

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% 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)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter-end (Cumulative)	141,000	(10.3)	8,300	(29.3)	8,100	(30.0)	5,900	(30.7)	20.78
Full year	300,000	(4.3)	20,900	(11.6)	20,500	(11.8)	14,900	(9.7)	52.48

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

*Notes:

- (1) Changes in significant consolidated subsidiaries during the fiscal year (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 June 30, 2020 : 284,030,397 shares
 - As of March 31, 2020 : 284,028,197 shares
 - 2) Total number of treasury stock at the end of the period:
 - As of June 30, 2020 : 129,618 shares
 - As of March 31, 2020 : 129,616 shares
 - 3) Weighted average number of shares outstanding during the period:
 - Three months ended June 30, 2020 : 283,899,725 shares
 - Three months ended June 30, 2019 : 283,639,946 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 3 of the attached document.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The global economy in the first quarter of FY2020 was impacted by the spread of COVID-19 infection, and the manufacturing industry was mired by harsh circumstances with continued decline in operation and sluggish capital investment. Although there was a recovery trend in China in the manufacturing industry, business conditions in other regions generally deteriorated significantly from the previous quarter, and weak automotive-related demand in principal countries continued. In Japan, there was also an impact from a significant decrease in demand due to the decrease in exports of production machinery.

Even in such economic environment, MISUMI Group is leveraging its unique business model, which encompasses both manufacturing and distribution businesses, and by advancing the business foundation that supports these businesses globally, we are contributing to the manufacturing industry worldwide by responding to customer's reliable quick delivery needs. In this first quarter, we continued to steadily provide products meeting customers' reliable and quick delivery needs, by fully utilizing our strong business foundations built to date in IT, logistics and production; as well as leveraging our global network, amidst the continued impact of COVID-19. Notwithstanding, both sales and profits declined year-on-year from the continued impact of sluggish operating conditions and capital investment demand in the manufacturing industry.

Consequently, consolidated net sales was ¥70,481 million, (10.8% 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 ¥4,159 million, (28.9% decrease year-on-year), and ordinary income was ¥4,124 million, (28.7% decrease year-on-year). Net income attributable to owners of parent was ¥3,046 million (29.3% decrease year-on-year).

① Factory Automation (FA) Business

In the FA business, excluding China, reduced operation and sluggish capital investment demand continued in principal countries, especially in Japan, caused net sales to be ¥23,755 million (5.7% decrease year-on-year). Although decrease in sales had an impact, effects from profitability improvements caused operating income to be ¥3,172 million (2.1% increase year-on-year).

② Die Components Business

Net sales in the Die components business was ¥14,895 million (20.7% decrease year-on-year) due to sluggish market conditions in the automotive related sectors globally. Operating income was ¥221 million (79.4% decrease year-on-year) significantly impacted by decline in sales.

③ VONA Business

VONA business is MISUMI Group's sales and distribution business of production facilities related components, production auxiliary materials and MRO* products. This business segment includes MISUMI brand products, as well as third party manufacturer's products. During the first quarter of FY2020, market conditions deteriorated in major regions except China. Consequently, net sales was 31,831 million yen (9.2% decrease year-on-year). Operating income was 764 million yen (53.9% decrease year-on-year) due to sales decrease.

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

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of the end of the first quarter of the fiscal year were ¥259,187 million, a decrease of ¥5,497 million (2.1%) compared to the previous year-end. This was mainly attributable to a decrease of ¥4,645 million (2.6%) in current assets due to factors such as a decrease in notes and accounts receivable – trade, a decrease of ¥309 million (0.7%) in property, plant and equipment, and a decrease of ¥484 million (1.5%) in intangible assets.

Total liabilities amounted to ¥46,316 million, a decrease of ¥6,738 million (12.7%) compared to the previous year-end. This was mainly attributable to a decrease of ¥6,568 million (16.2%) in current liabilities, due to factors such as a decrease of ¥3,834 million (38.5%) in accounts payable – other, and a decrease of ¥1,583 million (9.1%) in notes and accounts payable – trade.

Total net assets amounted to ¥212,871 million, an increase of ¥1,240 million (0.6%) compared to the previous year-end. This was primarily because shareholders' equity increased by ¥1,050 million (0.5%) mainly due to an increase in retained earnings.

As a result, the equity ratio was 81.3%, compared to 79.2% at the end of the previous year.

2) Cash flows

At the end of the first quarter of the fiscal year, cash and cash equivalents amounted to ¥48,084 million, an increase of ¥3,644 million compared to the previous year-end.

Cash flows from operating activities amounted to a net cash inflow of ¥3,465 million (a net cash inflow of ¥3,859 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 ¥4,124 million. Depreciation and amortization amounted to ¥3,633 million. The amount of decrease in notes and accounts receivable – trade was ¥4,431 million. An increase in inventories was ¥1,896 million. A decrease in notes and accounts payable – trade was ¥1,732 million. Income taxes paid was ¥2,528 million.

Cash flows from investing activities amounted to a net cash inflow of ¥2,545 million (a net cash outflow of ¥773 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 ¥4,165 million. Payments into time deposits was ¥525 million. Refund from time deposits was ¥7,427 million. Payments for lease and guarantee deposits was ¥211 million.

Cash flows from financing activities amounted to a net cash outflow of ¥2,516 million (a net cash outflow of ¥3,458 million in the same period in the previous year). The main item of cash flows from financing activities was dividends paid of ¥1,998 million.

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

The consolidated business forecast for the fiscal year ending March 31, 2021 had been undecided, as it was deemed difficult to reasonably calculate how the spread of COVID-19 infection would impact upon business activities. Subsequently, it has been decided to announce the consolidated business performance forecast based on currently available information and forecast.

Please refer to “Announcement regarding full-year consolidated business forecast and annual dividends for fiscal year ending March 31, 2021,” released today (July 30, 2020), for details.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	51,646	48,318
Notes and accounts receivable - trade	63,178	59,323
Merchandise and finished goods	46,506	48,288
Work in process	2,391	2,297
Raw materials and supplies	6,280	6,641
Other	6,633	7,190
Allowance for doubtful accounts	(242)	(309)
Total current assets	176,395	171,750
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,469	14,004
Machinery, equipment and vehicles, net	15,344	15,129
Land	4,249	4,252
Other, net	13,440	11,807
Total property, plant and equipment	45,503	45,194
Intangible assets		
Software	25,734	25,491
Other	6,600	6,358
Total intangible assets	32,334	31,849
Investments and other assets		
Investment securities	6	6
Other	10,651	10,595
Allowance for doubtful accounts	(206)	(208)
Total investments and other assets	10,451	10,393
Total non-current assets	88,289	87,437
Total assets	264,684	259,187

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,448	15,864
Accounts payable - other	9,961	6,127
Income taxes payable	2,658	1,154
Provision for bonuses	2,463	1,536
Provision for directors' bonuses	30	7
Other	8,029	9,332
Total current liabilities	40,592	34,023
Long-term liabilities		
Liability for retirement benefits	6,008	6,203
Other	6,454	6,089
Total long-term liabilities	12,462	12,292
Total liabilities	53,054	46,316
Net assets		
Shareholders' equity		
Common stock	13,231	13,232
Capital surplus	23,586	23,588
Retained earnings	177,317	178,365
Treasury stock	(78)	(78)
Total shareholders' equity	214,057	215,107
Accumulated other comprehensive income		
Foreign currency translation adjustments	(4,455)	(4,420)
Defined retirement benefit plans	(88)	(84)
Total accumulated other comprehensive income	(4,543)	(4,504)
Stock acquisition rights	1,560	1,711
Non-controlling interests	555	555
Total net assets	211,630	212,871
Total liabilities and net assets	264,684	259,187

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
For the Three Months Ended June 30, 2020 and 2019

(Millions of yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Net sales	79,042	70,481
Cost of sales	45,514	40,778
Gross profit	33,527	29,703
Selling, general and administrative expenses	27,682	25,543
Operating income	5,845	4,159
Non-operating income		
Interest income	68	77
Miscellaneous income	74	93
Total non-operating income	142	170
Non-operating expenses		
Sales discounts	19	16
Foreign exchange losses	134	128
Miscellaneous loss	51	60
Total non-operating expenses	205	205
Ordinary income	5,783	4,124
Income before income taxes	5,783	4,124
Income taxes	1,458	1,066
Net income	4,324	3,058
Net income attributable to non-controlling interests	12	11
Net income attributable to owners of parent	4,311	3,046

Quarterly Consolidated Statement of Comprehensive Income
For the Three Months Ended June 30, 2020 and 2019

(Millions of yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Net income	4,324	3,058
Other comprehensive income (loss)		
Foreign currency translation adjustments	(3,676)	32
Defined retirement benefit plans	3	4
Share of other comprehensive income (loss) in associates	2	(2)
Total other comprehensive income (loss)	(3,670)	33
Comprehensive income	653	3,091
Comprehensive income attributable to		
Owners of parent	657	3,085
Non-controlling interests	(3)	6

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Cash flows from operating activities		
Income before income taxes	5,783	4,124
Depreciation and amortization	3,007	3,633
Increase (decrease) in liability for retirement benefits	194	192
Increase (decrease) in provision for bonuses	(848)	(926)
Increase (decrease) in provision for directors' bonuses	(30)	(22)
Increase (decrease) in allowance for doubtful accounts	38	68
Interest and dividend income	(68)	(77)
Interest expenses	26	14
Share-based compensation expenses	144	152
Foreign exchange (gains) losses	(56)	23
Share of (profit) loss of entities accounted for using equity method	(15)	(6)
(Increase) decrease in notes and accounts receivable - trade	1,334	4,431
(Increase) decrease in inventories	(1,635)	(1,896)
(Increase) decrease in consumption taxes refund receivable	(413)	(150)
Increase (decrease) in notes and accounts payable - trade	(1,346)	(1,732)
Increase (decrease) in accounts payable - other	(612)	(1,467)
(Increase) decrease in other assets	214	(1,232)
Increase (decrease) in other liabilities	13	678
Subtotal	5,730	5,805
Interest and dividend income received	75	86
Interest expenses paid	(26)	(14)
Income taxes refund	—	115
Income taxes paid	(1,920)	(2,528)
Net cash provided by operating activities	3,859	3,465
Cash flows from investing activities		
Purchase of fixed assets	(5,775)	(4,165)
Proceeds from sales of fixed assets	5	0
Payments into time deposits	(2,723)	(525)
Refund from time deposits	7,889	7,427
Payments for lease and guarantee deposits	(200)	(211)
Proceeds from collection of lease and guarantee deposits	30	40
Other, net	(0)	(21)
Net cash provided by (used in) investing activities	(773)	2,545
Cash flows from financing activities		
Proceeds from issuance of stock	0	2
Dividends paid	(3,117)	(1,998)
Repayments of lease obligations	(341)	(520)
Other, net	—	(0)
Net cash used in financing activities	(3,458)	(2,516)
Effect of exchange rate change on cash and cash equivalents	(1,060)	151
Net increase (decrease) in cash and cash equivalents	(1,432)	3,644
Cash and cash equivalents at beginning of period	41,753	44,439
Cash and cash equivalents at end of period	40,320	48,084

(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)

Not applicable

(Additional information)

(Application of tax effect accounting relating to the transition from the consolidated taxation system to the group tax sharing system)

Regarding items that have been transitioned to a group tax sharing system established under the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8 of 2020), and for which a revision of the non-consolidated taxation system has been carried out pursuant to this transition, the Company and its consolidated subsidiaries in Japan have not applied the provisions in paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), in accordance with the treatment prescribed in paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No.39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities for these items are based on taxation law as it was before the amendment.

(Accounting estimates in view of the spread of COVID-19)

The spread of COVID-19 is affecting investment demand in the manufacturing industry and customers' operations. Accounting estimates, including inventory valuation, impairment accounting for non-current assets, and recoverability of deferred tax assets, have been calculated based on assumptions that business condition of global manufacturing industries bottoms out in the first quarter and expects a gradual recovery toward the second half of the fiscal year.

These assumptions do not factor in further deterioration to the business environment from occurring, such as the further spread of COVID-19 infection and other significant factors which may have huge impact, such as the timing of when the spread of infections ends and so on. Future results based on actual amounts may therefore differ from these estimates and assumptions.

(Segment information)

[Segment information]

For the three months ended June 30, 2019 (from April 1, 2019 to June 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	25,189	18,779	35,072	79,042	–	79,042
Internal sales to other segments	–	–	–	–	–	–
Total	25,189	18,779	35,072	79,042	–	79,042
Segment income	3,108	1,076	1,660	5,845	–	5,845

Segment income before amortization of goodwill*	3,108	1,229	1,660	5,998	–	5,998
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*(Note) Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

For the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

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	23,755	14,895	31,831	70,481	–	70,481
Internal sales to other segments	–	–	–	–	–	–
Total	23,755	14,895	31,831	70,481	–	70,481
Segment income	3,172	221	764	4,159	–	4,159

Segment income before amortization of goodwill*	3,172	372	764	4,310	–	4,310
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*(Note) Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

[Supplementary information]

For the three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
41,124	14,023	11,186	7,057	4,182	1,467	79,042

(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
15,788	8,616	8,208	3,125	8,168	43,907

For the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
35,847	14,449	9,590	5,960	3,247	1,386	70,481

(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
16,753	7,722	7,401	4,907	8,410	45,194