

## MISUMI Group Inc. FY2019 first half consolidated financial results

**~Sales and profits declined due to sluggish manufacturing industry impacted by global trade recession, continuous execution of carefully selected investments essential for sustainable growth~**

MISUMI Group Inc. announced its consolidated financial results for the first half period of FY2019 (April 1, 2019- September 30, 2019) today. Major performance measures are as follows.

| (Million yen)      | FY2018 first half | <b>FY2019 first half</b> | YoY change |
|--------------------|-------------------|--------------------------|------------|
| Net sales          | 166,668           | <b>157,133</b>           | -5.7%      |
| EBITDA*            | 16,202            | <b>12,040</b>            | -25.7%     |
| Operating income   | 15,896            | <b>11,737</b>            | -26.2%     |
| Net income         | 11,573            | <b>8,510</b>             | -26.5%     |
| Earnings per share | 40.84 yen         | <b>30.00 yen</b>         |            |

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

### < Highlights of FY2019 first half consolidated financial results >

#### 1. Consolidated net sales decreased 5.7% year-on-year. Based on future demand trends, carefully selected investments essential for sustainable growth were carried out

- 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 ¥157.1 billion, a decrease of 5.7% year-on-year (3.9% decrease on a local currency basis). 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 ¥11.7 billion, (26.2% decrease year-on-year), and ordinary income was ¥11.5 billion, (27.6% decrease year-on-year). Net income attributable to owners of parent was ¥8.5 billion (26.5% decrease year-on-year).

## 2. Sales decreased within each business segment owing to sluggish demand in the manufacturing industry

- Segment sales for FY2019 first half are shown in the table below.

|                            | Net sales (million yen) |                              | YoY change |                            |
|----------------------------|-------------------------|------------------------------|------------|----------------------------|
|                            | FY2018<br>first half    | <b>FY2019<br/>first half</b> | Yen basis  | Local<br>currency<br>basis |
| FA business                | 56,068                  | <b>49,836</b>                | -11.1%     | -9.2%                      |
| Die Components<br>business | 38,494                  | <b>37,257</b>                | -3.2%      | -0.8%                      |
| VONA business              | 72,105                  | <b>70,038</b>                | -2.9%      | -1.4%                      |
| Total                      | 166,668                 | <b>157,133</b>               | -5.7%      | -3.9%                      |

- 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 a 11.1% decrease year-on-year in net sales.
- Despite generally steady sales activities in Southeast Asia, sales in the Die components business decreased by 3.2% year-on-year due to worsening market conditions in the automotive industry within principal countries, such as China.
- In the VONA business, expanding product lineup 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. Net sales decreased by 2.9% year-on-year.

### 3. Sales in the Americas increased year-on-year, but sluggishness remained in other regions

- Regional break down of sales for FY 2019 first half was as follows.

|               | Net sales (million yen) |                   | YoY change |                      |
|---------------|-------------------------|-------------------|------------|----------------------|
|               | FY2018 first half       | FY2019 first half | Yen basis  | Local currency basis |
| Japan         | 85,461                  | <b>83,088</b>     | -2.8%      | —                    |
| Overseas      | 81,207                  | <b>74,045</b>     | -8.8%      | -5.1%                |
| China         | 30,933                  | <b>26,840</b>     | -13.2%     | -8.2%                |
| Asia          | 25,409                  | <b>22,274</b>     | -12.3%     | -9.5%                |
| United States | 13,496                  | <b>13,946</b>     | +3.3%      | +4.4%                |
| Europe        | 8,633                   | <b>8,143</b>      | -5.7%      | +0.8%                |
| Other         | 2,734                   | <b>2,840</b>      | +3.9%      | +6.2%                |

- In Japan, FA and VONA business decelerated due to sluggish capital investment demand, sales decreased 2.8% year-on-year.
- In the overseas markets, sales growth maintained in the Americas, but remained weak in all other regions, resulting in a 8.8% decrease year-on-year.

### 4. Interim dividend per share to be ¥7.51, a decrease of ¥2.70 year-on-year

- 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.
- With respect to dividends, our payout ratio is set at 25%. In light of this, we paid out an interim dividend per share of ¥7.51, a decrease of ¥2.70 compared to a year earlier.
- We revised our year-end dividend forecast for FY2019. We now expect to payout ¥10.22 per share (a decrease of ¥0.77 year-on-year), which is ¥3.01 lower than our previous forecast.

|                                   | Dividend per share on an annual basis |           |           |
|-----------------------------------|---------------------------------------|-----------|-----------|
|                                   | Interim                               | Year-end  | Total     |
| Previous forecast                 | 9.61 yen                              | 13.23 yen | 22.84 yen |
| Payout ratio                      | 25.0%                                 | 25.0%     | 25.0%     |
| Revised forecast                  | -                                     | 10.22 yen | 17.73 yen |
| Payout ratio                      | -                                     | 25.0%     | 25.0%     |
| FY2019 interim per-share dividend | 7.51 yen                              | -         | -         |
| FY2018 interim per-share dividend | 10.21 yen                             | 10.99 yen | 21.20 yen |
| Payout ratio                      | 25.0%                                 | 25.0%     | 25.0%     |

## 5. Revisions to our consolidated earnings forecast for FY2019

- We revised the full-year consolidated earnings forecast released on May 9, 2019 as shown below.

### FY2019 (April 1, 2019-March 31, 2020) consolidated earnings forecast

|                         | Net sales   | Operating income | Ordinary income | Net income  | Earnings per share |
|-------------------------|-------------|------------------|-----------------|-------------|--------------------|
|                         | Million yen | Million yen      | Million yen     | Million yen | Yen                |
| Previous Forecast (A)   | 355,000     | 35,400           | 35,200          | 25,900      | 91.32              |
| Revised forecast (B)    | 326,500     | 27,700           | 27,300          | 20,100      | 70.86              |
| Difference (B-A)        | -28,500     | -7,700           | -7,900          | -5,800      | —                  |
| Ratio of difference (%) | -8.0%       | -21.8%           | -22.4%          | -22.4%      | —                  |
| FY2018 results          | 331,936     | 31,874           | 31,815          | 24,034      | 84.80              |

#### [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 first half of the fiscal year ending March 31, 2020.

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