

## Value Creation Process


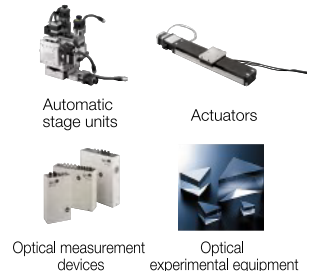
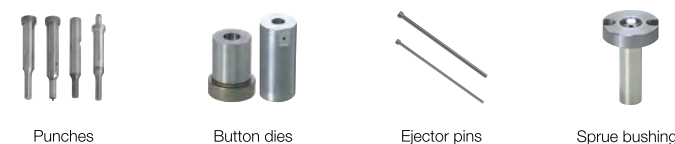

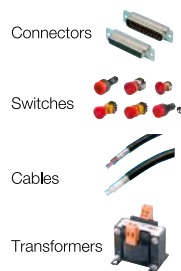
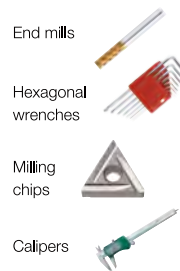

MISUMI is a company dedicated to provide Time Value to customers. As a leader driving the Digital MODEL Shift, we are continuously advancing the MISUMI MODEL to create new “Time Value.” We believe that enhancing our Customers’ Time Value will contribute to the development of both industry and society.



\*1 MTO (Make To Order) \*2 Dayton Lamina Corporation

## Business Portfolio

MISUMI is comprised of 3 business segments: the FA Business, Die Components Business, both of which are manufacturing businesses, and the VONA Business, which is a distribution business. In order to promptly meet the varying needs of customers in the Industrial Automation (IA) industry across different regions, we are committed to offering an extensive product lineup and continually strengthening our product assortment.

Business Segments		Main Products Handled	Breakdown of Net Sales/Operating Income
Manufacturing Business	<b>FA Business</b> We develop, produce, and sell precision machine parts used in manufacturing equipment and production automation machinery.	<b>FA standardized mechanical components</b>  <b>Positioning devices &amp; measuring equipment (OST* Business)</b> 	<p>Figures are rounded down to the nearest 100 million yen</p> <p><b>For the Fiscal Year Ended March 31, 2024</b></p> <p><b>Net Sales</b> <b>¥367.6 billion</b></p> <p>VONA Business ¥169.4 billion 46.1%</p> <p>FA Business ¥118.2 billion 32.2%</p> <p>Die Components Business ¥79.9 billion 21.7%</p>
	<b>Die Components Business</b> We develop, produce, and sell precision components and standardized components used in the manufacturing of dies and molds for mass-producing press parts and resin-molded parts.	<b>Standardized metal press/ plastic mold components</b> 	
Distribution Business	<b>VONA Business</b> This is our distribution business offering a broad range of products from automation-related manufacturing components to consumables, including those manufactured by other companies. In addition to MISUMI brand products, over 3,000 global manufacturers participate.	<b>Mechanical components/ Screws, bolts, washers and nuts</b>  <b>Wiring, control and PC components</b>  <b>Cutting tools and components for production machining</b>  <b>Packaging and logistics storage supplies/ Safety protection, environmental hygiene, and office supplies</b> 	<p><b>Fiscal Year Ended March 31, 2024</b></p> <p><b>Operating Income</b> <b>¥38.3 billion</b></p> <p>VONA Business ¥14.1 billion 36.8%</p> <p>FA Business ¥15.0 billion 39.4%</p> <p>Die Components Business ¥9.1 billion 23.8%</p>

\*OST: Optical & Scientific Technology

## Strengths of our Business MODEL

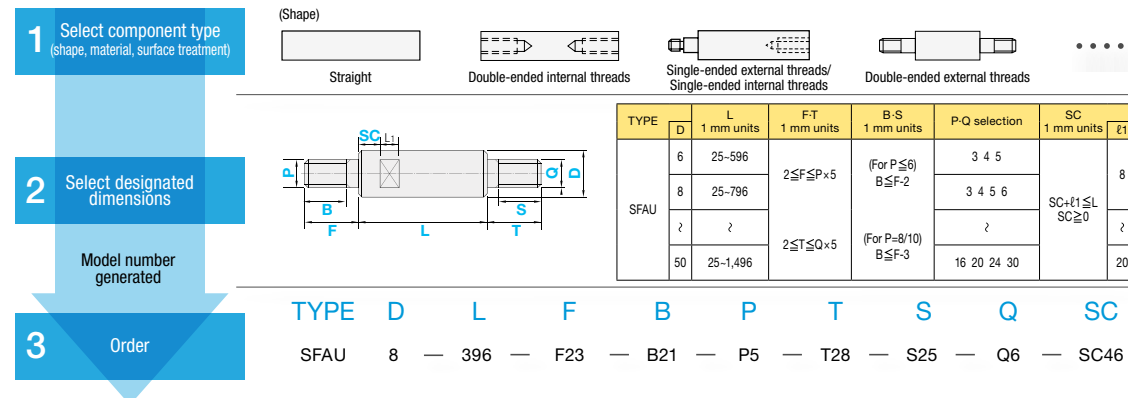
### Manufacturing Business

#### 1. Fundamental Reform of Parts Procurement through “Standardization”

##### Realizing Considerable Time Savings through MTO (Make To Order)

Each machine part is a unique design that requires a customised drawing, quotation and order placement with multiple parts processing manufacturers for that part. MISUMI's catalog “standardizes” what are normally considered custom parts by allowing customers to place an order by selecting dimensions and specifications from the parts list. Ordering by model number, without the need for drawings, has helped to save our customers considerable time in procuring parts.

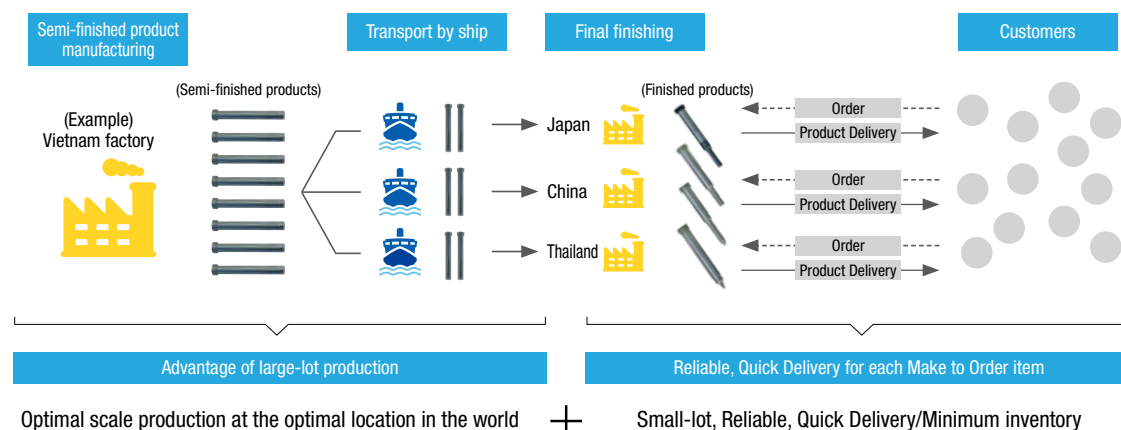
#### Procedure for Ordering Components from MISUMI Catalogs



#### 2. Harmonizing Two Contradictory Competitive Advantages

##### Achieving 80 Sextillion (80 billion times 1 trillion) Product Variations and Low Costs with Reliable, Quick Delivery

With customers able to specify the size of parts in microns, MISUMI offers 80 sextillion (80 billion times 1 trillion) product items. Notwithstanding the extensive variety of 80 sextillion product variations that MISUMI offers, our success in minimizing inventory and ensuring Reliable, Quick Delivery is anchored in our use of “semi-finished products.” We mass-produce these semi-finished products at factories in Vietnam and other locations and perform the final finishing at the factory closest to the consumption area based on customer orders, ensuring Reliable, Quick Delivery for each Make to Order item. As a result, we have achieved low costs as well as reliable and quick delivery.



## Strengths of our Business MODEL

## Distribution Business: VONA (Variation &amp; One-stop by New Alliance)

## 1. Realizing One-Stop Shopping for Automation-Related Manufacturing Components

The VONA Business was launched as a platform to globally connect customers' needs to an efficient one-stop shop for various products and manufacturers' need, looking to expand their sales channels beyond their own sales network as suppliers. As a result of our efforts, to strengthen the supply network, approximately 3,000 manufacturers from various industries now participate in the platform.

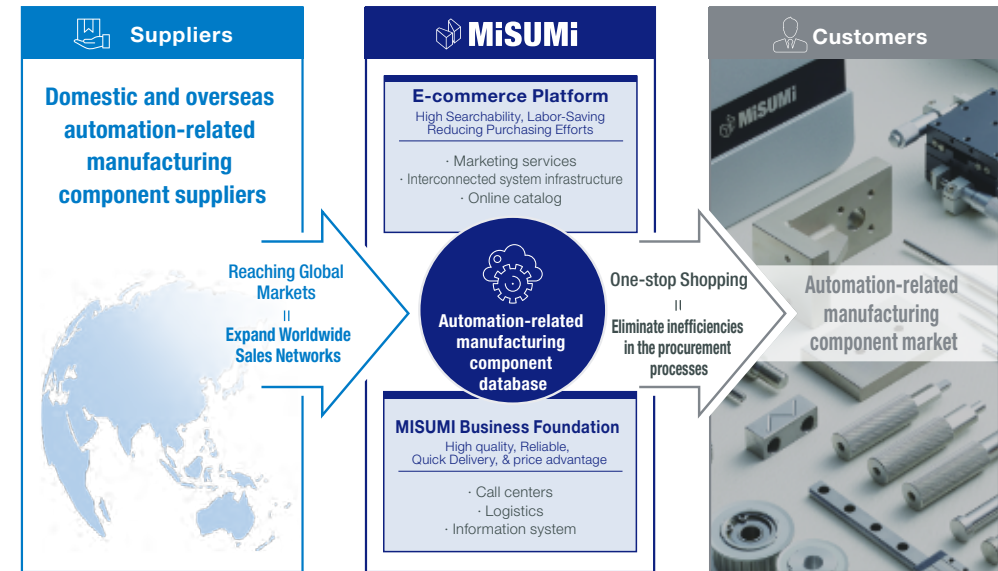
## 2. One of the Largest Lineups in the Industry with Over 30 million Products

In addition to MISUMI-branded products, the VONA Business is a platform for third-party products, including tools, gloves, and other manufacturing auxiliary materials and consumables used in production and automation sites. We handle over 30 million products, boasting the largest scale of product lineups for the manufacturing and automation industries.

To help realize the vision embodied in our brand name VONA (Variation and One-stop by New Alliance) we will continue to strengthen the brands and product lineups, aiming to expand our business globally.

## 3. Digital Order Rates Over 90%

With our e-Commerce platform, we provide a high level of convenience in product searches and selection, such as being able to narrow down cross-sectional searches from an extensive product lineup. Additionally, orders can be directly placed from a customer's bill of materials, greatly reducing the time and effort for quotations and placing orders. As a result of the online order convenience praised by customers, our digital order rates in Japan are now above 90%.



## Variation &amp; One-stop by New Alliance

MISUMI-branded products



Third-party products



Tools and consumables





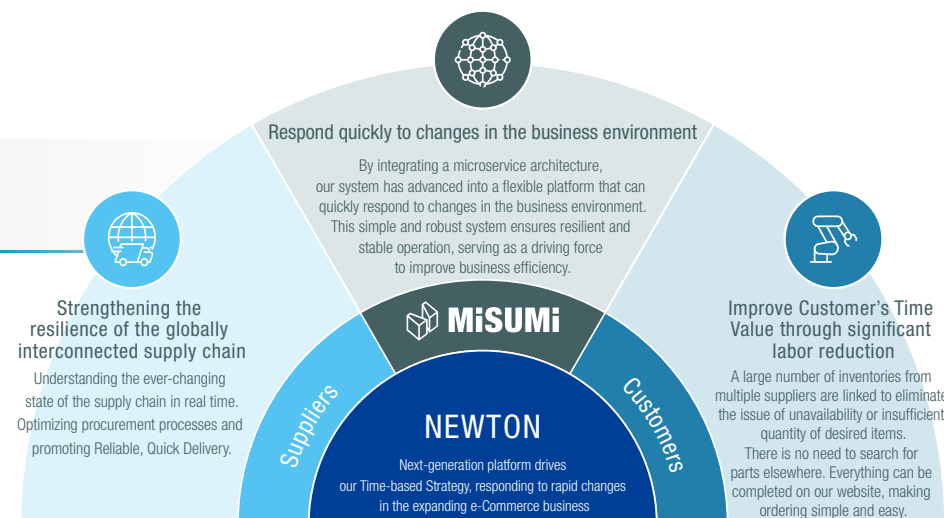
## Strengths of our Business MODEL

## Business Foundation: IT, Production, and Logistics

## IT

Accelerating MISUMI MODEL Innovation through Core System  
NEWTON Governing Our Time-based Strategy

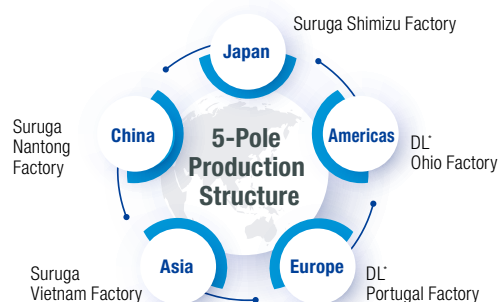
MISUMI has positioned the fortification of its IT infrastructure as essential for sustainable growth and is actively working on IT-related investments. In FY2021, we started the implementation of NEWTON, an advanced IT infrastructure, which is at the heart of the MISUMI Business MODEL and have been actively strengthening it. NEWTON is a system that ensures flexibility to respond promptly to changes in the business environment by adopting the latest multi-cloud technologies and integrating microservice architecture into our ordering system. On the strength of this foundation, we aim to develop more innovative services and improve efficiencies to realize the thorough elimination of inefficiencies for Industrial Automation (IA) industry customers. We will continue to incorporate the most appropriate advanced technologies to further fortify our IT infrastructure.



## Production

## Thorough Pursuit of "Time Value" with In-house Developed Machinery: a 5-Pole Global Production Structure

In 2005, we merged with Suruga Seiki Co., Ltd., which at the time was one of our largest partner manufacturers to have manufacturing functions within our Group allowing us to accelerate our full-scale global expansion and production innovation activities. We have thoroughly refined our unique production method MPS (MISUMI Production System), dramatically shortening lead times. By rolling this out not only in Japan but also overseas, we have advanced into a Global 5-Pole Production Structure. This system ensures Reliable, Quick Delivery of products by manufacturing at the factory closest to the customer, which allows us to switch production factories immediately in case of emergency, raising the level of supply assurance to our customers.



\*Dayton Lamina Corporation

## Logistics

## Leveraging Automation to Dramatically Improve Productivity

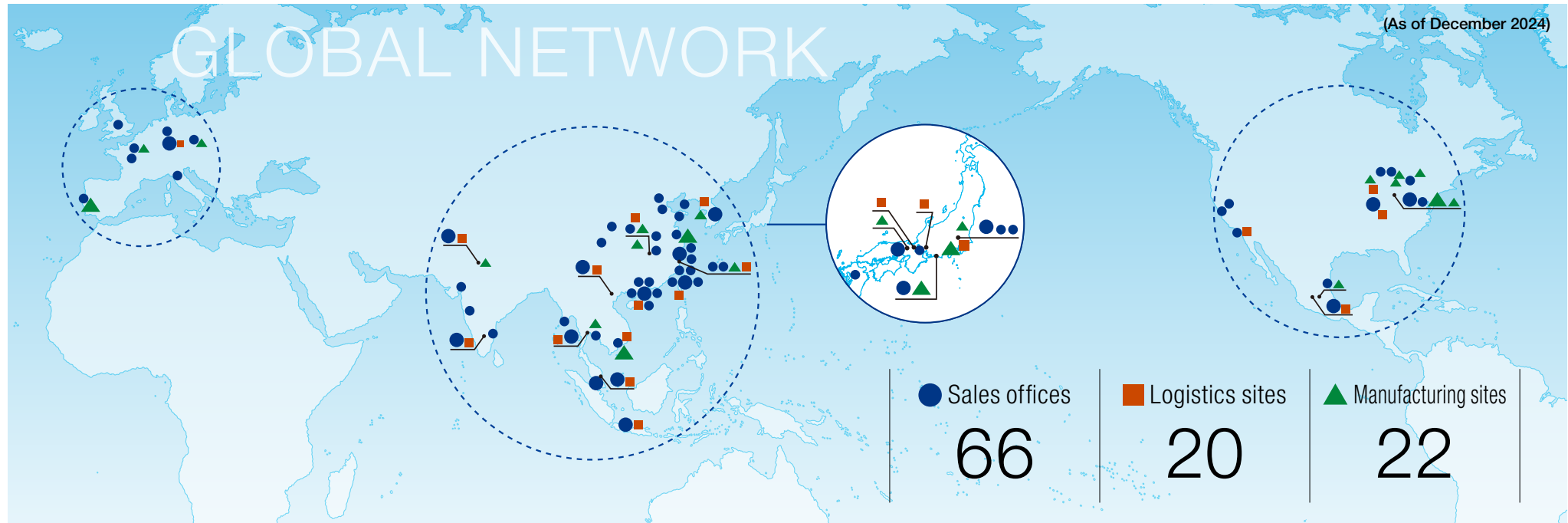
MISUMI boasts an on-time delivery rate of over 99.7%. This is the Reliable, Quick Delivery promised by MISUMI. MISUMI is greatly improving productivity through reform of global logistics operations and the use of automation in various countries as we build a more stable supply system. In 2019, we established the Central Japan Distribution Center and also introduced state-of-the-art automated operations, creating a new logistics MODEL for global expansion. By introducing automation and operational innovation, we have achieved a 50%-plus increase in productivity and an even higher level of Reliable, Quick Delivery. We will expand our MODEL globally, aiming to strengthen our Logistics Infrastructure.



Central Japan (Aichi Prefecture)

## Global Network

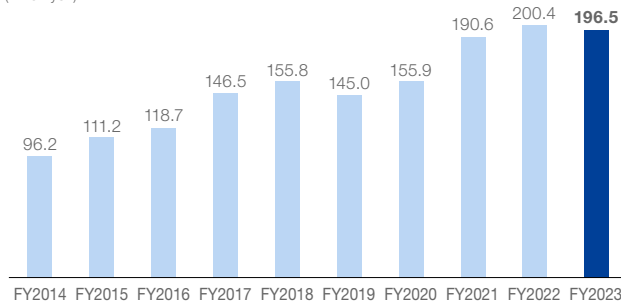
We have established a globally Reliable, Quick Delivery structure that realizes greater competitiveness and a stable supply of products, through global business expansion through sales offices, logistics sites, and manufacturing sites in various countries, with a focus on Asia, the Americas, and Europe. Since 2002, we have expanded our overseas sites in efforts to drive acceleration of our overseas strategy, and as a result, overseas sales now comprise 53% of sales.



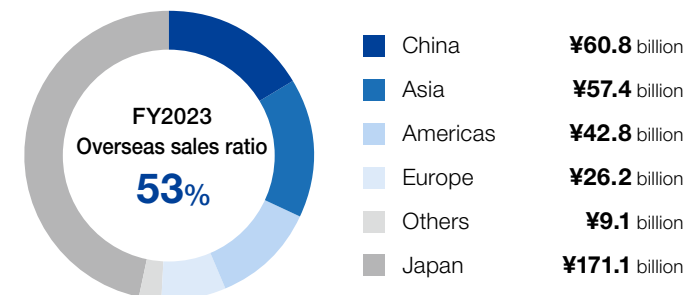
### Overseas Sales



(Billion yen)



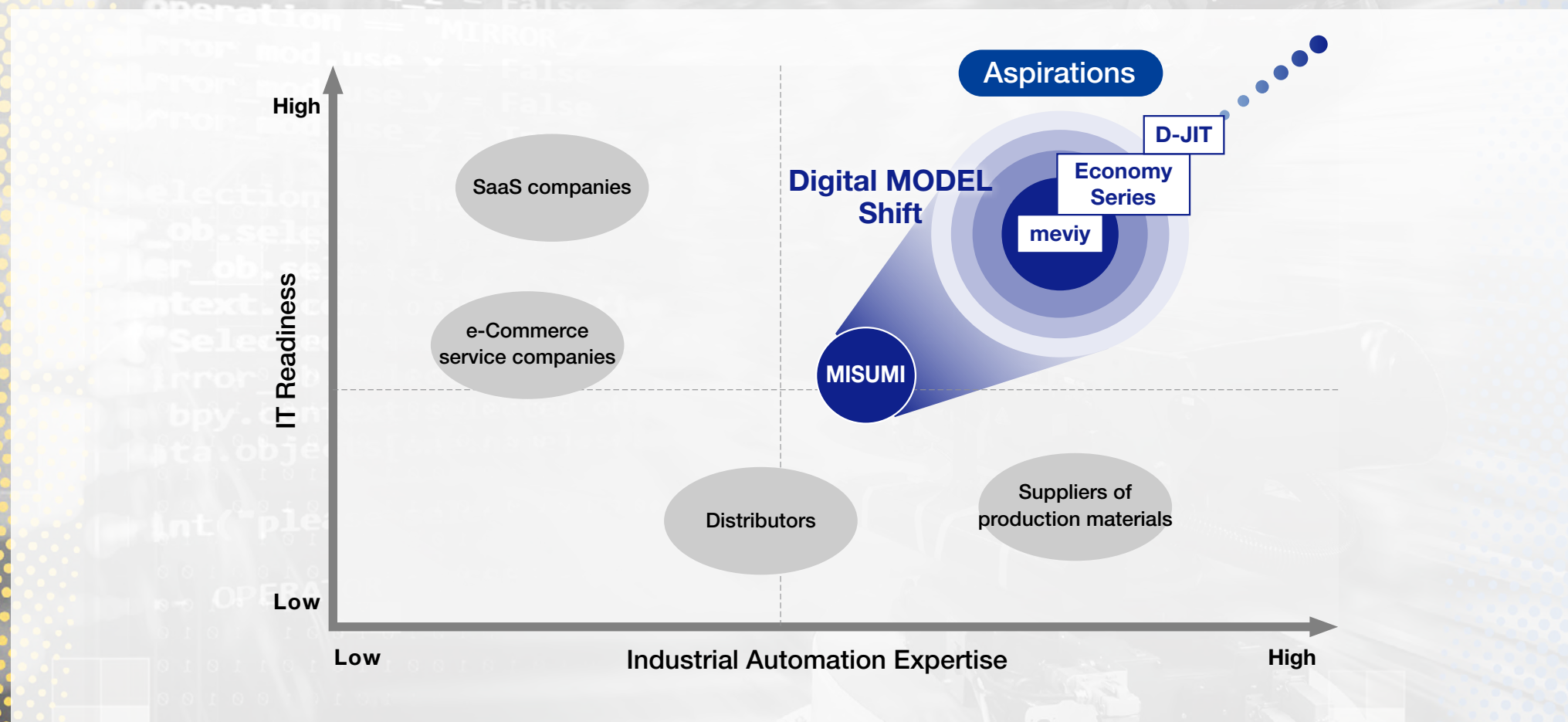
### Breakdown by Region



## Path Towards Innovation: Digital MODEL Shift

In addition to responding to increasingly diverse automation-related customer needs on a global basis, MISUMI is pursuing a Digital MODEL Shift in order to strengthen its own competitiveness. Based on the market environment that the Company operates, we consider “IT readiness” and “Industrial Automation expertise” to be the most important two indicators for MISUMI. By combining these two factors, the chart below shows the position for each related company.

It is often thought that market changes brought about by digitalization have recently progressed rapidly, but our Company have focused on the Digital Shift in our Business MODEL and have released a series of new products and services appropriate for this shift. Following the first initiative “meviy,” we released the second initiative “Economy Series,” and the third initiative “D-JIT,” each of these has been highly regarded by customers as our unique measures. We will continue to develop new business, with the fourth and fifth initiatives while promptly capturing the ever-changing needs of society and our customers.





## Digital Services Innovation

To meet the world's diverse automation needs, we are continuously strengthening the expansion of our products and services that actively utilizes digital technology.

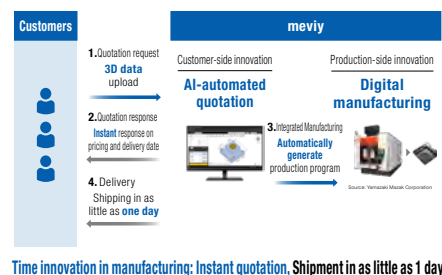
### Digital MODEL Shift

#### #1 meviy



##### AI Platform for Machine Parts Procurement

This service uses AI to provide instant and automatic quotations just by uploading 3D data online, and by integrating manufacturing data to production, machine parts can be shipped in as little as one day. In addition to product enhancements and acceleration of the global expansion, in September 2024 we released a marketplace that supports procurement of all types of machine parts.



#### RAPiD Design



3D data library software for components used in automation device and equipment. It significantly reduces complicated tasks by completing everything from design to quotations in CAD.

#### MISUMI FRAMES



Installable software that allows even those who have never operated CAD to design aluminum frame enclosures as if they were drawing. Considerably reduces inefficiencies from design to order placement.



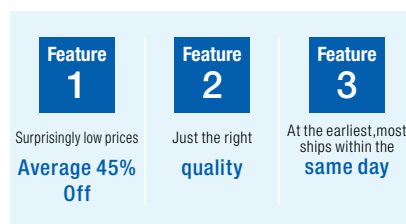
**3D CAD Integrated Services**  
Accelerating Our Response to Digital Manufacturing

#### #2 Economy Series



##### By Responding to Mid-range Demand; Price Competitiveness is a Strength

A series of products designed to meet the demand of the mid-range market, which balances the right quality for a low price. By revising specifications and manufacturing methods, we have achieved an average of 45% reduction in prices compared with our conventional products. Usage is expanding in Japan, China and Asia, and is being promoted with differentiation based on customer demand in each region.

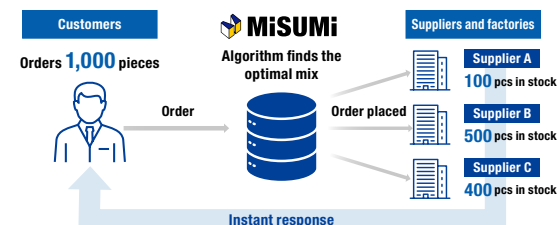


#### #3 D-JIT



##### "Even for Larger Quantities, Trust MISUMI" — Meeting Customer Quantity Needs with a "Dynamic" Supply Structure

This service enables one-click ordering of large quantities of manufacturing components. Inventories, previously shrouded in poor transparency for location and quantities, are now visible thanks to our unique cyber network. Abilities to supply products have improved substantially.



#### NEWTON

A Core System that Flexibly Adapts to Environmental Changes and Accelerates the Time-based Strategy



## Digital MODEL Strategy Message from the CIO

### Digital Innovation Accelerating Growth Chain-reaction Aspired Management



#### Arata Shimizu

Senior Executive Director and CIO  
Representative Corporate Officer,  
Digital Transformation System Platform and  
Representative Corporate Officer,  
SCM Operation Platform

#### Position of DX (Digital Transformation) at MISUMI

Since our founding, MISUMI has aimed to create Customer's Time Value in the B2B market and has pioneered new services to the market by incorporating leading technology. For instance, over 30 years ago, we attempted to launch "meviy" as a service to convert CAD/CAM data for molds into EDI via a public network. However, due to the slow speed of network environments at the time, which resulted in several hours of data transmission, the service did not gain traction due to its limited convenience. Yet, with the advancement of digital technology, we have successfully realized new services and innovated our Business MODEL.

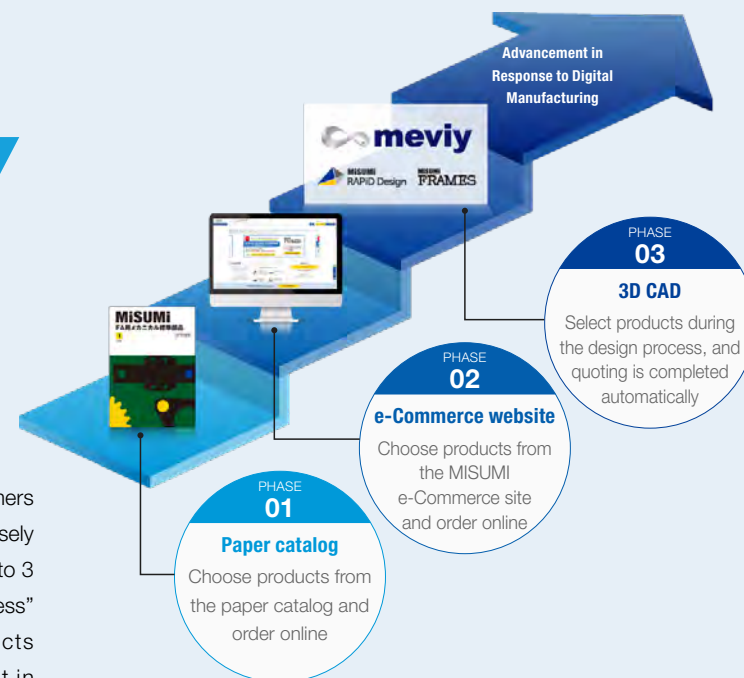
In this way, employees dedicated to advancing our MODEL uncover new insights into Time Value creation for our manufacturing customers, leveraging digital technology to develop innovative services. This process is essential for our sustainable growth. For MISUMI, having embraced technology and pursued new innovation since its founding, DX is seen as a catalyst to accelerate Growth Chain-reaction Aspired Management.

#### MISUMI MODEL Innovated with Digital Technologies

Our business is centered on "delivering the products our customers need in a timely manner;" thus, we have always strived to "closely aligning with their needs." When breaking down our business into 3 elements — "Products," "Sales Channels," and "Delivery Process" — we offer over 30 million products, 80 sextillion products with variations in sizes, demonstrating our achievement in standardization. Our "Sales Channels" have advanced from product catalogs to e-Commerce sites and now to CAD design interfaces (meviy and RAPID Design), while in the "Delivery Process," we have achieved a 99.7% on-time delivery rate within 2 standard days, even for make-to-order products. These continuous innovations through digital technology demonstrate how we have utilized DX to advance our Business MODEL to "align with customer needs," making DX an indispensable strategy for achieving this goal.

In September 2024, we furthered this approach by launching one of Japan's largest manufacturing marketplaces, expanding the meviy service to connect customers and suppliers, bridging demand and supply.

We aim to further accelerate DX, advancing our MODEL as a Platform Company to "align with the needs of our customers and suppliers." By developing new services that better meet the needs



of our customers and connecting these to suppliers and our factories, we will strive to enhance speed and automation across the entire value chain, contributing to the Industrial Automation (IA) industry and society. This is the Digital MODEL Shift that MISUMI is striving for.

#### DX Promotion Structure and Governance

In advancing our DX strategy, we have established the following:

##### ● Approval of DX investments—System Investment Committee

All DX-related investments at MISUMI undergo a process of deliberation and approval by the System Investment Committee, chaired by the CIO. Expectations and effects are quantitatively determined following a specified format. The committee evaluates the NPV (amount) over 5- and 7-year periods, investment efficiency

## Digital MODEL Strategy Message from the CIO

through IRR(%), the cash flow payback period (years), and operating income payback period (years). The deliberation is conducted by the CIO, CFO, and business leaders from departments other than the proposing department. Following this review, major projects are submitted for approval to the Group Executive Officers Committee and the Group Board of Directors Meeting, as mandated by regulations.

#### ● Effectiveness Review — System Investment Evaluation Committee

Paired with the System Investment Committee is the System Investment Evaluation Committee, which comprises the same members but is chaired by the CFO. The evaluation process involves an initial review conducted 3 months post-implementation, followed by an interim evaluation, and a final evaluation upon the recovery of investments. These minimum of 3 evaluations are designed to measure and confirm investment effectiveness. For NEWTON, our largest core system investment, the expected first-year effects were assessed 3 months post-implementation and reported to the Group Board of Directors 6 months post-implementation.

#### ● Management of DX-related Project Progress

##### <Formulating Business Plans>

The starting point for DX-related projects is the formulation of the Business Plan. Through collaboration between business departments (vertical axis) and the technology department (horizontal axis), we explore ways to enhance the Customer's Time Value using new technologies and determine project themes. Subsequently, we form cross-functional teams, and the progress of these projects is monitored by the Group Executive Officers Meeting from the onset. Project implementation is carried out jointly by the business and technology departments.

##### <Utilizing DX in Management>

We independently integrate and analyze 5 primary data sources generated from business activities — core system data, e-Commerce data, VOC\*<sup>1</sup> from customer support, productivity data from production and logistics, and activity-based costing— to support daily activities of business departments and managerial decision-making. Specifically, we define operational indicators that lead to results metrics such as sales and financial performance, enabling visibility into business productivity, on-time delivery rates, cost efficiency, and claim rates at the business × region × operation unit level. VOC analysis identifies improvement challenges for each organization and is used to promote cross-organizational improvement activities. Additionally, improvements derived from VOC are published on our e-Commerce site under the title “MISUMI is Advancing!”

##### <Monitoring>

Each project has critical milestones designed into a progress rate indicator known as BNI (Bottleneck Indicator) from the start. These BNIs are managed weekly, and projects with a progress rate below 90% are reported to and discussed at the monthly Group Executive Officers Committee. For projects requiring special support, a separate framework is in place for discussions. Additionally, projects designated as prominent strategies (top-priority strategies), such as NEWTON and D-JIT, are reported to the President on a monthly basis.

##### <Reporting to the Group Board of Directors>

For projects that have reached their milestones set in their previous business execution reports, progress reports are submitted to the Group Board of Directors Meeting. Additionally, for NEWTON, our Back-end support system, we plan to roll it out to 13 regional subsidiaries over 3 years. Before implementing the system at each regional subsidiary, progress and developments are reported, and approval is obtained as part of the process.

##### Spreading the Word to Employees

The realization of MISUMI's “Growth Chain-reaction Aspired Management” relies on the initiatives of each employee. Employees are encouraged to “learn, think, and challenge one's self,” continuously challenging their personal growth while implementing the innovation of the MISUMI MODEL. All employees are expected to integrate knowledge acquisition and utilization of DX, essential for enhancing Customer's Time Value, into their work.

Based on this philosophy of “MISUMI Value's,” which applies to all group employees, MISUMI is committed to providing foundational knowledge and skills necessary for developing digital talent\*<sup>2</sup> and has adopted the comprehensive utilization of AI as a company-wide policy. [MISUMI's DX Organization and Digital Talent](#) **P.27**

##### Future Plans

As we continue to advance our DX, we recognize the importance of enhancing business transparency and sustainability. We are planning initiatives to promote data-driven understanding and management of business realities, alongside efforts to improve efficiency and automation. By leveraging new digital technologies, including AI, we aim to achieve sustainable growth.

In our DX projects, we aim not only to improve profitability on the P&L but also to enhance capital efficiency by advancing business initiatives that consider free cash flow.

Furthermore, to foster digital talent, we plan to augment our courses that teach business and managerial thinking with training on utilizing digital technologies. This will help us develop digital talent capable of considering both “business and digital” aspects.

\*1 Voice of Customer

\*2 Digital Talent: Personnel responsible for advancing DX

## Digital MODEL Strategy Creating New Businesses



## To Create Time Value in the Various Domains in the Engineering Chain with meviy at the Core



Mitsunobu Yoshida

Senior Corporate Officer and  
President, ID Business Company

### meviy Realizing Time Creation in Procurement for Manufacturers

#### ● Background of Development

Japan's manufacturing industry is a core industry accounting for 20% of the nation's GDP. Compared with other countries, Japan's manufacturing industry has a significantly higher number of products with a global share of over 60%, indicating that the industry is highly competitive internationally. However, in recent years, in addition to the decline in the working-age population, there has been a sharp reduction in the total number of hours worked as a result of legislation that was introduced to address work-life balance of employees, which presents a challenge to maximize output with shorter working hours – in other words, a paradigm shift is required to survive in the face of fierce global competition.

Amid the need for improved productivity through DX as a fundamental measure in solving issues, we have developed “meviy” to create time, especially in the procurement area, within the engineering chain of design→procurement→manufacturing→sales.

#### ● Impact of meviy

In the engineering chain, digitalization has advanced in many forms, such as with 3D CAD and CAE for design, automation of factories

with robots for manufacturing, and e-Commerce sites for sales. However, progress in procurement process has been slow. For example, ordering 1,500 parts for factory equipment can take up to 1,000 hours to create paper drawings and wait for parts to arrive. Even though 3D data is created in the design phase, it is transferred to paper in the procurement phase and faxed to multiple companies for estimates. To put this in perspective for the entire Japanese manufacturing industry, a massive 380 million hours are wasted in procurement alone.\*1

With meviy, once the part's design data (3D CAD data) is uploaded, AI immediately responds with the price and delivery date. With the adoption of digital manufacturing in production, meviy has made it possible to ship in as little as one day. The 1,000

hours of work mentioned above can be completed in 80 hours with meviy, resulting in 92% (920 hours) time savings for customers.

meviy's contribution to productivity gains in the procurement of machine parts has been highly regarded, and in 2023, the development group was awarded the Prime Minister's Prize at the Ninth Monodzukuri Nippon Grand Awards, the most prestigious accolade in Japan's manufacturing industry. It was highly praised for significant contribution in addressing the labor shortage issue, plaguing Japan's manufacturing industry. The number of users are increasing each year and meviy has achieved the top market share\*2 for four consecutive years. As of November 2024, the number of users exceeded 170,000 with design data uploads for over 30 million uploads.

#### ● The World We're Aiming for with meviy

Through meviy, MISUMI provides not only parts but offer Time Value. By creating and providing time, which is the most valuable asset in Japan's labor-scarce manufacturing industry, manufacturers can devote themselves to more creative work that can only be performed by humans. As a result, even better products and services can be created, leading to the sustainable growth of the Industrial Automation (IA) industry—this is the world we strive for.

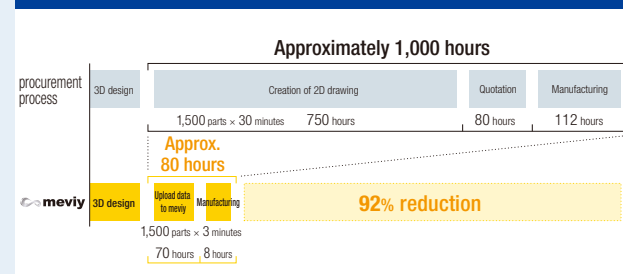
### Future Outlook for meviy

meviy is accelerating further innovation in the following three ways.

The first is “Service Innovation.” Based on customers' opinions and information, including the design data they uploaded to meviy, we have identified the services we have not yet supported and are working to expand the scope of our services, including expanding available finishing types, shapes, sizes and materials as well as adding options for selection based on delivery time or price.

The second is “Strengthening Alliances.” We are seeking to accelerate innovation by developing new services through co-creation with Toyota Motor, Yamazaki Mazak, and our other globally

#### Parts procurement for equipment with 1,500 components



\*1 Assumes orders for the above placed by a hypothetical 380,000 business sites

\*2 According to Techno Systems Research Co., Ltd. [\[Link\]](#)



## Digital MODEL Strategy Creating New Businesses with meviy

leading partners, as we have announced in the past, and by advancing open innovation, including joint research for AI development with Carnegie Mellon University, the US leader in AI.

Third, and finally, is our “Global Expansion.” meviy began its Global Expansion in 2021, steadily expanding its reach to Europe in the same year, followed by the US in 2022, and China and Asia in 2023. Currently, meviy is utilized by many users in five regions of the world. We continue to aim to be the No. 1 global manufacturing platform originating from Japan, driving further business growth.

### ● Marketplace MODEL

There are still a number of inefficiencies in the manufacturing industry. Starting with the core service of meviy, we are also pushing to eliminate various inefficiencies in the engineering chain, not only in procurement, resulting in the creation of time.



Following the release of meviy in 2019, we have actively released the meviy family, including meviy2D, which expanded compatibility with 2D drawings, in 2023, and meviy Finder, a drawing management function enabling searches of uploaded drawing data using drawing keywords and similar drawings, in August 2024.

And then in September 2024, we released a new service, meviy Marketplace. The types of processes requested by customers are broad, limited not just to milling and sheet metal processing but also including 3D printing, injection molding, frame manufacturing, metal fabrication, casting, and the list goes on. As part of our considerations for how to swiftly and 100% respond to rapidly changing customer needs, we landed on a concept for a new DX platform that can respond to various demands of the manufacturing industry by directly connecting the demand side with the supply side.

Customers upload design data to meviy Marketplace. Then, they select the processing method from the service category and enter quote terms and other conditions. meviy's AI then matches the customer with the most optimal supplier from the registered partner companies. Subsequent communication with the partner is centrally managed via chat. Payment can also be made to a MISUMI account, eliminating the need to open an account. In addition to milling and sheet metal processing, we have been able to expand meviy's scope to handle a wide range of processes, adding injection molding, 3D printing, welding, urethane casting, frame manufacturing, and metal fabrication.

By adding this new Marketplace Business MODEL, we have dramatically improved our VOC-based response times. I believe we have made considerable advances in providing Time Value to customers, which is our goal.

### ● Accelerating Development by Establishing a Subsidiary

In September 2022, we spun off our development team that required sophisticated IT capabilities and established a strategic subsidiary DT dynamics Corporation, dedicated solely to systems development. This is a joint venture with Core Concept Technology Inc. (CCT), an expert in developing systems for the manufacturing industry. By insourcing, development speed and productivity has improved significantly.

IT capabilities are the most important component at the core of our business strategy, and their importance will continue to grow in the future. We cannot achieve our vision without this core element of the business. For example, in our global rollouts, rapid response is critical in the process of incorporating customer needs that vary by region into the system. The speed of doing this completely different for outsourcing and insourcing.

While employee compensation is indeed commensurate with skills, DT dynamics also attracts digital talent from diverse backgrounds who resonate with issue resolutions and social roles filled by MISUMI and meviy. Consequently, the number of issues resolved by meviy has tripled compared to the initial development phase of meviy. We are striving to be a technology company with the greatest commitment to time.

### Accelerating the Speed of Innovation

Meanwhile, IT capabilities quickly become obsolete. The languages and various services that continue to emerge need to be followed closely. The key to this is digital talent. In the future, one of our key strategies for achieving sustainable growth across the Group will continue to attract top-level digital talent.

With this in mind, DT dynamics was originally established to develop meviy. However, as we expand the scope within the MISUMI Group for creating value beyond meviy, we see the subsidiary as contributing to increasing the speed of innovation throughout the Group.

## Digital MODEL Strategy Economy Series

As manufacturing becomes increasingly digitalized, product lifecycles are becoming shorter and companies are required to reduce the cost of each product life cycle.

This has led to a growing demand for mid-range products, which is a balance of quality and price. Our Economy Series was launched to meet this demand and to respond to the rising procurement costs.

### Economy Series Overview

The Economy Series is a secondary series of MISUMI products that is responding to the changes in our customers' business environment due to the acceleration of digitalization in manufacturing. On average, the price is reduced from 45% to a maximum of 90% for comparable products. We have achieved overwhelmingly low prices for mechanical parts and offer a global lineup of over 600,000 products. Committed to "Surprisingly low prices at just the right quality," we have thoroughly revised our manufacturing methods and optimized specifications for this series. The Economy Series is currently available in China, Asia and Japan markets, offering a wide range of products to meet our customers' diverse needs.

On average, 45% and up to 90% reduced prices for comparable products. Mechanical parts at overwhelmingly low prices. Over 600,000 products with the same MISUMI quality, this secondary series has achieved surprisingly low prices.

### Over 600,000 Products Globally



### Three Reasons for the Low Prices

#### 1. Revised Manufacturing Process

For washers, for instance, we have switched from turning to stamping, resulting in cost reductions of up to 82%.



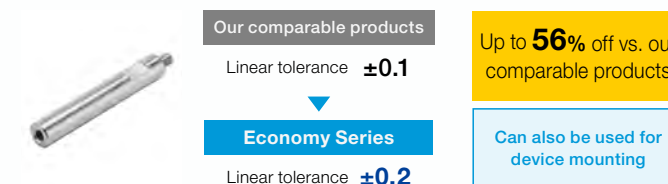
#### 3. Large Production Volumes and Large Inventories

In the case of stainless steel bolts, for instance, we switched from selling individually to selling the bolts in a package of 50 pieces, lowering costs by as much as 90%. Costs are kept down by holding inventories on a global scale through large production and package sales.

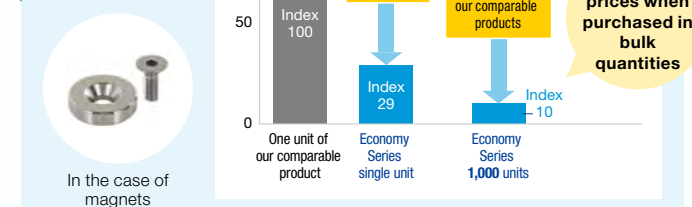
	Quantity	Our comparable product BOX-SCB SCB	Economy Series E-BOX-GSCB E-GSCB	Price Reduction
Small lot (One piece unit)	200 to 999 pieces	¥8/piece	¥6/piece	25%
Large lot (Small box)	1 to 2 boxes	¥4/piece	¥2.8/piece	30%
	3 to 10 boxes	¥4/piece	¥2/piece	50%

#### 2. Revised Product Tolerances

In the case of circular columns, we revised linear tolerance (permissible variation in fabrication), lowering prices by as much as 56%.



#### Large quantities means lower prices



### Feedback from the Market

Used by more than **30,000**  
companies domestically

Affordable, fast, and reliable. The Economy Series offers clearly lower prices and products can be used without specification issues.

(Hisanori Kanai, Manager of Production Department, Robot Technology Department, Kokoro Co., Ltd.)

We greatly appreciate the reliable MISUMI brand providing overwhelmingly affordable products with reasonable quality. Adoption in non-core applications is likely to increase.

(Kohei Mitsuda, Representative Director and President, Alpha giken CO., LTD.)

## Digital MODEL Strategy Business Model Innovation



## DX Innovation within the Purchasing Process From “MISUMI for small quantities, quick delivery” to “MISUMI, even for larger quantities”



Yusuke Kido

Corporate Officer and Chief of  
Headquarters  
DJ System Promotion Department

### D-JIT Overview

D-JIT was named to embody the meaning of digital JIT (Just-in-Time). It is a new system that uses digital technology to optimize the purchasing process for manufacturing components in the Industrial Automation (IA) industry. This proprietary system centralizes and tracks the ever-changing inventory of over 400 suppliers in and outside of Japan, as well as the production capacity of their factories. This allows us to instantly configure the supply chain to meet the customer's desired quantity and automatically displays the price and delivery dates.

### ● Development Background

What prompted us to develop D-JIT was from receiving feedback from the customer that they were not satisfied with our service because it was difficult to secure parts inventory. When we asked ourselves “why was this situation occurring?” we realized that there were structural issues in the distribution system that had remained unresolved for many years, and that this was due to the lack of visibility of the inventory circulating in the market.

Components vital to the IA industry typically reach the end user after passing through parts manufacturers, wholesalers, and distributors. This multiple distribution layers hindered the visibility of

inventory levels within the market. Manufacturers, whose main business is production, do not have a system to manage inventory and directly take orders from multiple customers. Wholesalers can manage inventory for manufacturers but avoid selling directly to end users because of their relationships with distributor, who lack the digital capabilities and financial resources. Given these factors, it was extremely challenging for these players to make a drastic innovation. We believed that it was something that only MISUMI can achieve.

MISUMI has gained the support from customers by Reliable, Quick Delivery for small quantity orders. However, we have also advanced the D-JIT initiative with the anticipation that the ability to handle large quantity orders would be a new source of growth for MISUMI.

### Why was MISUMI to Achieve D-JIT

The three MISUMI-unique innovations have made D-JIT possible.

#### ① Cyber Network with Over 400 Suppliers Globally

The first innovation was to establish the network of suppliers' inventory information and update it as often as possible in real time. This made it possible to accurately track the inventory volume available for supply. This cyber network has grown to its current size

over the past two years, with suppliers such as manufacturers, distributors, and wholesalers at its center, participating in the network and continuing to expand.

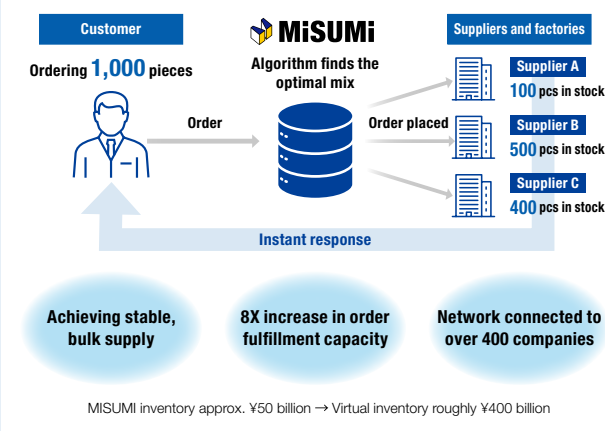
#### ② New Core System That Integrates Cyber Network

The second innovation was being able to automatically calculate inventory volumes at over 400 suppliers and their production capacity by introducing NEWTON as a new core system. Additionally, by developing an algorithm that calculates optimal combinations in response to customers' requested quantities and delivery dates, it is now possible to offer maximized fulfillment capacity.

#### ③ Real-time Inventory Information Displayed on Our e-Commerce Site

Building a cyber network and automatically adding up inventory information has little value if that information is not provided to the customers. Therefore, our third innovation was the “technology to display this information in real time on our e-Commerce site.” By instantly presenting it on the e-Commerce site, instead of responding through an inquiry, we can provide Time Value to our customers. We have obtained a patent for this technology.

### ■ Proprietary System Realizing Large Purchases





## Digital MODEL Strategy Business Model Innovation D-JIT

### Aiming for “All-Party Satisfaction” with Current Vision

D-JIT addresses the long-standing purchasing issue of “not having the necessary products in the required quantity at the required time” against the backdrop of increasing bulk purchasing demands and global supply chain instability. Of course, for customers, as well as for manufacturers and suppliers providing parts, and for MISUMI as well, we aim to elevate to a modern version of the “all-party satisfaction” service level, which leads to mutual profit enhancement and elimination of inefficiencies.

#### ■ Becoming a service that makes a significant impact on society and industry structures



### D-JIT's Impact on Corporate Value and Sustainable Growth

D-JIT has the potential to both “further leverage the Business MODEL” and “explore new business opportunities.”

By “leveraging,” we mean strengthening our fulfillment capability to meet existing demand. With an enhanced fulfillment capability

on our e-Commerce site, customers will benefit from a new innovative Reliable, Quick Delivery. We expect this will lead to greater customer satisfaction, more purchases and more repeat orders.

“Exploration” refers to the fact that MISUMI made a full-scale entry into the previously untapped market of the medium-and-larger quantities. This proved to be a bridgehead for capturing new demand areas (medium to large quantities) in MISUMI's business portfolio. Responding to the medium to large quantities demand customers requires a significant amount of time (for quotation and delivery lead time), which makes it almost impossible for other distributors and fabricators to handle. We anticipate capturing new demand by providing Time Value in the form of “zero wait time + quick delivery” for medium to larger quantity orders.

### Business and System Integration

D-JIT is a service providing a new procurement system, and NEWTON is the back-end system supporting this.

Since the decision was made to launch the D-JIT project, DJ System Promotion Department (business side) and NEWTON Promotion Department (system side) have been working together to continue to deliver results as a business enterprise. The teams hold regular meetings, not only to review the development progress but also to share information and discuss next measures. They understand that for value creation, it is essential to inspire each other and maintain an equal, collaborative relationship between marketing and systems based on mutual respect. They have also increased the number of people in the DJ System Promotion Department and trained them in digital skills over the course of three years. These people are formulating the business requirements for new value creation, while supporting the day-to-day development of D-JIT as the bridging System Engineers to enable a smooth handover to the NEWTON Promotion Department.

### Future Outlook

D-JIT was firstly launched in Japan, and now it has been implemented in four regions: Japan, Thailand, Taiwan, and South Korea. In the future, we plan to launch in Europe in FY2024, and in the Americas, China and other parts of Asia in FY2025 and beyond, simultaneously with NEWTON's expansion.

We anticipate that D-JIT's global expansion will increase the participation of overseas suppliers in its cyber network, accelerating the scaling process. In the future, we expect participation by not just mechanical parts manufacturers, but also electronics manufacturers along with IT and other companies from differing industries. Through an expanded network, we strive to significantly improve the value proposition for customers.

#### What our customers say: N-TECH

For employees with insufficient knowledge, procurement has been a task that consumes many hours. D-JIT provides a clear view of inventory volume and delivery, allowing even those with little experience to smoothly procure parts, which is a significant help.

D-JIT has two major advantages. The first is that the delivery time is immediately displayed on the user's screen, even for large order quantities. This allows us to deliver products to end customers as planned, without having to make major changes to our production processes. The second is that D-JIT allows us to predict when the market will run out of stock, allowing us an additional week to prepare compared to before. D-JIT is extremely useful in improving productivity because it eliminates the waste of waiting for a response on delivery time.

## Digital Model Strategy IT infrastructure NEWTON

## The Growth Acceleration Platform that Governs MISUMI's Time-based Strategy



Akira Rikita

Executive Officer,  
NEWTON Promotion Department  
NEWTON Global Joint Function  
Development

### Background to NEWTON Implementation

MISUMI has developed its business by actively leveraging digital technologies. In 1989, we built an IT infrastructure upon the implementation of mainframes, launching a WOS (Web Ordering System) in 2000, an e-Commerce site in 2004. In 2010, we launched the VONA Business, which handles third-party brands, by building an open system by taking some functions from mainframe computing.

However, in the second half of the 2010s, the mainframe that had been patched up and operated for many years had become a black box, requiring significant effort to make even minor modifications to the system. It also became apparent that this legacy system, with its old basic design and service philosophy inherited from the 1980s that prevented a fundamental review, was becoming an obstacle in realizing a new Business MODEL. In response, MISUMI's top management decided that a new IT infrastructure was essential to the innovation of MISUMI's Business MODEL, and a project was launched to completely overhaul the core system. In the first stage, we migrated the core system to the cloud and ended the use of mainframes in 2019-20. In the second stage, starting in 2020, we started the development of NEWTON, which represents a complete revamp of the core system. Implementation of NEWTON was

completed with Taiwan in August of 2022, followed by Thailand in April 2023, Japan in March 2024, and South Korea in December of that year.

### IT Infrastructure Update

The previous system had been in use for 30 years, during which time many functions had become obsolete. In migrating to NEWTON, we re-evaluated MISUMI's strengths and weaknesses and established a process for selecting which assets (functions and data) to use. After thorough internal discussion, we migrated only those functions and data that were deemed necessary to NEWTON.

Updating the core system is inseparable from improving our business, and NEWTON will inevitably and repeatedly be updated along with the innovation of our Business MODEL. We deliberately keep NEWTON a simple infrastructure without unnecessary functions so that new functions can be readily added at any time.

### Additional Functionality

For NEWTON, we are simultaneously adding functionality for overseas subsidiaries that have already adopted the system and rolling it out to the remaining subsidiaries. When we add functionality, we consider the impact on other subsidiaries, sometimes making minor adjustments.

The addition of new functions are not an immediate responses to

user feedback, but rather, an established review process where experts gather to discuss if new functions are truly necessary to the improvement of the business process. This is asking "Is adding this function necessary?" and "Can this be improved by revising the current work processes?" If it is determined that the addition of function would not be an optimal fit, we will make the decision not to implement the suggested function.

### Understanding Problems and Troubleshooting

Upon the adoption of NEWTON, we introduced a monitoring system that automatically sends e-mail notifications to registered addresses when system errors occur, enabling a swift response. By adopting a ticket management tool as a means to follow increases/decreases in disruptions and inquiries, we are working to improve the efficiency of our responses.

For troubleshooting, we first respond to stop the disruption to minimize the impact on work processes and then work extensively on a permanent solution to prevent recurrence. While a low-profile activity, such efforts have seen the number of disruptions trend downward and we have achieved stable operations.

### Analysis and Evaluation Methods

We have adopted a BI tool that imports order data generated in the core system and conducts analysis from various angles. It is a solution that analyzes net sales, profit margins and the like from order data from multiple angles.

## Digital Model Strategy IT infrastructure NEWTON

### Key Features of NEWTON's Function

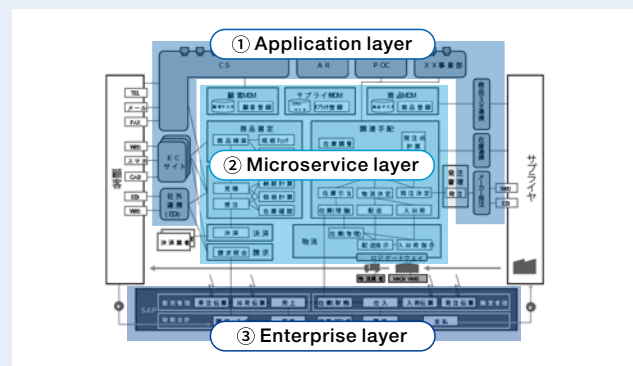
NEWTON comprises three layers: 1) the application layer that acts as the user interface, 2) the microservice layer that instantly calculates prices and delivery dates for 80 sextillion product variations sold by MISUMI, and 3) the enterprise layer that oversees transactions. We have proactively incorporated new technology not used internally to date. The following three main technological features are highlighted below.

#### ① Use of Low-code Tool in Application Layer

In the application layer, we have introduced a low-code development platform for the user interface, so that those that have no programming experience can easily help develop the user interface. In fact, new graduates can start to develop the user interface after a few months of training, and there are already several cases where screens developed by new employees are in operation.

#### ② Core System in a Multi-cloud Environment

By connecting two cloud services—AWS in the upper application and microservice layers and Google Cloud in the enterprise layer—we have built a core system in a multi-cloud environment. Using a single cloud service would put us in a lock-in situation, so we work with the knowledge of multiple cloud services, which allows us to consider switching at any time.



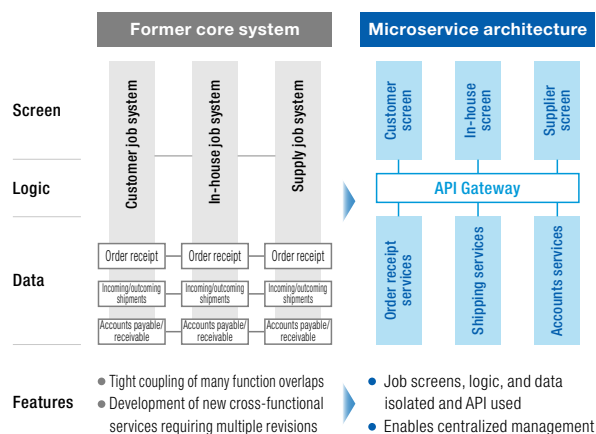
\*Three-layer system realizing optimal function allocation

### ③ Combining Microservice and SAP

With conventional mainframes, internal configurations so massive that impact investigations took considerable time, and when disruptions occurred the fallout would be felt globally in an instant. Therefore, we decided to leave the enterprise layer, which oversees transactions, to the ERP SAP standard function, while calculating delivery lead time and price for as many as 80 sextillion product variations, which is MISUMI's strength, are achieved via microservices, in the microservice layer. By defining service responsibilities, we can quickly investigate the impact of a disruption and isolate the disruption to a specific area. We have also introduced a solution that allows us to perform a cross-sectional service management, so we can quickly identify which service is experiencing a problem.

#### ■ Microservice architecture

A development method that constructs a single application by combining multiple functions (loosely coupled). When making changes, the impact range is limited to the relevant part only, allowing for flexible addition and modification of functions.



### Value and Impact Brought by NEWTON

#### ● Front-end

In terms of the Front-end (e-Commerce interface) that interacts with customers, we have unified the design of the product selection screen and the order screen to improve the usability for new customers. In addition, the D-JIT functionality implemented in NEWTON has enabled the collection and display of supplier information, making it possible to complete large-quantity procurement solely on our e-Commerce site. This allows the parts procurement process to be completed in a short time, providing Time Value to our customers.

#### ● Back-end

Revision speeds have increased considerably due to fundamental changes to the internal architecture, which allows us to launch Economy Shipping Service, additionally developed following the NEWTON implementation, in just two months after being up for consideration. The fact that D-JIT allows us to easily collect supplier information contributes to the customer experience on our e-Commerce site also contributes to production levelling on the supply side.

### Future Plans

As of December 2024, NEWTON has been rolled out in Japan, Thailand, Taiwan and South Korea. We plan to complete the migration in Europe in FY2024 and in all remaining regional subsidiaries in FY2025.

I consider NEWTON to be the foundation for achieving our Business MODEL innovation. Our digital transformation (DX) will only be achieved when a variety of services, including D-JIT, are realized on NEWTON. What kind of services we can deliver with NEWTON will be our focus for the future.



## Digital MODEL Strategy Utilization of Manufacturing AI

As a company-wide policy, we are committed to leveraging cutting-edge technologies, including AI, to enhance Customer's Time Value. We encourage innovative applications at both the organizational and individual levels, integrating these technologies into our business and operations.

While ensuring robust measures against information leakage, we view these technologies as tools to accelerate the enhancement of service competitiveness and labor productivity.

### IT Infrastructure

We utilize AI in a chatbot-style inquiry response system, which assists in proactively addressing frequent issues, speeding up inquiry responses, and reducing operational costs.

### Business Applications of AI

#### Back-end Operations

**Production:** By digitalizing processing and management technologies, we have achieved manufacturing and shipping within as little as 1 day.

**Logistics:** AI-driven optimal route exploration enables us to establish a cost-effective, in-house delivery infrastructure.

**Inventory Management:** AI predicts sales and inventory shortages for each product and automatically generates order information.

**Order Processing:** AI automatically reads various types of paper forms exchanged via fax and other means.

**Data Forecasting:** AI enables high-accuracy predictions by using deep learning based on actual performance data.

#### Front-end Operations

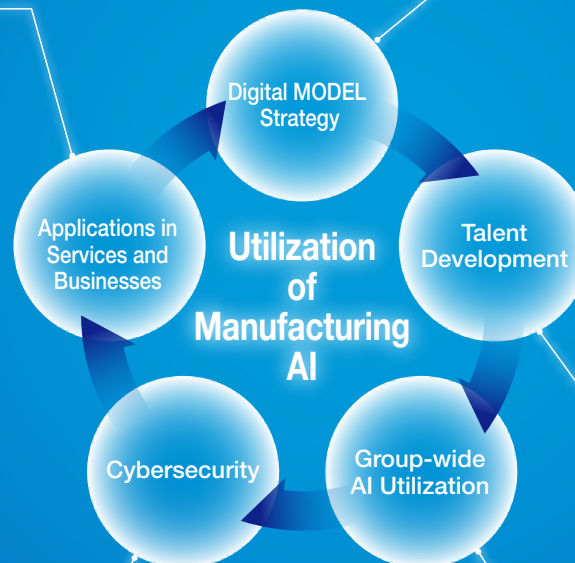
**Inquiry Handling:** Our AI-powered chatbot enhances response efficiency and reduces operational costs.

**meviy Development:** Our AI analyzes 3D data uploaded online by our customers, provides instant, automatic quotations, and seamlessly generates manufacturing programs for factory transmission.

**D-JIT:** This service facilitates multi-channel procurement and instant quoting.

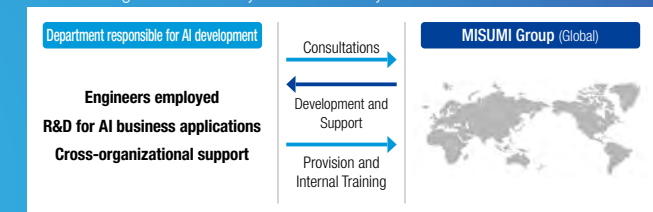
### Implementation of Anomaly Detection Systems

We have developed a structure to swiftly detect and address potential threats. By monitoring network traffic in real time, we automate vulnerability identification and risk analysis. AI plays a pivotal role in risk evaluation, enabling us to respond promptly to the most critical security challenges.



### Business Structure for AI Development and Utilization

In 2018, we established a department responsible for AI development focusing on R&D and deploying AI applications across the Group, promoting AI development, support, and internal training both domestically and internationally.



### Internal Training

**AI Workshops:** Workshops are conducted regularly for employees, including management, to enhance decision-making and application skills in AI-driven business contexts.

**Internal Online Seminars:** Topics such as 1) use of generative AI and 2) e-learning for AI literacy (e.g., information leakage, violation of laws) are covered.

**Engineer Development Programs:** Advanced trainings specializing in software development, data science, and AI technologies are provided.

### Collaboration with Academia and Government

We actively collaborate with universities and research institutions both domestically and internationally to acquire cutting-edge knowledge in AI and data science and promote initiatives to apply these insights to real business scenarios.

### AI Utilization in Strategic Promotion within Individual Business Departments

**Operational Applications:** AI is employed to automate business processes and perform data analysis (e.g., demand forecasting and customer data analysis) to support strategic decision-making.

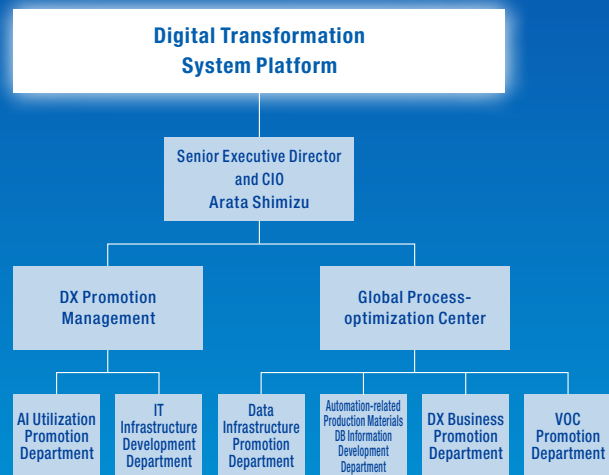
**Communication:** To enhance cross-departmental communication, we have implemented the "MISUMI AI Assistant," an AI chatbot designed for internal knowledge sharing. By training it with internal information, we reduce redundant inquiries and promote the reuse of information, effectively leveraging the organization's knowledge assets.

## Digital MODEL Strategy MISUMI's DX Organization and Digital Talent

### Digital MODEL Strategy Control Tower

#### Digital Transformation System Platform

In October 2020, the “Digital Transformation System Platform,” an organization driving MISUMI's Company-wide digital innovation, was revamped. It serves as the control tower for advancing DX initiatives, including the development of our new core system, NEWTON, and fostering cross-organizational collaboration with IT teams globally. Additionally, it plays a pivotal role in supporting MISUMI's mission of global Reliable, Quick Delivery by accelerating development cycles and fortifying security. Furthermore, in June 2024, Senior Executive Director and CIO Arata Shimizu assumed the role of Representative Corporate Officer, further bolstering our organizational structure and IT infrastructure.



(As of August 2024)

#### 01 Definition

### Our Competent Digital Talent

Promotion of the Digital MODEL Shift, leveraging digital technology, and the fortification of IT infrastructure are of significant importance for management strategy and are crucial for sustained growth. Digital talent, equipped with both advanced digital technology and strategic thinking, will propel MISUMI's growth as we aim to achieve MODEL innovation.



#### Common Requisites

The foundational mindset and basic skills that serve as the groundwork for individual specifications.

Employees, as the starting point to realize Growth Chain-reaction Aspired Management, will continually take it upon themselves to “learn, think, and challenge one's self” to grow and further develop. To further accelerate the Digital MODEL, digital talent must possess the following skills and mindset.

**Digital Intellect:** The capability to address business challenges by leveraging data and IT technology. A flexible mindset is essential to digitalize traditional workflows and achieve optimization efficiently and effectively.

**Agile Approach:** The ability to swiftly adapt to a changing business environment and deliver customer value rapidly while steadily advancing projects.

**Ability to Communicate and Collaborate:** Exceptional communication skills to establish shared visions and align on common goals, while effectively partnering with cross-functional teams.

**Ongoing Drive to Learn:** An unwavering dedication to continuous skill development and staying at the forefront of emerging technological trends.



#### Individual Requisites

The part of the required knowledge, skills, and experience for each profession.

#### IT engineers

**Knowledge of Cloud Infrastructure:** To strengthen our IT infrastructure through the NEWTON project, it is crucial to have an in-depth understanding of cloud computing technologies (such as AWS, Azure, etc.) and infrastructure automation.

**Security & Data Management:** As information security and privacy protection remain critical priorities in advancing DX, employees must possess robust skills in security technologies to address these challenges effectively.

#### Data scientists

**Data Analysis Skills:** Proficiency in statistical analysis, machine learning, and AI technologies is crucial for leveraging large datasets to support informed decision-making at the management level.

**Business Acumen:** A deep understanding of the overall business is essential to address and resolve business challenges through data-driven solutions, extending beyond the role of a technical engineer.

#### Project Managers

**Project Management Skills:** Must possess the ability to oversee project progress through agile development and scrum methodologies, while effectively coordinating with multiple stakeholders.

**Leadership:** In driving DX projects, must demonstrate the capability to articulate a clear vision, set time-bound objectives, and inspire others through strong leadership.

## Digital MODEL Strategy MISUMI's DX Organization and Digital Talent

## 02 Recruitment

We are focusing on recruiting top digital talent from outside the Company, while also fostering a workplace environment where these specialized skills can be effectively utilized.

**Bolstering Recruitment of Digital Talent**

To build stronger connections with highly skilled digital professionals, we actively participate in industry events and work to enhance partnerships with universities and specialized educational institutions. Through these efforts, we are developing robust networks with technical experts, which in turn facilitates the recruitment of young talent equipped with specialized education.

We attract talent through the following strategies.

**Visions and Strategy Sharing:** By clearly articulating our dedication to MISUMI's Digital MODEL strategy and innovation, we strive to offer an appealing workplace that fosters mutual growth.

**Flexible Work Arrangements:** We provide flexible working options, including remote work and flexible hours, to accommodate diverse lifestyles.

**Competitive Compensation and Career Paths:** Attracting top digital talent through market-competitive compensation structures and clear career path opportunities.

In addition to the above, we are also working to enhance post-employment engagement by promoting an open and collaborative corporate culture.

## 03 Development

We are cultivating digital talent capable of driving new value creation, including spearheading the Digital MODEL Shift and innovating work processes through the use of digital technology.

**Development Program**

Employees enhance their digital skills, such as AI and big data analysis, while acquiring practical skills through participation in projects based on real business challenges. Additionally, through cross-functional collaboration, they develop a broad perspective and the ability to approach problem-solving from multiple viewpoints.

**Digital Talent Development Program**

Total classes held: 1,849, Total participants: 6,392\*

**Basic Training**

Learn about DX basics, real examples, and impact on business

**Strengthening Data literacy**

Acquiring foundational knowledge of data analysis and skills to leverage it for decision-making.

**Leadership and communication abilities**

Bringing together diverse teams and strengthening decision-making skills.

**For engineers**

Advanced training programs specializing in software development, data science and AI technology

**For Management-level Professionals**

Develop strategic thinking that bridges business and technology

**Acquiring skills through practice****Utilizing internal resources**

Promoting On-the-Job Training (OJT) and knowledge sharing

**Collaboration with Partners**

With the cooperation of companies with strengths in DX promotion, we implement the introduction of the latest technologies and internal training.

**Industry-academia-government collaboration**

Collaborating with domestic and international universities and research institutions to learn cutting-edge knowledge on AI and data science.

We provide learning opportunities for all employees to enhance their DX knowledge at any time through the information dissemination site "IT Master" that supports the use of digital technologies, and the online training system "M-Campus".

\*As of FY2023; includes e-learning courses

## 04 Evaluation

At MISUMI, we have implemented an HR system that evaluates two key aspects: the practical application of MISUMI Value's and the results achieved. In the realm of DX, special emphasis is placed on contributions to advancing a shift toward a Digital MODEL with the aim of realizing an aspired management based on Growth Chain-reaction.

In addition to quantitative performance evaluations, qualitative contributions are also subject to evaluation, with a high regard for obtaining qualifications, as well as collaboration and leadership both within and outside the Company.

**Future Outlook**

To further enhance the retention and engagement of digital talent, we are committed to creating an environment where employees can actively shape their careers and strengthen support structure. To sustain high engagement levels, we will focus on developing leadership and making continuous investments in new technologies, thereby achieving Growth Chain-reaction Aspired Management sparked by employees' growth.

**Activity Examples by Digital Talent**

Not limited to the information systems department, many employees in operational departments are also utilizing digital technology and driving business through training programs and practical application.

**Received Excellence Award for Best Customer Support from JIIT\***

In customer service, business personnel are trained as RPA engineers to develop the RPA needed to drive business efficiency. By having people who actually know the business develop the RPA, a cycle of improvement is established that not only increases productivity but also builds skills and a sense of accomplishment.

\*JIIT: Japan Institute of Information Technology



## HR Strategy MISUMI's Human Capital Management: "Best Place To Grow"

### Growth Chain-reaction Aspired Management: Employees' Challenges and Growth as the Starting Point



**Takako Sasaki**

Senior Corporate Officer  
Representative Corporate Officer,  
Human Resources & Legal Platform

#### "Employees' Challenges and Growth" as the Source of Competitiveness

Our Company is dedicated to thoroughly pursuing "Reliable, Quick Delivery" and "elimination of customer inefficiencies" to realize "Growth Chain-reaction Aspired Management". Since the products we handle do not have significant differentiating factors on their own, we enhance added value by continuously innovating our Business MODEL.

It is "people" who continually refine this Business MODEL (MISUMI MODEL). The challenges and growth of employees become the source of competitiveness, advancing the MISUMI MODEL, which leads to MISUMI's further growth through customer growth and societal development. The "next growth" of employees, as defined in MISUMI Value's, as the starting point of Growth

#### MISUMI Value's: Means of Mission Accomplishment (organization edition): "Energized individuals" and "Strategic alignment"

- MISUMI employees are always pursuing two "next challenges"
  - Challenge towards the "next course of action (theme)" for MODEL innovation
  - Consistently pursuing personal growth through "challenging the next role."
- At MISUMI, the proactive and ambitious inquiry of "What's next?" directed towards oneself and others, along with taking the initiative, is highly valued and respected.
- The "Next Challenge" drives the enhancement of Customer's Time Value and fosters social contribution, creating a sustainable cycle of Growth Chain-reaction that serves as a source of vitality.
- The principle that every challenge contributes to MODEL innovation and the enhancement of Customer's Time Value constitutes the core of MISUMI's "strategic alignment."
- To ensure that MISUMI consistently embodies a growth-oriented, strategy-driven, and proactive mindset, advancing toward MODEL innovation at the fastest pace, MISUMI continually advances into the optimal organization (theory).

Chain-reaction Aspired Management and the foundation of our Company's human capital management.

#### Our Desire to Become the "Best Place To Grow"

Starting in 2023, MISUMI has embraced the slogan "Best Place to Grow" to define the type of environment it strives to create for its employees. The Company is committed to becoming a dynamic, challenge-driven organization that offers unparalleled opportunities for growth on a global scale.

MISUMI has consistently upheld a strong commitment to "the growth of people and business," grounded in its organizational philosophy of "energized individuals (where each employee is highly driven and proactive) and strategic alignment (strategically uniting these motivated individuals to create collective momentum for the Company)." However, MISUMI's organizational structure and human capital have undergone significant transformation over the years. In the early 2000s, the Company operated with fewer than 1,000 employees globally, and its overseas sales ratio stood at approximately 20%. Today, the workforce has grown to over 10,000 employees worldwide, and the overseas sales ratio has exceeded 50%. As the Company's global scale continues to expand, the need for "a shared set of values that the entire Group comprehends and strives toward" has become increasingly vital to instill MISUMI's organizational philosophy on a global level.

Both domestically and globally, irrespective of job type or location, all employees should persistently engage in innovative efforts and challenges that push even a millimeter beyond the current state, thereby accelerating MISUMI MODEL innovation. The Company aspires to make MISUMI a place "teeming with challenges and growth opportunities." To clearly align with Growth Chain-reaction Aspired Management, the concept of "Best Place To Grow" was introduced, empowering each individual to fully embrace their ownership of challenges and growth.

## HR Strategy MISUMI's Human Capital Management: "Best Place To Grow"

### "Energized Individuals" and "Strategic Alignment"

To bring the concept of "Best Place To Grow" to life, it is essential for the "two wheels"—fostering both "Energized individuals" and "Strategic alignment"—to revolve in harmony, driven by each employee's pursuit of "What's next?" while maintaining a perfect balance.

The left wheel, dedicated to fostering "energized individuals," focuses on encouraging each employee's proactivity. In an environment that promotes active engagement, employees grow by embracing challenges, while the company recognizes and appropriately rewards their efforts, creating a continuous cycle of striving toward the next stage of growth.

The right wheel focuses on "strategic alignment," uniting the challenges of every employee under the "strategy" of each organization. This drives MISUMI MODEL innovation, enhances the value delivered to customers, and ultimately increases corporate value.

To ensure these two wheels spiral upward in harmony while maintaining balance, the Company has established "four mechanisms." Among these, the "Next Challenge Program" serves as a starting-point mechanism for "What's next?" and represents a distinctive MISUMI initiative.

In the Next Challenge Program, employees, guided by the Business Plans (strategy and organizational design) developed by each organization, proactively define their own challenge themes. They have the flexibility to set aside their current affiliations temporarily, allowing them to either continue with their existing challenge themes or transfer to another organization to pursue new opportunities, applying to their desired organization to choose their workplace. Additionally, employees can voluntarily seek promotions or advancements, empowering them to tackle themes from higher positions.

The Next Challenge Program encompasses functions for transfers, promotions, and advancements, while also encouraging employees to pursue challenges within their current roles. By embracing the concept of "choosing for oneself," it promotes

proactive career decisions geared towards the next challenge. Through building diverse career experiences, employees can develop a comprehensive understanding of the overall business while honing their expertise in a specific area. This approach enables them to deepen their insight into operational mechanisms and various functions, ultimately driving MISUMI MODEL innovation and enhancing organizational capabilities.

### Toward Realizing the "Best Place To Grow" on a Global Scale

Creating an HR environment to achieve the "Best Place To Grow"

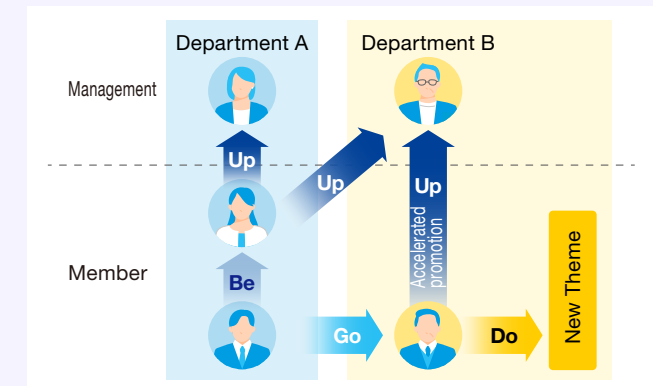
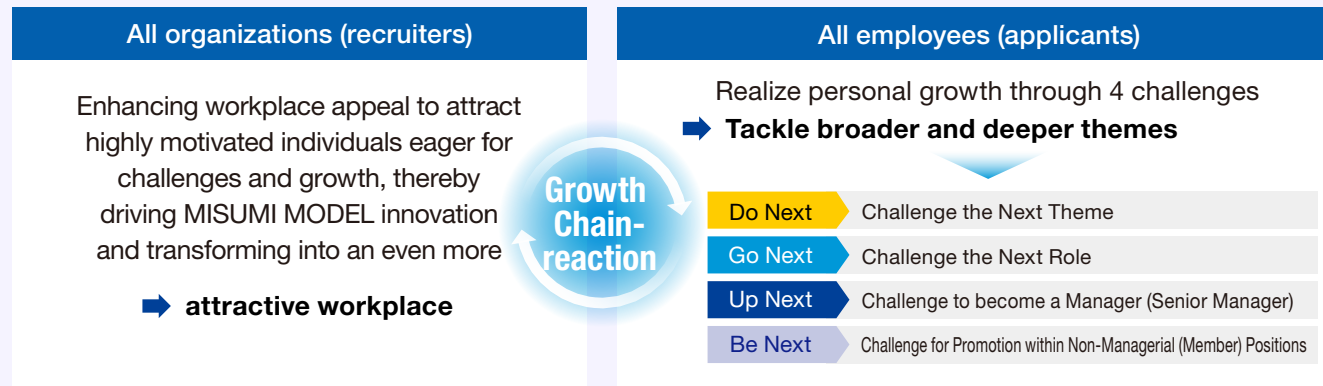
on a global scale is an urgent area of focus. Recently, as the global implementation of the Next Challenge Program and Evaluation System has progressed, challenges have emerged, including the need for deeper integration of the concept itself and the customization of systems to reflect regional characteristics. Expanding the number of regional executives in each region is also a critical aspect of globalization. By continuously addressing the question, "What is MISUMI's unique approach to globalization?" we will drive the realization of the "Best Place To Grow" as a key component of MISUMI's future global growth.



Detailed Overview of Each Initiative within the '4 Mechanisms' [\[Link\]](#)

## HR Strategy Next Challenge Program

### Establishing an In-house Labor Market



### Maximally Stimulate “Employees’ Challenges,” which Serve as the Starting Point for the “Best Place to Grow”

Employees proactively challenge various themes, and the organization creates opportunities for challenges and enhances workplace appeal, aiming for a mutually reinforcing, virtuous cycle of Growth Chain-reaction.

Employees constantly consider “What’s next” for their own career paths and voluntarily choose from the following four “Next Challenges (XX Next).”

#### Do Next and Go Next

##### ● “Reset” Current Positions to a Clean Slate

Employees typically have the autonomy to decide whether to move based on their career choices. Staying in one job for too long and becoming complacent is seen as a barrier to growth. The Do Next and Go Next initiatives require employees to “reset” their current positions on an annual basis. To either continue in their current position or seek a transfer, they must “apply” to their desired organization to select their job. A notable feature is the opportunity

to explore different career paths within the Company, including transfers across countries and job functions.

##### ● Establishing an In-house Labor Market

As a foundation for mutual selection and appeal between employees and organizations, MISUMI has established its in-house labor market: “MISUMI NEXT Market (MNM)”.

Through MNM, recruiting organizations disclose their “challenge themes (strategies and actions).” Employees, as applicants, actively explore their next challenges by attending briefings conducted by various organizations. The application and selection processes are facilitated through MNM as well. Furthermore, HR department members serve as “internal agents,” offering support for any concerns faced by both applicants and recruiting organizations.

#### Up Next and Be Next

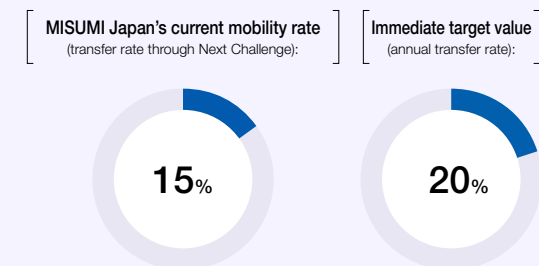
We offer Up Next and Be Next as formats for self-driven career advancement and promotions.

These are conducted year-round, allowing individuals to take on challenges according to their career plans. The challenge requirements do not consider age, gender, nationality or even

experience and tenure. Moreover, individuals can also “skip grades” to take on positions more than two levels above their current one.

### KPI for the Next Challenge Program, Future Developments

As an indicator to measure “employees’ next challenges,” our Group has set internal mobility as a KPI. Currently, it is primarily implemented for domestic employees, but we are advancing the development of a scheme that includes overseas Group companies.



\*Transfer rate for all MISUMI Japan members (non-management positions) implemented in FY2023

## HR Strategy : Interviews with Next Challenge Program Participants

### Interview



Ayano Takayama

Joined April 2019 (new college graduate), age 29

#### Go Next

Transferred from Japan e-Commerce Domain  
→ to the Mexican subsidiary in April 2023

#### Reason for applying

It's been my dream to work overseas since I joined the company, but the trigger for applying for "Go Next" was when I found a job opening in Mexico that matched my experience. I was torn between applying for "Do Next" or "Go Next" because I was happy working in the team at that time, but my desire to take on the challenge of working overseas was stronger, so I decided to apply. I also had a supervisor who encouraged me to take on this challenge and gave me advice from a variety of perspectives.

#### What I've learned working in Mexico

My responsibilities are broader than when I worked in Japan, and the opportunities for challenge have increased. I'm also now in a position where I can lead operations, which makes me feel that I'm approaching my work from an even higher vantage point than before. At the same time, I'm reminded every day that I'm lacking in my own skills and knowledge, and I'm even more determined to work harder.

#### Future challenges

I'd like to deliver results as quickly as possible in the current project I'm working on and help increase sales in Mexico. Also, now that my dream of working overseas has come true, I'd like to continue challenging myself while striving for a Leader position.



Bree Storey

Joined August 2018 (mid-career hire), age 33

#### Go Next

Transferred from MISUMI USA  
→ to Japan Head Office in August 2023

#### Reason for applying

I was motivated to apply because I wanted to gain a comprehensive understanding of the business activities conducted throughout the Company. Since I had a certain level of proficiency in Japanese, I also wanted to use my language skills.

#### My thoughts on working in Japan (Head Office)

When I arrived, I encountered situations that I did not know how to handle because it had been some time since my last visit to Japan and I was venturing into a new area of work. However, my team and the people around me were extremely kind and allowed me to take a positive approach to my work. By utilizing my business acumen and skills developed at MISUMI USA, I feel that I am working with an even broader perspective.

#### Regarding Future challenges

MISUMI offers an immense wealth of opportunities in terms of challenges—horizontally, vertically, and diagonally. The most attractive aspect is the ability to seize these opportunities based on my own initiative. Naturally, I aim to improve my Japanese skills and challenge myself to enhance my abilities to the level required for higher positions and a promotion to a Leader position.



Kazuki Shimotsuma

Joined April 2018 (mid-career hire), age 32

#### Up Next

Promoted to Chief Director in  
September 2024  
(Responsible for new business domains in Japan)

#### Moving up to a Director position

I joined MISUMI as a mid-career employee for two reasons: my desire to be involved in the world of "manufacturing" that I studied in college, and to work in an environment where I could challenge myself and grow at a young age on my own initiative. I started from entry-level Member position, but by being proactive and self-motivated, I was able to advance my career annually. In 2022, I challenged myself to be promoted for a Leader position and for a Director's position this year, which was accepted. It was my understanding that MISUMI is a company that places a high value on taking ownership for your actions, which will be reflected in your evaluation. Indeed, MISUMI is an environment where you can grow with infinite directions and possibilities depending on your proactiveness.

#### Regarding Future challenges

I am currently responsible for key strategies in Japan, and I am focused on growing these businesses and generating profits. As a leader, I feel the weight of the words I convey to members every day and the change in the scope of my responsibilities. I also pay special attention to each person's motivation and whether our workplace is a comfortable working environment.

I feel that "struggling in unknown territory" contributes greatly to one's growth, so I'd like to consider taking my "next challenge" to put myself in such an environment.



## HR Strategy D&I (Diversity & Inclusion)

Our Group is a Company where diverse talents can flourish, regardless of gender, age, nationality, years of experience, or whether they are recent graduates or seasoned professionals. At MISUMI Japan, for example, 85% of hires are career-based, reflecting a workforce with diverse backgrounds. In addition, hiring, promotion, and transfer decisions are based on an individual's practical skills and performance. In this context, our Company cultivates a distinctive and healthy corporate culture characterized by significant "diversity" and minimal "political influence."

### ● An environment with no limitations for challenges

While offering necessary accommodations for individual circumstances, we endeavor to remove as many barriers as possible to challenges, fostering an environment where everyone can contemplate their "next challenge."

For instance, within MISUMI Japan's post-retirement re-employment program, the "Senior Next" Program, there are no blanket reductions in benefits or position changes based on age. Instead, benefits and responsibilities are tailored individually for each person.

In addition, employees with disabilities are subject to the same grading, evaluation and compensation systems as other employees, and there are no restrictions on the use of internal systems (including the Next Challenge Program).

### ● Promotion of Women's Participation

As for the participation of women in our Company, we have a remarkably high percentage of female managers, with 15% in MISUMI Japan and 24% globally, which is relatively high for the manufacturing industry. However, there is a lack of support for women when it comes to the challenges they face and their career concerns due to the environment's emphasis on autonomy. While we are promoting measures to address these issues, our goal for the time being is to achieve 30% female managers worldwide.

## Message

### Message from a Director



### Leveraging Diverse Values and Strengths to Achieve a Global "Best Place to Grow"

Shaochun Xu

Director, and Vice President, China Business Company  
Chairperson and General Manager,  
MISUMI (China) Precision Machinery Trading Co., Ltd.

### MISUMI's Human Capital and Diversity

MISUMI's human capital is characterized by its emphasis on Growth Chain-reaction Aspired Management, with employee challenges as the starting point. In order to achieve Growth Chain-reaction Aspired Management, it is crucial for employees to "learn, think, and challenge one's self" and continuously pursue personal growth. In addition, the diverse backgrounds, expertise, and strengths of each employee are critical to driving innovation and advancing the MODEL.

### Global MISUMI Employees

The global human resources system reform that has been underway for the past two years is of great importance as MISUMI continues to grow worldwide. Previously, there were differences in awareness among countries and business units, but the message that all employees are "Global MISUMI Employees" has brought about a significant change in mindset. Under the "alignment" provided by shared values, leveraging the diverse perspectives and strengths of employees will be more important than ever for MISUMI's sustainable growth in the future.

### Cultural Integration Between Head Office Staff and Overseas Regional Staff

A distinctive feature of MISUMI's business is that both its Head Office in Japan and its subsidiaries in various countries have product development and new business development functions. Therefore, while the transfer of know-how from Head Office is important, it is crucial for Head Office staff and overseas staff in each country to work closely together to achieve MODEL innovation. At MISUMI China, for example, regional expatriates and overseas regional staff work seamlessly as a team, leveraging each other's strengths to accomplish their tasks.

In order to better understand and reflect the cultural and market elements of each region in the business, it is becoming increasingly important to promote the appointment of overseas staff to management positions. There are still challenges in building systems that provide more opportunities to learn about the culture and mindset of headquarters, which will require further focus in the future.

## HR Strategy Talent strategy engagement and challenge monitoring

Through regular engagement surveys, opinion polls on systems and initiatives, and challenge and growth surveys, we continuously monitor employee engagement and translate it into actionable measures.

### ● Engagement Survey

In the previous Engagement Survey, we conducted a survey with common question items for all global employees. We are promoting actionable measures by referring to the keywords of MISUMI's strengths and weaknesses that emerged from this survey.

Strengths	
An open and frank attitude, supportive actions toward subordinates	
Weaknesses	
Details	Countermeasures
Appropriateness of Evaluations and Compensation (Globally Common)	<ul style="list-style-type: none"> <li>Promoting the global implementation of a new evaluation system based on MISUMI Value's</li> <li>Regarding the Compensation system, the basic concept is to reward "those who perform (those who take on challenges and achieve results)" with top-tier total compensation levels in the market. We are promoting a renewal that aligns with the customs and legal frameworks of each region.</li> </ul>
Enrichment of Training Programs (Overseas Subsidiaries)	<ul style="list-style-type: none"> <li>Business Skills: Example: In Europe and the Americas, we have established a talent development platform using LinkedIn Learning</li> <li>Management Skills: Example: In Asia, we have strengthened educational programs for executives</li> <li>MISUMI Literacy: Example: Courses by top Management are also being offered overseas</li> </ul>
Appropriate Recruitment and Placement (Japan, US, Europe)	<ul style="list-style-type: none"> <li>The Next Challenge Program has been initially introduced at MISUMI Japan</li> <li>We are promoting the construction of a scheme that includes overseas Group companies</li> </ul>

### ● Survey on the New Evaluation and Compensation Systems

As part of MISUMI's HR strategy to accelerate individual challenges and growth, we are globally advancing the renewal of the Evaluation and Compensation Systems, with MISUMI Japan taking the lead in implementing it from the fiscal year 2023.

Evaluation System consists of two modules: the degree of demonstration of MISUMI Value's (practical ability evaluation) and the evaluation of the results (performance evaluation), achieving a high level of satisfaction with 90% and 91% respectively.

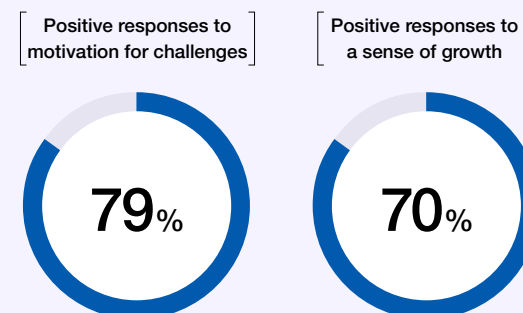
Regarding the Compensation System, the satisfaction level with the salary increase management was high, with a result of 89%.

However, feedback highlighted concerns about the ambiguity of evaluation scales and criteria. To address this, we will focus on further enhancements, including clarifying definitions and providing comprehensive guidelines to promote a better understanding of the processes.

### ● Survey on Motivation to Take on Challenges and Sense of Growth

At MISUMI Japan, a survey on motivation to take on challenges and a sense of growth was conducted in the fiscal year 2023. The results showed a positive response rate of 79% for motivation to take on challenges and 70% for a sense of growth, reflecting high levels overall. However, the environment was deemed insufficient for everyone to aim for their "next challenge." Additionally, employees in lower positions tended to score lower compared to those in higher positions. Furthermore, the survey on the willingness to be promoted to higher positions revealed results that fell short of the Company's expected levels, highlighting this as a recognized challenge.

We are starting with measures that can be quickly implemented, such as presenting guidelines to enhance the quality of 1-on-1 meetings between supervisors and subordinates and providing support for more effectively highlighting challenge themes from each organization. On the other hand, we recognize that further motivation for challenges is necessary to address these issues, and we are continuing to explore solutions.



## HR Strategy Creating an Environment Promoting MODEL Innovation

### Flexible Work Styles

To accommodate diverse work styles tailored to employees' circumstances and life stages, we are enhancing flexibility through measures such as the introduction of a flextime system and the utilization of remote work.

### Workplace (Head Office relocation)

To invigorate the organization and promote employees' challenges, we relocated our Head Office to Kudan Kaikan Terrace (Chiyoda-ku, Tokyo) in February 2023.

At the new Head Office, we have developed spaces, environments, and IT infrastructure for office-based and remote work employees to co-create for the innovation of the MISUMI MODEL.

Kudan Kaikan Terrace Exterior



Office Reception



Floor Interior (Workspace)



### In-house Programs and Employee Benefits

To encourage proactive challenges among employees, we are enhancing systems and benefits to improve the ease of working.

#### **Program Examples**

- **Childcare/Caregiving:** We have established unique initiatives that go beyond legal requirements, such as allowing reduced working hours for childcare up to the completion of the fourth grade of elementary school and making nursing and caregiving leave paid rather than unpaid.
- **Massage room:** Up to twice a month, a free 30-minute massage can be received.
- **Recreational Facilities:** we have a contract with the Laforet Club, which allows use at corporate member rates, along with subsidies provided by the company.
- **Theme Park Ticket Subsidy Program:** Special discount tickets are available.

### Health & Safety

#### ● **Holding of the Safety and Health Committee**

Based on legal regulations, we hold the Safety and Health Committee monthly and make the minutes publicly available within the Company. We strive to maintain and improve a healthy and sustainable work environment by sharing considerations on safety and health in daily operations and the results of annual stress checks.

#### ● **Ensuring Employee Safety and Health in Emergencies**

The spread of COVID-19 has been one catalyst for us to continuously strengthen our internal BCP structure. In the event of sudden natural disasters such as typhoons or earthquakes, we confirm the safety of employees through an employee safety confirmation system and simultaneously check for physical damage to offices and warehouses, establishing a system to quickly determine the feasibility of business continuity.

## Financial Strategy Message from the CFO

### Aiming to Enhance Corporate Value in the Medium/Long-term Through Growth Investments and Optimal Cash Allocation for the Innovation of the Business Model



**Toru Takanami**

CFO and Senior Corporate Officer  
Representative Corporate Officer,  
Finance Platform and Representative  
Corporate Officer, SX Platform

#### Review of the First Half of FY2024

##### ● Earnings Evaluation and Factor Analysis

For the first half of FY2024, the global economy expected a recovery in demand for capital investments, particularly in the manufacturing industry; however, demand failed to meet market expectations. In Europe and the US, there is sense of caution for investing in capital expenditures in a stagnant market coupled with geopolitical risks, and demand from our customers remained soft. However, in Japan, China, and Asia, demand remains firm, with signs of recovery in the semiconductors and electronic components sectors in addition to some automotive-related demand. Net sales and profits for the first half of the fiscal year exceeded our expectations, due in part, to a large telecom-related order in China. Consolidated net sales were ¥198,022 million (10.0% year-over-year increase); a first-half sales record. In terms of profit, operating income was ¥23,390 million (26.3% year-over-year increase), operating income margin was 11.8% (1.5 percentage point year-over-year improvement), ordinary income was ¥25,221 million (26.1% year-over-year increase), and net income attributable to owners of the parent was ¥18,200 million (28.3% year-over-year increase), helped by higher sales volumes, product mix, and foreign exchange benefits.

In light of the better-than-expected momentum for the first half, for FY2024, we have upwardly revised our full-year business forecast, projecting consolidated net sales of ¥401.2 billion (9.1%

year-over-year increase), operating income of ¥49.1 billion (28.0% year-over-year increase), ordinary income of ¥51.6 billion (25.0% year-over-year increase), and net income attributable to owners of the parent of ¥37.1 billion (31.8% year-over-year increase). In the second half of the year, we expect a recovery in the automotive and semiconductor industries in China, Asia, and Japan as well as a rebound in European and US demand from the fourth quarter.

##### ● Strategies and Initiatives

Our Company is advancing the Digital MODEL Shift by enhancing our capabilities in IT responsiveness and Industrial Automation (IA) responsiveness to meet the diverse needs of the automation industry. We aim to establish a unique competitive edge through growth that align with the market needs in each region. The Digital MODELS we are currently focusing on are “meviy,” “Economy Series,” and “D-JIT.” Positioned as important strategies for our Company, we have been actively investing in these services with the aim to increase future profitability.

In September 2024, “meviy” an AI platform for procuring machined parts, launched “meviy Marketplace,” one of the largest manufacturing marketplaces in Japan. Accounting for roughly 80% of “meviy” sales we anticipate Japan will be profitable for full-FY2024. In Europe, the US, China and South Korea, we expected to achieve profitability once we secure a certain level of sales.

The “Economy Series” has achieved high growth in all regions, penetration among customer has increased enhancing product variations and strengthening regionally catered products in each region. Notably, sales in Asia are expanding, with a shift to regionally procured products in Asia away from exports of products procured and developed in China. Profits are also growing steadily, with similar profitability achieved versus high-end products.

“D-JIT,” a DX innovation of the procurement process of manufacturing components, that began in April 2024, is a system that connects the inventory information of over 400 suppliers and MISUMI Group’s domestic and overseas subsidiaries in real time and is a system that respond to large quantity procurement orders with quick, delivery times. This system has achieved an 8X increase in order fulfillment capacity compared to the traditional approach.

#### Key Features of MISUMI’s Financial Strategy

In the process of developing our current Business MODEL we had extended long credit terms for account receivables from our customers and short payment terms for accounts payable to suppliers. This was necessary to maintain a certain level of working capital while maintaining an abundant amount of equity capital. Under these circumstances, we have achieved high profitability and built a strong financial base by delivering a wide variety of parts needed for automated devices and equipment with “Reliable, Quick Delivery” and creating added value for reducing our customers’ efforts and prevents production stoppages from delays in parts procurement.

For performance evaluation and earnings management, we distinguish and evaluate growth that comes in waves of business confidence, such as demand for capital investment, and growth resulting from our own unique measures. As markets and business conditions, competitive environment and geopolitical risk differ from region to region, business to business, we have established an earnings management system that evaluates not only global comprehensive strategy, but also region specific measures, impacts and performance.



## Financial Strategy Message from the CFO

For investments in IT, production and distribution, we have established and are practicing a system that contributes timely to the next investment decision as well as conducting investment decision-making that includes IRR (internal rate of return) and NPV (net present value) along with effectiveness review considering the market suitability.

DX investments, which account for around half of our capital expenditures, are managed on a project-by-project basis, focusing on the Digital MODEL Shift in realigning the global supply chain, and investments in the core system aimed at enhancing various measures. In October 2024, we upgraded our system to realize a more comprehensive earnings management system. While we handle a massive number of products, we calculate the cost of each individual product using an activity-based costing. To advance this, we utilize IT technologies to perform integrated management that synchronizes the revenue and expense of each organization, platform, department, and team.

Additionally, for revenue and expenses management, we have established a system where performance evaluations can be seen at all levels, including organizations, Headquarters, Platforms, and each department and team. Inventory management is conducted on a team level and within the core system, excess inventory is automatically calculated and reflected in each team's profit and evaluation.

To execute growth investments swiftly and smoothly in each region and country, we have established a cash management system that connects Japan, the Americas, Europe and parts of Asia through a global cash pooling scheme to maximize the benefits from optimal allocations that take economic rationality into account. This structure was recognized as a "Highly Commended Winner" in the "Best Cash Pooling Solution" category in "Treasury Today Adam Smith Awards Asia 2023."

As an important measure to enhance corporate value, we are also reviewing risk governance. Our second line of defense is responsible for risk management and have thoroughly disseminated the concept of promoting internal controls, including overseas subsidiaries. In doing so, we are building a system that balances discretion and self-responsibility under the delegation of authority

and creates opportunities for "individuals" to take on challenges, so that a corporate culture in which each organization and individual can act freely and proactively is not undermined.

### Capital Policy and Initiatives to Reduce the Cost of Capital

MISUMI aims to contribute to the sustainable growth of the IA industry and support the sustainable development of society through automation and labor savings with our "Growth Chain-reaction Aspired Management." To achieve this, we are actively investing in regions, businesses, and the development of new products and services, as well as working to advance our Business MODEL that contributes to increasing the "Customer's Time Value."

We also aim to enhance medium to long term corporate value and expand the equity spread to secure capital profitability that exceeds the cost of capital. Regarding our capital policy, the Board of Directors have extensively discussed and resolved to review the dividend payout ratio and purchasing treasury stocks. Early in FY2024, we announced and executed on an increase in the dividend payout ratio (from 25% to 30%) and executed the acquisition of ¥20 billion yen worth of treasury stock. We intend to deepen our discussion on setting ROE targets and other metrics, initiatives to improve our capital efficiency, business portfolio, growth investments, and cash allocation.

#### ① Business Portfolio Management

We are pursuing various strategies aimed at creating "Customer's Time Value," with an eye at improving growth potential and profitability. Specifically, we are working on the development of new Business MODELS such as "meviy," "Economy Series," and "D-JIT," as well as strengthening the foundations of our existing businesses. In each region and business, the "ability to respond to change" is critical to confront the uncertainties of the market and economic conditions. We are advancing our business based on evaluation criteria for each region and business within the market relativity that include the IA industry.

#### ② Growth Investments

We are making investments for the continuous growth of our existing business as well as to growth from inorganic new businesses. For existing businesses, we are reallocating resources

to areas with high investment returns and addressing restructuring associated with business succession issues that impact the supply chain for the entire industry. For inorganic growth, in addition to re-evaluating our business portfolio and promoting alliances and M&A to capture external growth.

#### ③ Cash Allocation

Regarding our cash on hand policy, we aim to secure six months of operating funds (approximately ¥100 billion) as the necessary funds to fulfill our supply responsibilities even in a BCP event such as geopolitical risk or economic crises. Our basic policy is to allocate and give priority to investments for organic and inorganic growth, using the four-year cumulative operating cash flow based on the Business Plan and planned values of each business, and maintain a flexible approach to shareholder returns.

#### ④ Integrating Business and Sustainability Advancement

Our Growth Chain-reaction Aspired Management strives to contribute to the entire industrial sector, specifically to the development of supply chain management across the industry. In these initiatives, we are promoting SX (sustainability transformation) while addressing issues such as global warming and human rights. Growth Chain-reaction Aspired Management itself can be said to be synonymous with sustainability initiatives.

#### ⑤ In Depth Dialogue with Stakeholders

In addition to the previous efforts, we will enhance information disclosures, IR activities overseas, and bolstered financial results briefings to deepen our dialogue with our stakeholders and work towards further reducing the cost of capital.

### Message to the Capital Market

We are committed to "Growth Chain-reaction Aspired Management," starting from employees' challenges to lead efforts for sustainable development of MISUMI, the IA industry, and society. Amid a rapidly changing business environment, we will strengthen our ability to respond quickly, while maximizing the use of our resources, capabilities, and assets to achieve medium to long term corporate value enhancement.