

MISUMI Group Inc. FY2018 consolidated financial results

-Record high sales for eight consecutive years despite the economic slowdown, upfront investments aimed at growth continued-

MISUMI Group Inc. announced its consolidated financial results for FY2018 (April 1, 2018- March 31, 2019) today. Major performance measures are as follows.

(Million yen)	FY2017	FY2018	YoY change
Net sales	312,969	331,936	+6.1%
EBITDA*	36,465	32,490	-10.9%
Operating income	34,848	31,874	-8.5%
Net income	25,601	24,034	-6.1%
Earnings per share	91.01 yen	84.80 yen	

*Operating income before the amortization of goodwill and other intangible fixed assets associated with the acquisition of Dayton Lamina Corporation.

<Highlights of FY2018 consolidated financial results>

1. Consolidated net sales increased by 6.1% year-on-year, continued investments being deployed to fortify the business foundation

- The global economy trended towards deceleration during FY 2018. Sales of smartphones and automobiles were sluggish, in addition, appetite for capital investment in manufacturing industry waned due to prolonged US-China trade conflict. Business conditions were particularly weak in the second half, decelerating month after month. Also, in Japan, business climate similarly slowed down in response to deceleration of overseas demand and capital investments, which impacted 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. During this fiscal year, continued innovations of our business model were pursued to better adapt to the world's evolving "digital manufacturing". To further strengthen competitiveness, EC websites were revamped and optimized to meet local needs of respective countries and 3D CAD incorporated services were further enhanced. Also, while being cautious about some investments in response to declining demand, 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 offers high convenience to our customers, which led to customer number growth amid decelerating business conditions in the manufacturing industry. Along with accelerated global expansion of the VONA business, consolidated net sales exceeded on a year-on-year basis despite being slightly off projection. Consequently, consolidated net sales was ¥331.9 billion, 6.1% increase year-on-year (6.5% increase on a local currency basis), highest result for the 8th consecutive year. In terms of profit, thorough expense management was carried out in light of recent demand slowdown, while continued investments were deployed to accelerate further growth. Subsequently, operating income was ¥31.8 billion, (8.5% decrease year-on-year), and ordinary income was ¥31.8 billion, (8.3% decrease year-on-year). Net income attributable to owners of parent was ¥24.0 billion (6.1% decrease year-on-year).

2. VONA business continues to grow in Japan and overseas, FA business maintained growth driven by South East Asia and Europe

- Segment sales for FY2018 are shown in the table below.

	Net sales (million yen)		YoY change	
	FY2017	FY2018	Yen basis	Local currency basis
FA business	105,184	109,230	+3.8%	+4.2%
Die Components business	76,523	76,443	-0.1%	+0.6%
VONA business	131,262	146,262	+11.4%	+11.7%
Total	312,969	331,936	+6.1%	+6.5%

- In the FA business, we posted segment sales growth of 3.8% year-on-year. Despite being impacted by slowdown in capital investment demand such as in China and South Korea, growth was ensured by South East Asia and Europe, having permeated the advantages of reliable and quick delivery.
- In the Die components business, despite strong sales in South East Asia, business was almost flat year-on-year, due to a lower demand in the automotive industry within principal countries.
- In the VONA business, sales increased 11.4% year-on-year, attributable to sustained growth in the domestic market from strengthened product lineup, in addition to expansion in South East Asia.

3. Despite slowdown in China and South Korea, growth was driven by South East Asia and Europe, alongside contribution from market development in Mexico

- Regional sales breakdown for FY2018 was as follows.

	Net sales (million yen)		YoY change	
	FY2017	FY2018	Yen basis	Local currency basis
Japan	166,440	176,127	+5.8%	—
Overseas	146,528	155,809	+6.3%	+7.2%
China	56,872	56,837	-0.1%	+1.3%
Asia	42,315	47,849	+13.1%	+13.8%
United States	26,985	28,236	+4.6%	+4.8%
Europe	15,489	17,255	+11.4%	+12.3%
Other	4,865	5,630	+15.7%	+17.2%

- In Japan, sales increased by 5.8% year-on-year. This in part reflects our success in securing demand for automation and pursuing sales expansion in the VONA business.
- With respect to the overseas markets, sales increased 6.3% year-on-year, due to expansion of VONA business in South East Asia and growth of FA business in Europe.

4. Annual dividend payout is expected to be 21.20 yen

- MISUMI established its shareholder return policy by comprehensively taking into account various factors, including the expansion of its management structure, the strengthening of its balance sheet, and the enhancement of its capital efficiency, to realize sustainable growth and to improve its corporate value.
- As for dividends, we have set a payout ratio of 25% from the second half of the fiscal year ending March 2012, and we will continue to maintain this standard for the fiscal year ending March 2019.
- Accordingly, we plan to payout a year-end dividend per share of ¥10.99 (a decrease of 0.09 yen year-on-year) to reflect our earnings performance in FY2018. Combined with the interim dividend per share of ¥10.21, we plan to pay an annual dividend per share of ¥21.20 (a decrease of 1.40 yen year-on-year).

	Annual per-share dividend					
	Interim		Year-end		Annual total	
	Yen	Payout ratio	Yen	Payout ratio	Yen	Payout ratio
Previous forecast	—	—	10.52	25.0%	20.73	25.0%
Actual results this year	10.21	25.0%	10.99	25.0%	21.20	25.0%
Actual results previous year	11.52	25.0%	11.08	25.0%	22.60	25.0%

5. Consolidated net sales for the fiscal year ending March 31, 2020 expected to post record high for the ninth consecutive year, with continued upfront investments being deployed

- In the fiscal year ending March 31, 2020, while business conditions within the global manufacturing industry remain unclear, MISUMI expects sales to post record high for nine consecutive years as a result of continuing the growth driven by VONA business's global expansion and leveraging our strength in reliable quick delivery to increase both customer numbers and customers' demand. Also, upfront investments geared for business model innovation adapted to digital manufacturing will continue. Profit increase is anticipated through efforts of cost reduction in production and procurement in response to current decline in demand.

FY2019 (April 1, 2019-March 31, 20) consolidated earnings forecast

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Million yen	Million yen	Million yen	Million yen	yen
Full year forecast	355,000	35,400	35,200	25,900	91.32
FY2018 results	331,936	31,874	31,815	24,034	84.80
Change	6.9%	11.1%	10.6%	7.8%	—

[Notes regarding forward-looking statements]

The outlook for the fiscal year ending March 31, 2020 and the forward-looking statements in this document have been prepared on the basis of information available at the time of preparation. This includes the domestic and foreign economic climate, changes in foreign exchange rates for various currencies, and other factors that may affect business performance, that have been determined to be reasonable by MISUMI Group Inc. as well as risks and uncertainties. In light of this, please refrain from making investment decisions solely on the basis of this outlook. Actual business performance may differ greatly from this outlook due to various factors that affect MISUMI Group Inc., including economic climate, market trends and exchange rates.

Please refer to our quarterly earnings results report for details on consolidated earnings results for the fiscal year ending March 31, 2019.

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