

April 24, 2014

Notice Concerning the Termination of the Retirement Bonus System for Corporate Officers and the Introduction of Stock Options (Stock Acquisition Rights) as Stock-based Compensation for Directors

MISUMI Group Inc. (the Company) announces that at a board of directors meeting held on April 24, 2014, it has decided to propose to the Company's 52nd Annual General Meeting of Shareholders, to be held June 13, 2014, the lump-sum payment to corporate officers of retirement bonuses upon termination of the retirement bonus system and the introduction of stock options as stock-based compensation for directors.

1. Purpose

- I. The purpose of the proposal is rooted in a desire to enhance the Company's business performance and enterprise value over the medium- to long-term and aims to further increase the motivation and morale of directors toward improved business performance by revising corporate officer compensation and strengthening the ties between director compensation and stock value.

2. Description

- I. Termination of the Retirement Bonus System for Corporate Officers
Effective upon adjournment of the Company's Annual General Meeting of Shareholders to be held June 13, 2014, the current retirement bonus system for directors and corporate auditors would be terminated and corporate officer retirement bonuses would be paid out in a lump sum corresponding to that person's period of service as of the adjournment of said general meeting of shareholders. Payment of the lump sum would be made upon retirement of each corporate officer.

Please note that the Company has made it a practice to put aside funds for the future payment of corporate officer retirement bonuses. Based on specific standards, the Company books provisions corporate officer retirement bonuses in an amount required for payment at the end of the fiscal period. Therefore, impact on business performance should be negligible.

- II. Issuance of Stock Acquisition Rights as Stock Options for Stock-based Compensation
The introduction of stock options as stock-based compensation for the Company's directors (does not include outside directors) aims to increase the linkage between the Company's business performance and shareholder value and director compensation to realize the purpose of these changes to compensation structure.

The stock options as stock-based compensation would be introduced as a compensation system capable of encouraging in an agile manner the efforts of the Company's directors toward the improvement of the Company's business performance and enterprise value over the medium- to long-term. Under the system, there would be the following two types of stock acquisition rights issued to address a long-term or a medium-term point of view.

- a) Stock Option Plan A, which can only be exercised after retirement from the Company, as an alternative to the retirement bonus system
- b) Stock Option Plan B, which aims to incentivize business performance improvement over the medium-term.

Under both of the above stock option plans, the Company would provide compensation of an amount equivalent to the paid-in amount to the directors receiving an allocation of stock acquisitions rights. The directors receiving an allocation of stock acquisition rights would acquire the stock acquisition rights by offsetting the rights to seek compensation with the paid-in amount for the stock acquisition rights.

The following are descriptions for each of the stock acquisition rights that would be issued as stock options for stock-based compensation.

An Overview of Stock Acquisition Rights to be Issued Under Stock Option Plan A

- (1) Total Number of Stock Acquisition Rights and Type and Number of Shares Subject to the Stock Acquisition Rights
 1. Total Number of Stock Acquisition Rights
The maximum number of stock acquisition rights to be allotted to directors each year (within one year from the day of the Company's Annual General Meeting of Shareholders for each business year period) shall be 900. .
 2. Type and Number of Shares Subject to the Stock Acquisition Rights
The maximum number of stock acquisition rights to be allotted to directors each year (within one year from the day of the Company's Annual General Meeting of Shareholders for each business year period) shall be 90,000 of the Company's common shares.
The number of the Company's shares subject to the stock acquisition right (Number of Shares to be Granted) shall be 100 per right.
If the Company's shares are split or consolidated (reverse split), the treatment found to be necessary by the Company shall be applied in the event an adjustment to the Number of Shares to be Granted is deemed appropriate.
- (2) Monetary Value of Assets to be Contributed Upon Exercise of the Stock Acquisition Rights
Stock acquisition rights are to be exercised in lieu of a cash investment. The monetary value of assets to be contributed for the exercise of one stock acquisition right is the amount obtained by multiplying the Number of Shares to be Granted by the price per share (Exercise Price). The Exercise Price shall be one yen per share.
If after the allotment date the Company's shares are split or consolidated (reverse split), the treatment found to be necessary by the Company shall be applied in the event an adjustment to the Exercise Price is deemed appropriate.
- (3) Exercise Period for the Stock Acquisition Rights
The exercise period shall be set forth in the Company's board of directors meeting and shall be within 30 years from the day following the stock acquisition rights allotment date.
- (4) Conditions for the Exercise of Stock Acquisition Rights
 1. Company directors who have received an allotment of stock acquisition rights may exercise those stock acquisition rights up to ten days from the date they lose their status as corporate officer or employee of the Company or a subsidiary or affiliate thereof.
 2. Conditions other than those listed in 1. above for the exercise of stock acquisition rights shall be stipulated in an agreement regarding allotment of stock acquisition rights between the Company and directors who have received an allotment of stock acquisition rights.
- (5) Other Matters
Other matters related to stock acquisition rights shall be set forth at the board of directors meeting where matters for the subscription for stock acquisition rights are decided.

An Overview of Stock Acquisition Rights to be Issued Under Stock Option Plan B

- (1) Total Number of Stock Acquisition Rights and Type and Number of Shares Subject to the Stock Acquisition Rights
 1. Total Number of Stock Acquisition Rights
The maximum number of stock acquisition rights to be allotted to directors each year (within one year from the day of the Company's Annual General Meeting of Shareholders for each business year period) shall be 2,000.
 2. Type and Number of Shares Subject to the Stock Acquisition Rights
The maximum number of stock acquisition rights to be allotted to directors each year (within one year from the day of the Company's Annual General Meeting of Shareholders for each business year period) shall be 200,000 of the Company's common shares. The number of the Company's shares subject to the stock acquisition right (Number of Shares to be Granted) shall be 100 per right.
If the Company's shares are split or consolidated (reverse split), the treatment found to be necessary by the Company shall be applied in the event an adjustment to the Number of Shares to be Granted is deemed appropriate.
- (2) Monetary Value of Assets to be Contributed Upon Exercise of the Stock Acquisition Rights
Stock acquisition rights are to be exercised in lieu of a cash investment. The monetary value of assets to be contributed for the exercise of one stock acquisition right is the amount obtained by multiplying the Number of Shares to be Granted by the price per share (Exercise Price). The Exercise Price shall be one yen per share.
If after the allotment date the Company undergoes a merger or a business entity is spun off, the treatment found to be necessary by the Company shall be applied in the event an adjustment to the Exercise Price is deemed appropriate.
- (3) Exercise Period for the Stock Acquisition Rights
The exercise period shall begin no earlier than 3 years from the stock acquisition rights allotment date, and end no later than 10 years from the aforementioned date.
- (4) Conditions for the Exercise of Stock Acquisition Rights
 1. Company directors who have received an allotment of stock acquisition rights may exercise those stock acquisition rights provided they remain in office as corporate officers or employees of the Company or a subsidiary or affiliate thereof. However, an individual who has lost said status may nevertheless exercise his or her allotted stock acquisition rights within two years from the day following his or her date of resignation or retirement or until the Exercise Period (See (3) above) for the stock acquisition rights expires, whichever occurs first.
 2. Conditions other than those listed in 1. above for the exercise of stock acquisition rights shall be stipulated in an agreement regarding allotment of stock acquisition rights between the Company and directors who have received an allotment of stock acquisition rights.
- (5) Other Matters
Other matters related to stock acquisition rights shall be set forth at the board of directors meeting where matters for the subscription for stock acquisition rights are decided.