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Consolidated Financial Results for the Nine Months Ended December 31, 2019 [Japanese GAAP]



January 29, 2020

Company name: MISUMI Group Inc. Stock exchange listing: Tokyo Stock Exchange
 Securities Code: 9962 URL: <https://www.misumi.co.jp>
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 Scheduled date of filing quarterly securities report: February 5, 2020
 Scheduled date of dividend payments: —
 Preparation of supplemental explanatory materials: None
 Holding of quarterly financial results meeting: None

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(1) Consolidated Operating Results (Accumulated) (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2019	235,786	(5.6)	18,109	(20.2)	17,648	(22.1)	12,919	(20.3)
December 31, 2018	249,719	8.1	22,694	(16.5)	22,660	(15.7)	16,216	(19.3)

(Note) Comprehensive income: Nine months ended December 31, 2019: ¥10,779 million (30.4%)
 Nine months ended December 31, 2018: ¥15,493 million (36.3)%

	Earnings per share attributable to owners of the parent (basic)		Earnings per share attributable to owners of the parent (diluted)	
	Yen		Yen	
Nine months ended December 31, 2019	45.54		45.40	
December 31, 2018	57.23		57.02	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of December 31, 2019	259,444		211,418		80.6	
As of March 31, 2019	252,393		205,424		80.6	

(Reference) Shareholders' equity: As of December 31, 2019: ¥209,070 million
 As of March 31, 2019: ¥203,520 million

2. Cash Dividends

	Cash dividends per share for the fiscal year				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	Yen —	Yen 10.21	Yen —	Yen 10.99	Yen 21.20
Fiscal year ending March 31, 2020	—	7.51	—	—	—
Fiscal year ending March 31, 2020 (Forecast)	—	—	—	10.22	17.73

(Note) Revision of the latest forecast for cash dividends: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Earnings per share attributable to owners of the parent (basic)
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	326,500	(1.6)	27,700	(13.1)	27,300	(14.2)	20,100	(16.4)	70.86

(Note) Revision of the latest financial results forecasts: None

* Notes:

- (1) Changes in significant consolidated subsidiaries during the period: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: MISUMI TREASURY SINGAPORE PTE. LTD.
Excluded: None
(Note) Please see page 9 “2. Quarterly Consolidated Financial Statements and Primary Notes
(4) Notes to the Quarterly Consolidated Financial Statements (Changes in scope of consolidation or scope of equity method)” for details.
- (2) Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements:
None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
 (Note) Please see page 9 “2. Quarterly Consolidated Financial Statements and Primary Notes
(4) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)” for details.
- (4) Total number of shares outstanding (common shares)
 - 1) Total number of shares outstanding at the end of the period (including treasury stock):
As of December 31, 2019 : 283,818,897 shares
As of March 31, 2019 : 283,756,497 shares
 - 2) Total number of treasury stock at the end of the period:
As of December 31, 2019 : 129,616 shares
As of March 31, 2019 : 129,626 shares
 - 3) Weighted average number of shares outstanding during the period:
Nine months ended December 31, 2019 : 283,658,706 shares
Nine months ended December 31, 2018 : 283,383,366 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit corporations.

* Explanation on the appropriate use of forecasts and other notes

- The earnings forecasts and other forward-looking statements herein are based on information available to the Company at the time of preparation and certain assumptions deemed to be reasonable, and actual results may differ significantly from the forecasts due to various factors. For the assumptions on the earnings forecasts and notes on their use, please refer to “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements” on page 3 of the attached document.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The global economy during the cumulative third quarter of FY2019 was generally sluggish. In China and elsewhere, the prolonged US-China trade conflict has caused the restraint on capital expenditures in the manufacturing industry to continue and automotive related demand in principal countries remained sluggish. In Japan, the overall manufacturing industry continued to decelerate due to weak export environment among other factors, affecting production machinery and automotive related sectors.

Amid such economic environment, MISUMI Group is leveraging its unique business model, which encompasses both manufacturing and distribution businesses, and advancing the business foundation that supports these businesses globally. We are contributing to the manufacturing industry worldwide by eliminating inefficiencies faced by customers. During this cumulative third quarter, innovations to our business model was sought by carefully selecting themes, to be better adapted to the world's evolving “digital manufacturing” trend. Efforts were made to strengthen the IT infrastructure by taking core system onto the cloud network, and reinforce our global reliable and quick delivery business model by promoting local production, local sourcing for optimal procurement as well as expanding logistics sites in Japan and overseas. Despite these initiatives, both sales and profit decreased year-on-year due to continued sluggish capital investment demand in the manufacturing industry.

Consequently, consolidated net sales was ¥235,786 million, (5.6% decrease year-on-year). In terms of profit, decrease in sales volume, continued upfront investments which are carefully selected for sustainable growth both impacted upon profits. Subsequently, operating income was ¥18,109 million, (20.2% decrease year-on-year), and ordinary income was ¥17,648 million, (22.1% decrease year-on-year). Net income attributable to owners of parent was ¥12,919 million (20.3% decrease year-on-year).

① Factory Automation (FA)

In the FA business, excluding the Americas, sluggish capital investment demand continued in principal countries especially in Japan, caused net sales to be ¥74,560 million (9.4% decrease year-on-year). Operating income was ¥9,533 million (30.9% decrease year-on-year) impacted by decline in sales, and upfront investments which are carefully selected, aimed at strengthening the business foundation.

② Die Components

Despite mostly steady sales activities in Southeast Asia, net sales in the Die components business was 55,408 million yen (4.1% decrease year-on-year) due to sluggish automotive related markets in regions such as China and Europe. Operating income was ¥4,039 million (14.2% decrease year-on-year) due to the impact of sales decrease.

③ VONA

VONA business is MISUMI Group's sales and distribution business of production facilities related components, production auxiliary materials and MRO*. This business segment includes MISUMI brand products as well as third party manufacturer's products. Enhanced product lineup continued to support business growth. Items handled reached 30.4 million globally as at the end of this cumulative third quarter. These efforts coupled with carrying out proactive sales expansion measures resulted in sales expansion in the Americas and Southeast Asia, but could not compensate for the slowdown in China and Japan. Consequently, net sales was ¥105,818 million (3.5% decrease year-on-year). Notwithstanding profit improvement measures taking effect, decreased sales and carefully selected investments geared towards fortifying the reliable quick delivery system, resulted in the operating income to be ¥4,537 million (0.9% decrease year-on-year).

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

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of the end of the third quarter of the fiscal year were ¥259,444 million, an increase of ¥7,050 million compared to the previous year-end. This was primarily because property, plant and equipment increased by ¥8,667 million, while current assets decreased by ¥3,207 million mainly due to a decrease in notes and accounts receivable - trade. MISUMI Group has applied IFRS 16 “Leases” to certain overseas consolidated subsidiaries from the first quarter of the current fiscal year. As a result, “other, net” under property, plant and equipment increased by ¥5,024 million.

Total liabilities amounted to ¥48,025 million, an increase of ¥1,056 million compared to the previous year-end. This was mainly attributable to an increase of ¥4,476 million in long-term liabilities, while there was a decrease of ¥3,419 million in current liabilities mainly due to decreases in notes and accounts payable - trade and accounts payable - other. MISUMI Group has applied IFRS 16 “Leases” to certain overseas consolidated subsidiaries from the first quarter of the current fiscal year. As a result, “other” under current liabilities increased by ¥1,572 million, and “other” under long-term liabilities increased by ¥3,508 million.

Total net assets amounted to ¥211,418 million, an increase of ¥5,993 million compared to the previous year-end. This was primarily because shareholders’ equity increased by ¥7,761 million mainly due to an increase of ¥7,680 million in retained earnings, while accumulated other comprehensive income including foreign currency translation adjustments decreased by ¥2,211 million. As a result, the equity ratio was 80.6%, the same level as the end of the previous year.

2) Cash flows

As of December 31, 2019, cash and cash equivalents amounted to ¥48,884 million, an increase of ¥7,130 million compared to the previous year-end. The status of cash flows and their underlying factors for the nine months ended December 31, 2019 were as follows.

Cash flows from operating activities during the nine months ended December 31, 2019 amounted to a net cash inflow of ¥20,160 million (a net cash inflow of ¥6,878 million for the same period in the previous year). The breakdown of cash flows from operating activities is as follows. Income before income taxes was ¥17,648 million. Depreciation and amortization was ¥9,539 million. A decrease in notes and accounts receivable - trade was ¥3,887 million. An increase in inventories was ¥4,525 million. A decrease in notes and accounts payable - trade was ¥1,434 million. A decrease in accounts payable - other was ¥934 million. Income taxes paid was ¥6,357 million.

Cash flows from investing activities during the nine months ended December 31, 2019 amounted to a net cash outflow of ¥6,735 million (a net cash outflow of ¥13,194 million for the same period in the previous year). The breakdown of cash flows from investing activities is as follows. The purchase of fixed assets was ¥15,258 million. Payments into time deposits were ¥1,058 million. Refund from time deposits was ¥9,795 million.

Cash flows from financing activities during the nine months ended December 31, 2019 amounted to a net cash outflow of ¥5,524 million (a net cash outflow of ¥5,999 million for the same period in the previous year). The main item of cash flows from financing activities was dividends paid of ¥5,247 million.

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

The full-year consolidated financial results forecast for the fiscal year ending March 31, 2020 is unchanged from the figures announced on October 28, 2019.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	50,684	49,085
Notes and accounts receivable - trade	67,252	62,516
Merchandise and finished goods	42,795	46,376
Work in process	2,372	2,753
Raw materials and supplies	6,564	6,550
Other	6,155	5,323
Allowance for doubtful accounts	(205)	(191)
Total current assets	175,620	172,413
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,560	11,408
Machinery, equipment and vehicles, net	14,018	15,706
Land	3,758	4,258
Other, net	9,298	14,931
Total property, plant and equipment	37,637	46,304
Intangible assets		
Software	22,186	23,650
Other	7,475	6,837
Total intangible assets	29,661	30,488
Investments and other assets		
Investment securities	6	6
Other	9,654	10,424
Allowance for doubtful accounts	(186)	(193)
Total investments and other assets	9,474	10,237
Total non-current assets	76,772	87,031
Total assets	252,393	259,444

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,218	15,919
Accounts payable - other	10,150	7,861
Income taxes payable	2,774	2,163
Provision for bonuses	2,549	1,865
Provision for directors' bonuses	35	26
Other	5,791	8,263
Total current liabilities	39,520	36,101
Long-term liabilities		
Liability for retirement benefits	5,425	6,053
Other	2,022	5,870
Total long-term liabilities	7,448	11,924
Total liabilities	46,968	48,025
Net assets		
Shareholders' equity		
Common stock	13,023	13,064
Capital surplus	23,378	23,419
Retained earnings	166,060	173,740
Treasury stock	(78)	(78)
Total shareholders' equity	202,384	210,146
Accumulated other comprehensive income		
Foreign currency translation adjustments	1,211	(1,005)
Defined retirement benefit plans	(75)	(69)
Total accumulated other comprehensive income	1,135	(1,075)
Stock acquisition rights	1,331	1,763
Non-controlling interests	572	583
Total net assets	205,424	211,418
Total liabilities and net assets	252,393	259,444

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
For the Nine Months Ended December 31, 2019 and 2018

(Millions of yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Net sales	249,719	235,786
Cost of sales	144,009	135,273
Gross profit	105,709	100,513
Selling, general and administrative expenses	83,015	82,404
Operating income	22,694	18,109
Non-operating income		
Interest income	181	202
Insurance premiums refunded	144	—
Miscellaneous income	290	309
Total non-operating income	616	511
Non-operating expenses		
Sales discounts	67	55
Foreign exchange losses	460	684
Miscellaneous loss	122	233
Total non-operating expenses	650	972
Ordinary income	22,660	17,648
Income before income taxes	22,660	17,648
Income taxes	6,391	4,687
Net income	16,269	12,960
Net income attributable to non-controlling interests	52	41
Net income attributable to owners of parent	16,216	12,919

Quarterly Consolidated Statement of Comprehensive Income
For the Nine Months Ended December 31, 2019 and 2018

(Millions of yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Net income	16,269	12,960
Other comprehensive income (loss)		
Foreign currency translation adjustments	(777)	(2,177)
Defined retirement benefit plans	11	5
Share of other comprehensive income (loss) in associates	(10)	(9)
Total other comprehensive income (loss)	(775)	(2,180)
Comprehensive income	15,493	10,779
Comprehensive income attributable to		
Owners of parent	15,488	10,707
Non-controlling interests	4	72

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Cash flows from operating activities		
Income before income taxes	22,660	17,648
Depreciation and amortization	6,452	9,539
Increase (decrease) in liability for retirement benefits	477	635
Increase (decrease) in provision for bonuses	(1,554)	(659)
Increase (decrease) in provision for directors' bonuses	(189)	(9)
Increase (decrease) in allowance for doubtful accounts	(64)	(2)
Interest and dividend income	(187)	(207)
Interest expenses	1	88
Share-based compensation expenses	463	507
Foreign exchange (gains) losses	96	(20)
Share of (profit) loss of entities accounted for using equity method	(41)	(43)
Insurance premiums refunded	(144)	—
(Increase) decrease in notes and accounts receivable - trade	(713)	3,887
(Increase) decrease in inventories	(7,234)	(4,525)
(Increase) decrease in consumption taxes refund receivable	15	503
Increase (decrease) in notes and accounts payable - trade	(1,240)	(1,434)
Increase (decrease) in accounts payable - other	(3,605)	(934)
(Increase) decrease in other assets	(1,052)	404
Increase (decrease) in other liabilities	144	1,006
Subtotal	14,284	26,384
Interest and dividend income received	284	215
Interest expenses paid	(1)	(88)
Insurance premiums received	144	—
Income taxes refund	191	6
Income taxes paid	(8,024)	(6,357)
Net cash provided by operating activities	6,878	20,160
Cash flows from investing activities		
Purchase of fixed assets	(15,222)	(15,258)
Proceeds from sales of fixed assets	43	241
Payments into time deposits	(27,123)	(1,058)
Refund from time deposits	29,733	9,795
Payments for lease and guarantee deposits	(1,022)	(678)
Proceeds from collection of lease and guarantee deposits	335	118
Other, net	62	105
Net cash used in investing activities	(13,194)	(6,735)
Cash flows from financing activities		
Proceeds from issuance of stock	33	81
Dividends paid	(6,032)	(5,247)
Repayments of lease obligations	—	(359)
Other, net	(0)	0
Net cash used in financing activities	(5,999)	(5,524)
Effect of exchange rate change on cash and cash equivalents	(438)	(769)
Net increase (decrease) in cash and cash equivalents	(12,753)	7,130
Cash and cash equivalents at beginning of period	51,713	41,753
Cash and cash equivalents at end of period	38,959	48,884

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Changes in scope of consolidation or scope of equity method)

During the third quarter ended December 31, 2019, MISUMI TREASURY SINGAPORE PTE. LTD., MISUMI Investment (Shanghai) Co., Ltd., and Suruga Seiki (Foshan) Co., Ltd. were established and included in the scope of consolidation. MISUMI TREASURY SINGAPORE PTE. LTD. is a specified subsidiary of the Company.

(Changes in accounting policies)

MISUMI Group has applied IFRS 16 "Leases" from the first quarter of the current fiscal year to certain overseas consolidated subsidiaries and record assets and liabilities on the quarterly consolidated balance sheet, in principle, for all leases as lessees' accounting treatment. The Group adopts a method to recognize the cumulative effect of adoption of this new accounting standard, which is recognized as a transitional measure, on the initial date of adoption.

As a result of having applied this standard, "other, net" under property, plant and equipment increased by ¥5,024 million, "other" under current liabilities increased by ¥1,572 million, and "other" under long-term liabilities increased by ¥3,508 million. The application of this standard had no material effect on profit or loss in the financial results for the nine months ended December 31, 2019.

(Segment information)

[Segment information]

For the nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

1. Net sales and segment income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	82,319	57,758	109,642	249,719	–	249,719
Internal sales to other segments	–	–	–	–	–	–
Total	82,319	57,758	109,642	249,719	–	249,719
Segment income	13,800	4,706	4,577	23,083	(389)	22,694

Segment income before amortization of goodwill*	13,800	5,168	4,577	23,545	(389)	23,156
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*(Note) Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

2. Differences between the total amount of reportable segments and the amounts in quarterly consolidated statement of income, and major breakdown of such differences (reconciliation)

(Millions of yen)

Income	Amount
Total of reportable segment	23,083
Adjustments	(389)
Operating income in quarterly consolidated statement of income	22,694

For the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

1. Net sales and segment income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	74,560	55,408	105,818	235,786	–	235,786
Internal sales to other segments	–	–	–	–	–	–
Total	74,560	55,408	105,818	235,786	–	235,786
Segment income	9,533	4,039	4,537	18,109	–	18,109

Segment income before amortization of goodwill*	9,533	4,494	4,537	18,564	–	18,564
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*(Note) Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

2. Differences between the total amount of reportable segments and the amounts in quarterly consolidated statement of income, and major breakdown of such differences (reconciliation)
Not applicable

[Supplementary information]

For the nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

Information by region

- (1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
130,939	44,718	36,670	20,442	12,773	4,174	249,719

(Note) Net sales represent the net sales of the Group in Japan and other countries or regions.

- (2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
14,113	7,756	8,210	2,980	3,015	36,076

For the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

Information by region

- (1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
125,329	39,620	33,689	20,954	11,977	4,215	235,786

(Note) Net sales represent the net sales of the Group in Japan and other countries or regions.

- (2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
17,024	8,194	8,052	4,129	8,903	46,304