for retirement benefits	5,425	5,802
Other	2,022	6,164
<b>Total long-term liabilities</b>	<b>7,448</b>	<b>11,967</b>
<b>Total liabilities</b>	<b>46,968</b>	<b>47,653</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	13,023	13,045
Capital surplus	23,378	23,401
Retained earnings	166,060	171,462
Treasury stock	(78)	(78)
<b>Total shareholders' equity</b>	<b>202,384</b>	<b>207,831</b>
Accumulated other comprehensive income		
Foreign currency translation adjustments	1,211	(4,384)
Defined retirement benefit plans	(75)	(71)
<b>Total accumulated other comprehensive income</b>	<b>1,135</b>	<b>(4,455)</b>
Stock acquisition rights	1,331	1,648
Non-controlling interests	572	550
<b>Total net assets</b>	<b>205,424</b>	<b>205,575</b>
<b>Total liabilities and net assets</b>	<b>252,393</b>	<b>253,229</b>



**(2) Quarterly Consolidated Statement of Income and Comprehensive Income**  
**Quarterly Consolidated Statement of Income**  
**For the Six Months Ended September 30, 2019 and 2018**

(Millions of yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Net sales	166,668	157,133
Cost of sales	95,775	90,513
Gross profit	70,892	66,619
Selling, general and administrative expenses	54,996	54,882
Operating income	15,896	11,737
Non-operating income		
Interest income	118	135
Insurance premiums refunded	143	—
Miscellaneous income	176	184
Total non-operating income	437	320
Non-operating expenses		
Sales discounts	44	37
Foreign exchange losses	244	328
Miscellaneous loss	74	124
Total non-operating expenses	363	490
Ordinary income	15,970	11,566
Income before income taxes	15,970	11,566
Income taxes	4,355	3,027
Net income	11,615	8,538
Net income attributable to non-controlling interests	42	28
Net income attributable to owners of parent	11,573	8,510

**Quarterly Consolidated Statement of Comprehensive Income**  
**For the Six Months Ended September 30, 2019 and 2018**

(Millions of yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Net income	11,615	8,538
Other comprehensive income (loss)		
Foreign currency translation adjustments	1,848	(5,625)
Defined retirement benefit plans	7	4
Share of other comprehensive income (loss) in associates	(9)	(6)
Total other comprehensive income (loss)	1,846	(5,627)
Comprehensive income	13,461	2,910
Comprehensive income attributable to		
Owners of parent	13,460	2,919
Non-controlling interests	0	(8)

### (3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
<b>Cash flows from operating activities</b>		
Income before income taxes	15,970	11,566
Depreciation and amortization	4,223	6,107
Increase (decrease) in liability for retirement benefits	319	387
Increase (decrease) in provision for bonuses	(1,378)	(442)
Increase (decrease) in provision for directors' bonuses	(229)	(17)
Increase (decrease) in allowance for doubtful accounts	(19)	20
Interest and dividend income	(118)	(141)
Interest expenses	0	50
Share-based compensation expenses	286	361
Foreign exchange (gains) losses	93	(58)
Share of (profit) loss of entities accounted for using equity method	(27)	(31)
Insurance premiums refunded	(143)	—
(Increase) decrease in notes and accounts receivable - trade	(1,325)	5,118
(Increase) decrease in inventories	(4,158)	(3,644)
(Increase) decrease in consumption taxes refund receivable	(255)	(374)
Increase (decrease) in notes and accounts payable - trade	(1,483)	(1,324)
Increase (decrease) in accounts payable - other	(3,207)	(1,144)
(Increase) decrease in other assets	(655)	143
Increase (decrease) in other liabilities	(303)	(113)
Subtotal	7,589	16,464
Interest and dividend income received	205	149
Interest expenses paid	(0)	(50)
Insurance premiums received	143	—
Income taxes refund	190	4
Income taxes paid	(5,821)	(3,201)
Net cash provided by operating activities	2,306	13,366
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(10,699)	(9,109)
Proceeds from sales of fixed assets	42	139
Payments into time deposits	(27,359)	(1,163)
Refund from time deposits	29,809	9,918
Payments for lease and guarantee deposits	(959)	(246)
Proceeds from collection of lease and guarantee deposits	295	106
Other, net	55	67
Net cash used in investing activities	(8,815)	(287)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of stock	33	45
Dividends paid	(3,139)	(3,117)
Repayments of lease obligations	—	(746)
Other, net	(0)	0
Net cash used in financing activities	(3,106)	(3,818)
Effect of exchange rate change on cash and cash equivalents	445	(1,936)
Net increase (decrease) in cash and cash equivalents	(9,169)	7,323
Cash and cash equivalents at beginning of period	51,713	41,753
Cash and cash equivalents at end of period	42,544	49,076

#### **(4) Notes to the Quarterly Consolidated Financial Statements**

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Changes in accounting policies)

MISUMI Group has applied IFRS 16 "Leases" from the first quarter of the current fiscal year to certain overseas consolidated subsidiaries and record assets and liabilities on the quarterly consolidated balance sheet, in principle, for all leases as lessees' accounting treatment. The Group adopts a method to recognize the cumulative effect of adoption of this new accounting standard, which is recognized as a transitional measure, on the initial date of adoption.

As a result of having applied this standard, "other, net" under property, plant and equipment increased ¥5,181 million, "other" under current liabilities increased ¥1,420 million, and "other" under long-term liabilities increased ¥3,752 million. The application of this standard had no material effect on profit or loss in the second quarter's financial results.

(Segment information)

[Segment information]

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
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\*(Note) Amortization of 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	16,140
Adjustments	(243)
Operating income in quarterly consolidated statement of income	15,896

For the six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

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	49,836	37,257	70,038	157,133	–	157,133
Internal sales to other segments	–	–	–	–	–	–
Total	49,836	37,257	70,038	157,133	–	157,133
Segment income	6,242	2,498	2,995	11,737	–	11,737

Segment income before amortization of goodwill*	6,242	2,801	2,995	12,040	–	12,040
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\*(Note) Amortization of 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)

Not applicable

[Supplementary information]

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

For the six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

1. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
83,088	26,840	22,274	13,946	8,143	2,840	157,133

(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
16,669	8,088	8,059	4,024	8,179	45,021