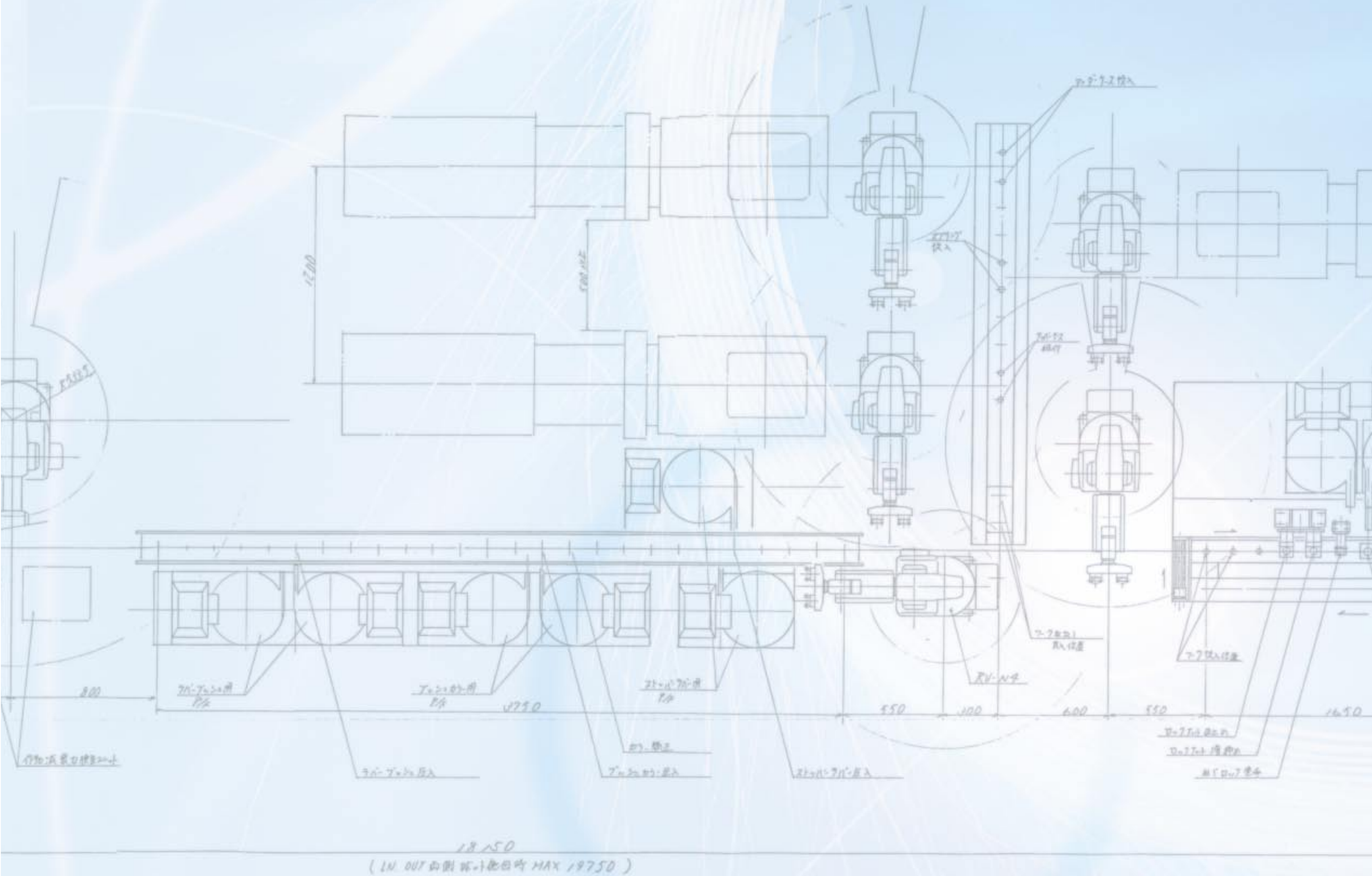
MISUMI — It's all about TIME



MISUMI Group Inc.

Annual Report
2007
For the year ended March 31, 2007

Profile

Since its establishment in 1963, MISUMI Group Inc. has been a powerful “behind-the-scenes” presence supporting the Japanese machine industry through its original catalog sales. One of the Group’s first achievements was the standardization of press die components. The Group has continued to grow by operating under its social mission to provide highly original products that customers need with high quality, low prices and short delivery times. The Group’s business model and management style emerged from the Company’s unsurpassed originality and foresight, with both continuing to spark innovation in the business world.

Through further development of its business model and strategic management, the Group will continue to carry out its mission of being a “behind-the-scenes” player supporting industrial production in Japan and around the world.

Contents

Forward-Looking Statements

This annual report contains forward-looking statements regarding MISUMI’s plans, outlooks, strategies and results for the future. All forward-looking statements are based on judgments derived from information available to the Company at the time of publication.

Certain risks and uncertainties could cause MISUMI’s actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company’s business, competitive pressures, related laws and regulations, product development programs and changes in exchange rates.

Consolidated Financial Highlights

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

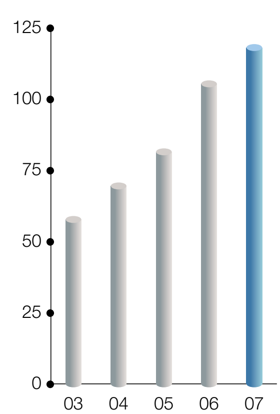
	Millions of Yen		Change	Thousands of U.S. Dollars
	2007	2006	2007/2006	2007
For the Year:				
Net sales	¥118,139	¥105,408	12.1%	$1,000,754
Factory Automation Businesses	56,344	46,405	21.4	477,289
Die Components Businesses	32,796	31,502	4.1	277,813
Electronics Businesses	11,836	10,085	17.4	100,267
Optical-Related Businesses	4,333	4,180	3.7	36,703
Diversified Businesses[3]	12,830	13,236	(3.1)	108,682
Operating income	15,643	13,035	20.0	132,510
Income before income taxes and minority interest	15,999	13,424	19.2	135,524
Net income	9,447	7,619	24.0	80,026
At Year-End:				
Total assets	¥ 84,244	¥ 78,177	7.8%	$ 713,632
Total equity[4]	63,751	54,077	17.9	540,032
Interest-bearing debt	1,717	3,092	(44.5)	14,541

	Yen		Change	U.S. Dollars
Per Share Data[2]:				
Net income	¥ 108.42	¥ 84.95	27.6%	$ 0.92
Cash dividends	22.00	18.00	22.2	0.19
Equity[4]	725.45	619.93	17.0	6.15

Notes: 1. U.S. dollar amounts have been converted from Japanese yen, for convenience only, at the rate of ¥118.05 to U.S.$1, the approximate rate of exchange at March 31, 2007, as described in Note 1 of Notes to Consolidated Financial Statements.
2. The Company adjusted figures retroactively to reflect a stock split on April 1, 2006.
3. The Company sold Nippon Kaiyo Co., Ltd., in June 2006 and sold 70% of the formerly wholly owned MULTI-BITS Corporation. This removed both companies from consolidation in the first and second halves, respectively, of the period under review.
4. The Company presents Total Equity instead of Shareholders' Equity in keeping with the implementation of the Company Law on May 1, 2006.

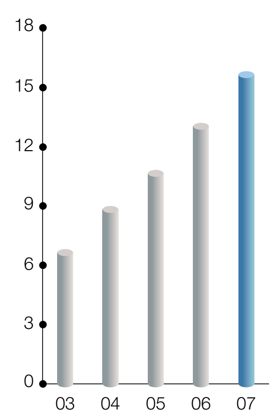
Net Sales

(Billions of Yen)



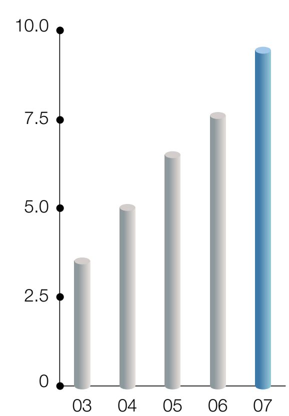
Operating Income

(Billions of Yen)



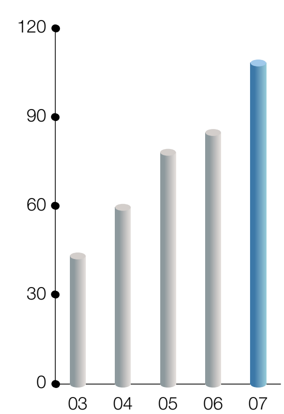
Net Income

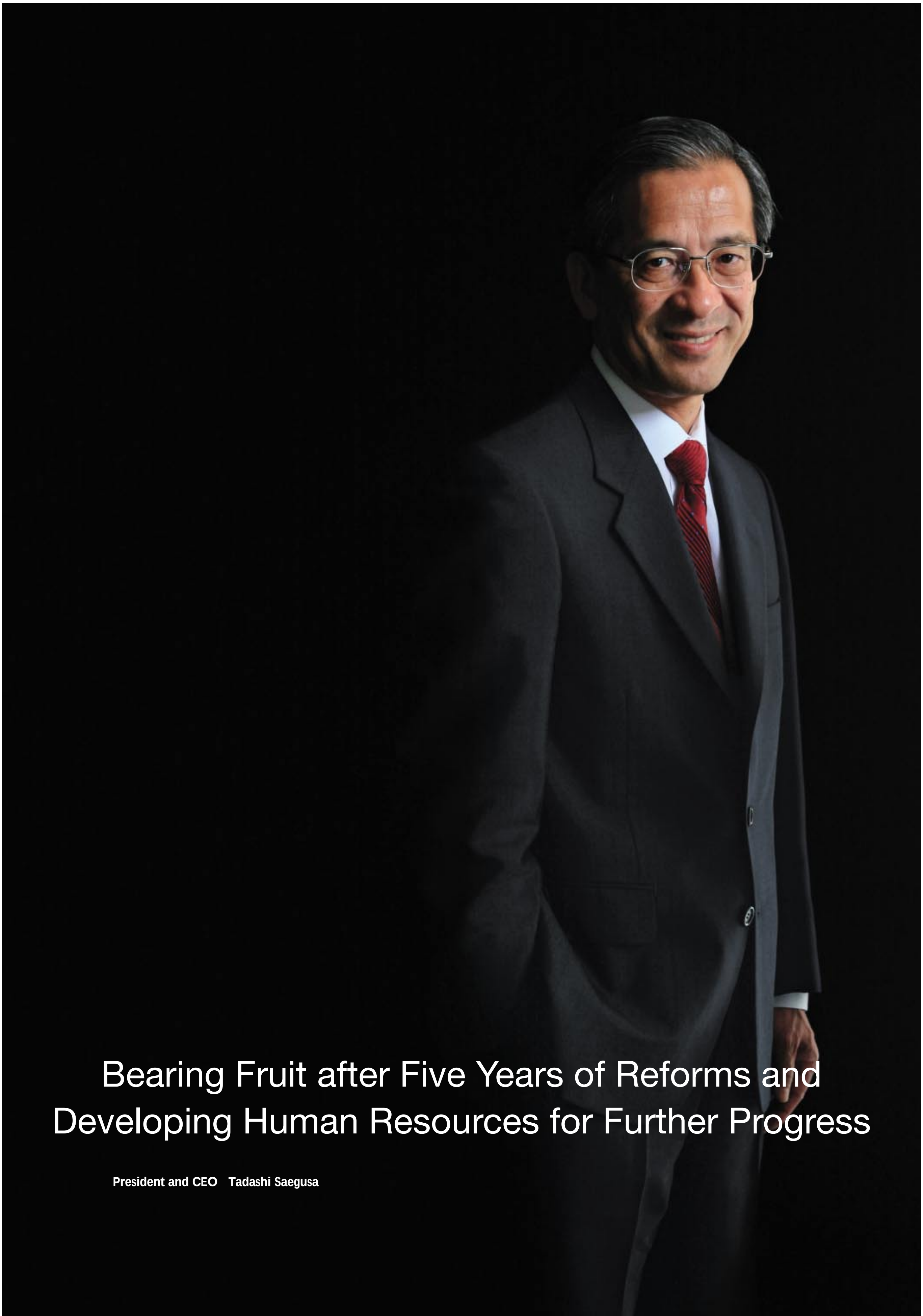
(Billions of Yen)



Net Income per Share

(Yen)





Bearing Fruit after Five Years of Reforms and Developing Human Resources for Further Progress

President and CEO   Tadashi Saegusa

Record High Net Sales and Operating Income for Fifth Straight Year

In fiscal 2006, ended March 31, 2007, consolidated net sales climbed 12.1%, to ¥118.1 billion, while operating income gained 20.0%, to ¥15.6 billion. Both figures were record highs for the fifth consecutive year. Net income jumped 24.0%, to ¥9.4 billion. This was the fourth straight rise and a record high. Net sales have more than doubled and operating income has expanded roughly three-fold in the five years since we deployed reforms.

Our growth stemmed from a favorable Japanese economy and various reforms that the MISUMI Group has undertaken over the past five years. I began by strengthening the organization and reviewing our business strategies. We then invested heavily in overseas operations to enhance work quality and efficiency as well as to accelerate our expansion.

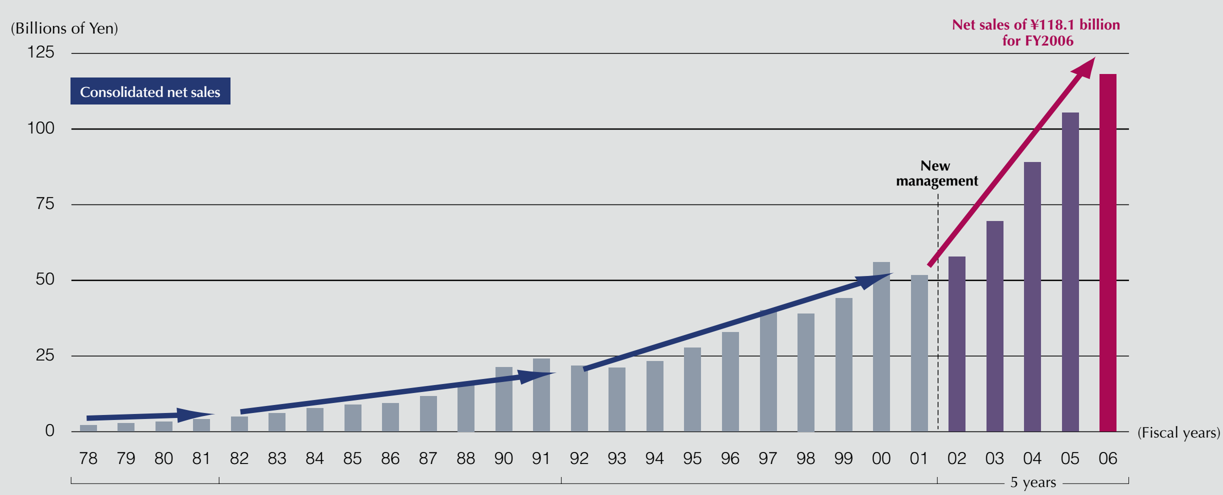
Revising Our Business Strategy

When I was appointed as CEO five years ago, our first task was to revamp the strategies of our highly competitive Factory Automation (FA) Businesses. We conducted an activity-based cost analysis that revealed our true expenses for each product and customer and then accordingly instituted “Control and Focus” strategies.

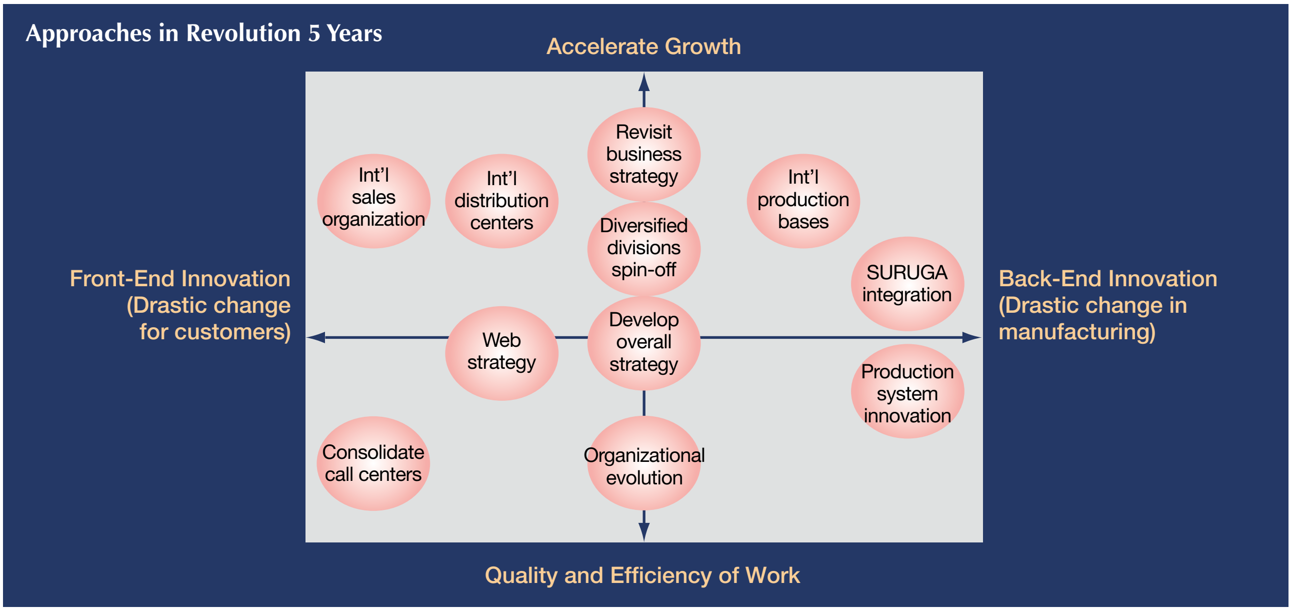
We thereafter reviewed all of our operations. In our Die Components Businesses, for example, we developed a strategy of protecting our domestic market share while expanding overseas. In our Electronics Businesses, we created a strategy to concentrate on wiring products. In our Machine Tools Business, which is part of the Diversified Businesses, we targeted growth by fundamentally reviewing procurement, which led to a marked improvement in quality.

In fiscal 2006, sales of Factory Automation Businesses totaled ¥56.3 billion, or approximately four times what

Growth of the MISUMI Group



Note: The year ended March 31, 1989 has been omitted because of a change in the fiscal term.



they were five years earlier, while Electronics Businesses sales expanded from ¥5.1 billion to ¥11.8 billion. The Machine Tools Business began to deliver similar growth.

Pursuing Integrated Global Sales and Manufacturing

We have cultivated the highly promising international market. We now issue a total of 22 catalogs in local languages in China, Korea, Taiwan, Singapore, Thailand, Europe and North America. To illustrate the significance of this change, five years ago our total was just four catalogs in Korea and North America.

We had only three overseas plants in 2002, whereas now we have nine. We have also established seven logistics centers. Since our integration with SURUGA SEIKI CO., LTD., in April 2005, we have accelerated global deployment of our manufacturing and sales structure. We established a plant and QCT logistics center in Korea in fiscal 2006 and launched operations at the Polish plant in July 2007. We have launched sales offices in Vietnam and Malaysia as well.

Revenues have expanded three times faster overseas than in Japan, accounting for 17.1% of net sales in fiscal 2006. We expect our foreign operations to represent almost 20% in fiscal 2007. Our target for overseas net sales ratio of 30% is becoming a realistic target.

Integration with SURUGA SEIKI and Production System Innovation

MISUMI and SURUGA SEIKI achieved significant progress this year. Together, we steadily increased the responsiveness of our global production structure, which has driven our overseas expansion. Specific achievements include such back-end initiatives as 5C Reengineering (encompassing value, time, information, strategy and mindset). For the front-end of our business, we established the Custom Design Business Team and increased the number of SURUGA products in catalogs, such as XY stage positioning systems. The MISUMI Group will press ahead with innovation to strengthen the synergy between manufacturing and sales, including the sharing of expertise and human resources.

Integration of Manufacturing and Sales Globally

	Front-end					Back-end			
	Local-language catalog					Manufacturing plant		Logistics center	
	FA	Press	Mold	Tool	Elec				
China	'04	'03	'04	'04		Shanghai '02	Guangzhou '05	Shanghai '03	Guangzhou '05
Korea	'01	'00	'02		'06		'07		'06
Taiwan	'03	'05	'06						Outsourced '06
Singapore	'06	'06	'06						
Thailand	'06	'05	'07				'05		'05
Europe	'06						'07		'06
North America	'02	'02	'03			'98	Addition '05		'04
	'04 (inches)								
Vietnam						'95	2nd plant '05		
Increase in number of sites					4→22		3→9		0→7

In Japan, we plan to establish the Kansai MISUMI Production to disperse the risks from natural disasters and to cut costs. We have purchased the land and have started constructing facilities there, investing approximately ¥4 billion over the past two years. We intend to build the MISUMI Village for partner producers near our West Japan Distribution Center.

Organizational Progress

MISUMI faces management challenges that stem from accelerating global expansion, notably the need to reform its organization and to further develop its managers.

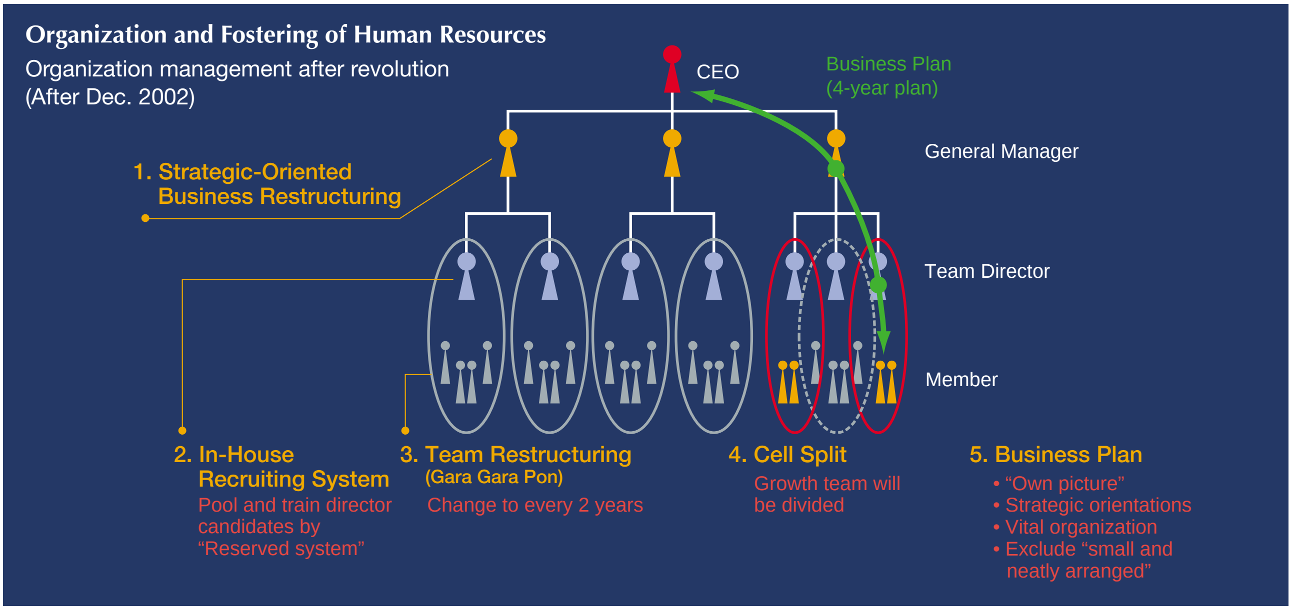
In general, companies divide roles along functional lines when they grow. At MISUMI, we divide teams into smaller "cells" as sales from our businesses increase. We had 20 of these teams when I became CEO five years ago. We now have 57. In April 2006, we even split the FA businesses into cells.

As our "small is beautiful" approach suggests, we divide teams and businesses so that teams can continue with the basic cycle of product development, manufacturing and selling. A director heads each of our teams of four or five people, but they also have responsibilities for each aspect of their work. Each of these small organizational units runs like an independent company. This naturally inspires them to succeed and aids the process of developing new managers.

We maintain a human resources system whereby every two years all employees can nominate areas in which they would like to work and can move if the supervisor whom they wish to work for agrees. Our employees choose their jobs, not the Company, so they feel more responsible, motivated and committed.

Instituting Business Plans

Attitude is important, but one cannot produce results without ability. Our business plan system has contributed tremendously in improving the ability of our people to formulate and execute strategies. Every year, each



business team and division produces its business plans for the following four years. Team directors and general managers complete their own business plans by evaluating previous achievements, identifying the market segments they will challenge and elaborating on how they will set about their tasks.

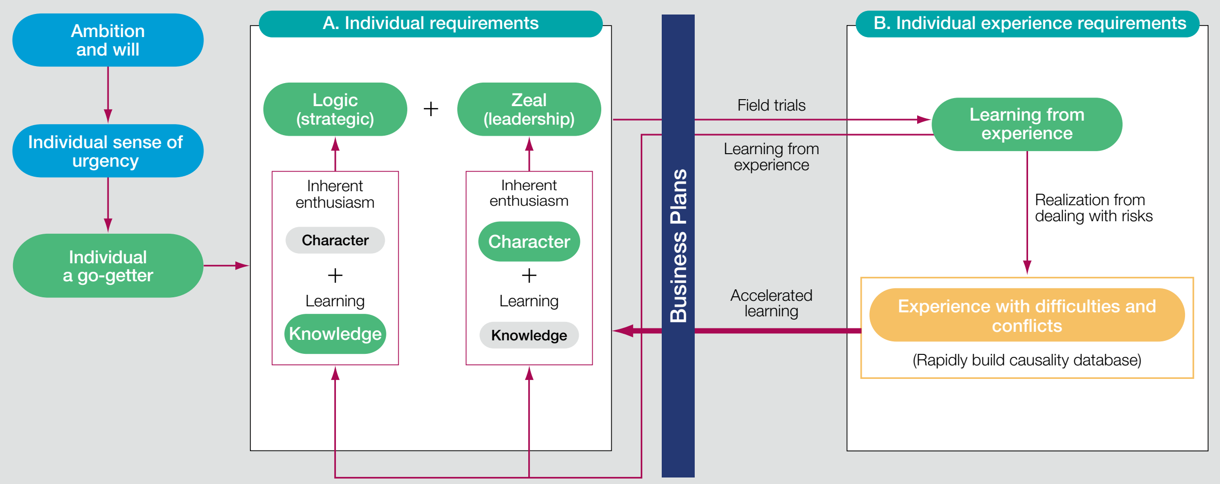
Teams can operate haphazardly if they concentrate only on their own tasks. Making organizational units too small can make it impossible for teams to address all but those challenges that are within reach.

We avoid such situations by having directors, general managers and the CEO deliberate repeatedly on business plans in view of a shared strategic narrative. This means that divisions and even the entire Company can pursue major challenges. This also makes it possible to strategically bind the whole organization, while at the same time energizing it.

Practical Management Literacy

Business plans play an important role in producing competent managers. To create good business plans, executives must draw on more than their experiences in the field; they must increase their practical management literacy. Such literacy obviously requires administrative knowledge. However, it is also important to be able to analyze one's issues, extract root causes, write simple narratives that offer strategic solutions and put them to test. Otherwise, even a fully thought-through business plan will remain merely a hypothesis. Plans encounter all sorts of roadblocks in reality. You may have to work out what went wrong with your narrative and puzzle over how to reconstruct it. Combining your experience with failure and management literacy builds knowledge faster. While fostering our own people, we also recruit a variety of individuals with relevant experience from outside the Company to build strong management teams.

MISUMI's Management Creation Framework



Strengthening Formal Learning

I placed human resource development as a management priority after becoming CEO. My first step was to begin holding the monthly Executive Management Forum. Likewise, an open forum for regular employees is held semi-annually. I also conduct strategic training courses over two days for high-potential employees, helping them learn the strategic concepts they need. Candidates for team directors are invited to apply, and those selected go into a pool of "reserve directors" at the MISUMI Director Educational School. These director candidates must undergo general learning and simulate executive tasks, such as producing business plans.

Pursuing More Growth

MISUMI has deployed aggressive expansion strategies while reorganizing and fostering managers over the past five years. But that is merely the beginning. We will innovate and test new organizational concepts as we enlarge our organization and globalize. We develop people who serve the interests not only of the MISUMI Group but also contribute to business and industry prosperity worldwide.

I thank you, our shareholders, for the continued confidence you showed us in fiscal 2006. I look forward to generating even more growth on your behalf in the year ahead.

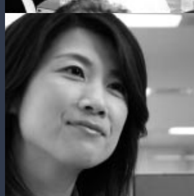
August 2007

T. Saegusa

Tadashi Saegusa
President and CEO

Special Feature—Reforming Our Organization and Developing Human Resources

Developing Managers of Tomorrow: Director Educational School



Demonstrating “Small Is Beautiful” through Cell Split Management

Fortifying Human Resources to Strengthen MISUMI

Developing Managers of Tomorrow: Director Educational School

Tae Ho Kim

Corporate Officer & Director Educational School Chief Administrator

In most companies, authority and responsibility gradually increases as one moves up the corporate ladder. In MISUMI it's different. In our flat organization structure, our team directors are given full responsibility and authority without much prior experience in management. Accordingly, it is not difficult to imagine the struggle they go through from day one in assignment.

The Director Educational School is designed to help such new team directors. The first half of the course focuses on general management theories and helps participants acquire concepts and framework that they can later apply. In the second half, they form teams to simulate the process of developing a real business plan. This exercise allows them to link the theories they learned with practice. Almost all participants find this process much harder than expected and go through hours of rewriting their business plans.

The course is less about formal learning and far more about giving participants a chance to recognize what they need to deliver against expectations. Upon returning to their workplace, the graduates start to view what they earlier considered as "someone else's" issues as their own. The Director Educational School's ultimate goal is to help accelerate their learning *after* they complete the course. Graduates from the past two courses have started to demonstrate outstanding progress, and I am excited to see them succeed.

Demonstrating “Small Is Beautiful” through Cell Split Management

Rie Nakagawa

Director of Material Business Team in FA Mechanical General Components Division

I used to oversee the Fasteners & General Components Business Team. Before cell split, the team handled such a wide array of products—from bolts to industrial materials and from metals to rubber—that it was hard to generate synergies. We had to incorporate several different strategies in our business plans.

After cell split, I became able to consider product development, manufacturing and selling from medium- and long-term perspectives in my business plans, which included far more detail on steps to implement.

This setup makes it easier for teams to focus on the areas that they oversee and feel that they own processes. Team directors and members have a greater sense of wanting to take charge of their work and are more willing to pursue new challenges.

Another advantage of cell split management is that teams are smaller, which enhances communication between directors and members. Also, teams can act more swiftly and be more confident that their business plans will succeed. I believe that cell split management perfectly demonstrates that “small is beautiful.”

Fortifying Human Resources to Strengthen MISUMI

Ryusei Ohno

Director of the Board &
Corporate Officer

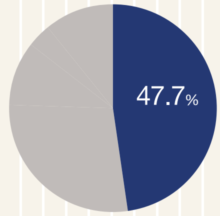
After being appointed as the CEO of MISUMI, Tadashi Saegusa switched away from the Company's habit of only improving the capabilities of people who happened to emerge from growth areas and made fortifying all human resources a central management priority. High-profile results of his thinking include the process of formulating business plans, training seminars that Mr. Saegusa holds, and the Director Educational School. The biggest change, however, has been that MISUMI now has a corporate culture that drives daily improvements in human resources.

Cultivating future managers is like training professional athletes; honest daily practice eventually yields results. Such an approach has enabled employees to swiftly improve their capabilities, which is largely why MISUMI has expanded so quickly over the past five years. All of this is only a beginning, though, and we will become strongest when all employees worldwide believe in "the MISUMI Way" so we can underpin global manufacturing and generate even more business growth.

Review of Operations of the MISUMI Group

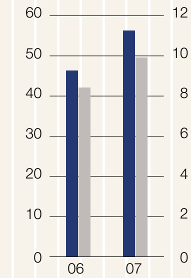
Factory Automation Businesses


Percentage of Net Sales



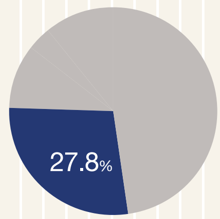
Net Sales and Operating Income
(Billions of yen)

■ Net sales (left scale)
■ Operating income



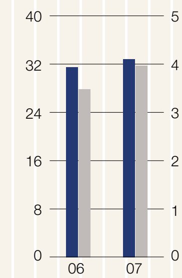
Die Components Businesses


Percentage of Net Sales



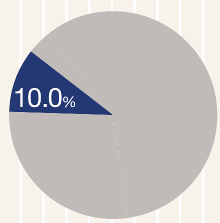
Net Sales and Operating Income
(Billions of yen)

■ Net sales (left scale)
■ Operating income



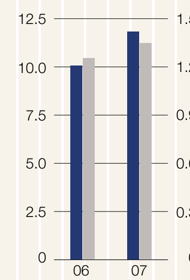
Electronics Businesses


Percentage of Net Sales

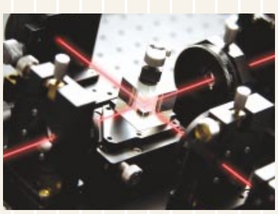


Net Sales and Operating Income
(Billions of yen)

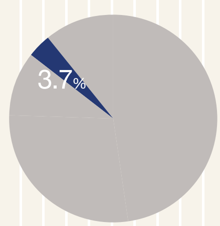
■ Net sales (left scale)
■ Operating income



Optical-Related Businesses

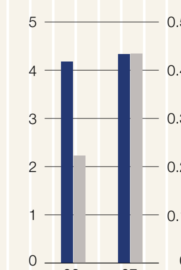



Percentage of Net Sales

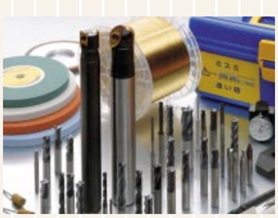


Net Sales and Operating Income
(Billions of yen)

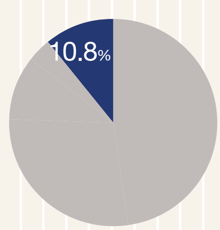
■ Net sales (left scale)
■ Operating income



Diversified Businesses

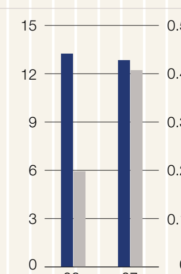



Percentage of Net Sales*



Net Sales and Operating Income
(Billions of yen)

■ Net sales (left scale)
■ Operating income



* Environmental conservation operations, for which shares were transferred in June 2006, and digital design operations, for which 70% of shares were transferred in October 2006, were excluded from consolidated results from the second half of fiscal 2006.

Overview

Factory Automation (FA) Businesses provide mainly standard components, such as linear shafts, pulleys, motors and aluminum frames that help streamline production and conserve energy in a range of FA and other systems. In addition, they develop and supply automatic positioning modules for use in high-precision production equipment.

FA Businesses account for the largest proportion of the Group's sales, and are the backbone of its operations.

Major Products

Shafts, shaft holders, set collars, linear bushings, oil-free bushing, slide guides, aluminum frames, brackets, T-nuts, Hepa filter units, pipe frames, casters, adjuster pads, levers, handles, rods, hexagonal material, screws, springs, shock absorbers, processed urethanes and rubber, antivibration and soundproof materials, manifolds, couplings, piping parts, knuckle joints, hinge bases, links, heaters, insulator plates, rotary shafts, hinge pins, locating pins, XY stages, switches, cutters, work plates

Overview

Die Components Businesses develop and provide such standardized die & mold components as punches & dies, guide posts, springs, ejector pins, core pins and guide pins, including high precision components for the automotive, electrical and electronics industries.

Major Products

Punches & button dies, guide lifters, stripper guide pins & bushings, guide posts & bushings for die sets, coil springs, gas springs, cams, oil-free slide plates, lifting components, ejector pins, ejector sleeves, center pins, core pins, block core pins, date-marked pins, pins with gas vents, angular pins & rocking, slide core guide rails, sprue bushings & locating rings, runner & gate parts, electrodes, positioning and leader components, ejector space components, mold opening controllers, cooling & heat controlling components

Overview

Electronics Businesses develop and provide cables to connect automated machinery and inspection and measuring instruments, harness cables, connectors, as well as computers, peripherals and other items for the field of measurement and control.

Major Products

Harnesses, cables, connectors, terminal blocks, wiring accessories, electrical plugs and sockets, switches, fans, control panel boxes, relay boxes, switch boxes, wiring tools, data converters, GPIB-related products, computers and peripheral equipment, industrial displays, display arms, networking cables

Overview

Optical-Related Businesses develop and provide a wide variety of experimental research equipment related to optics. In addition, they supply components for the manufacture of machinery, which is constantly changing due to increasing computerization.

Major Products

XYZ-theta locating stage, mirror holders, lens holders, vibration-free steel honeycomb bases (air spring, antivibration rubber), lens, mirrors, prisms, polarized light devices, filters, glass substrates, laser autocollimators, optical sensors, related equipment (light sources, power supplies, microscopes), micro manipulator, optical communication module manufacturing equipment, device assembly and control equipment, evaluation and test equipment

Overview

Diversified Businesses provide machine tools, medical and veterinary supplies, and food ingredients and consumables for eating and drinking establishments.

Major Products

Machine Tools: End mills, drills

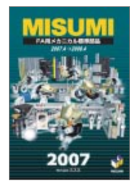
Medical and Veterinary Supplies: Gauzes, dressings for protecting wounds, Promiclos veterinary materials, injection needles

Food Service Supplies: Food supplies, seasonings, liquors, consumable supplies

Factory Automation Businesses

Factory Automation Businesses develop and supply standard components for automated machinery used in rationalization and labor-saving systems, including factory automation (FA) equipment.

The Linear Motion Components Business team plans, develops, procures and sells linear motion components, peripheral components and services for automated machinery. It also supplies a wide range of original MISUMI products to meet specific customer requests.



Factory Automation Businesses underpin the Group and account for the largest portion of net sales, approximately 48%. We offer mechanical standard components for FA and flexible manufacturing systems.

In keeping with our organizational and product lines' growth, in April 2007 we established five separate divisions for this business area. They are the FA Mechanical Motion, the FA Mechanical Element, the FA Mechanical General Components, the FA Structural Components and the International FA Business Divisions. These divisions annually broaden their product lines and supply approximately 500,000 components on a Group basis.

The FA Mechanical Motion Division includes the Linear Motion Components Business, the Linear Motion Unit Business and the Linear Actuator Business, which handle shafts, linear bushings, and other motion equipment components and peripheral parts. There is also the Fluid Control Business, which offers hydraulic and pneumatic components, fluid control components, industrial standard heaters and insulating boards.

The FA Mechanical Element Division includes the Rotary Components Business, which offers couplings, timing pulleys, and other rotary components and support parts. The Transmission Components Business handles such products as belts and rollers. The Locating Components Business supplies locating pins and guides. The Inspection Components Business includes XY stages and posts.

The FA Mechanical General Components Division includes the Fasteners & General Components Business, which supplies such products as bolts, washers, magnets and springs. The Material Business concentrates on metal plates, urethane rubber, and soundproofing and antivibration materials. The Custom Parts Business issues the Mechanical Custom Components Catalog, which offers a wider range of dimensions than the Mechanical Standard Components for Factory Automation, and handles special-order parts.

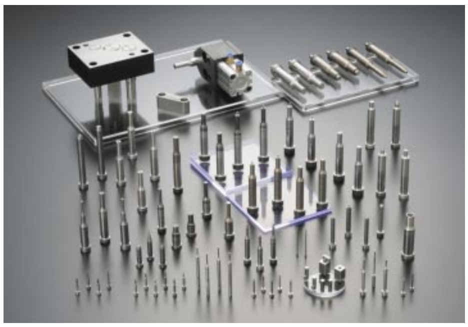
The FA Structual Components Division includes the Machine Frame Components Business, which handles aluminum and pipe frames and other parts used in automated equipment cases. The Accessories and Casters Components Business offers such accessories as casters and handles.

The International FA Business Division suggests and implements policies and otherwise liaises with our foreign FA subsidiaries.

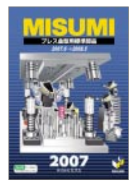
The Inspection Components Business develops and provides XY stages and other products manufactured by SURUGA SEIKI, among others.

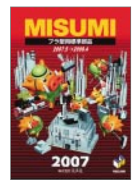
Die Components Businesses

Die Components Businesses serve the automotive, electronics and electrical machinery industries by developing and supplying press die components for pressing metal plates, punches and dies used in plastic injection molding, ejector pins and other standardized and precision die components.



The Punch & Die Business Team's main products, shown here, include coating punches, and punches for high-tension heavy plates.





In April 2007, we divided our operations into the Press Die Components Division and the Mold Components Division.

The Press Die Components Division offers standardized components for metal press dies that are essential for making automobiles, appliances and precision machinery. We handle everything from procurement to sales. Our lineup is approximately 277,000 items. The Punch & Die Business Team offers punches and dies for making holes in metal sheets. The Guide Components & Peripherals Business Team provides guide posts, bushings and other parts to maintain vertical die movement. The Custom Design Business makes full use of MISUMI's sales network and SURUGA SEIKI's leading-edge processing technologies to handle products whose dimensions differ from those of catalog items. The business also makes and sells products based on customer drawings.

The Mold Components Division offers about 145,000 items, including ejector pins, core pins and guide posts for the broad range of injection molding dies used to make automobiles, appliances and cell phones.

Supporting these businesses are cutting, grinding, polishing and other precision processing technologies that we have refined over many years, as well as strict quality controls that target less than five claims per 10,000 orders. Manufacturers in the automotive, electronics, electrical machinery, precision machinery and other industries thus depend on our precision die offerings. We supply the Asian, North American and European markets through such production bases as Suruga Seiki (Shanghai) Co., Ltd., in China, Saigon Precision Co., Ltd., in Vietnam, and SURUGA USA Corp. in the United States, and through MISUMI's sales network.

The Custom Die Tools Business Team handles everything from preparing cost estimates based on customer design specifications to selling non-standard products not listed in MISUMI's catalogs.

Electronics Businesses

Electronics Businesses develop and supply harnesses, cables, connectors, and terminals for automated machinery and inspection and measuring instruments, as well as for industrial computers and control and installation components and peripherals used in the measuring and control equipment areas.

Just some of the numerous components in our FA electronics catalog

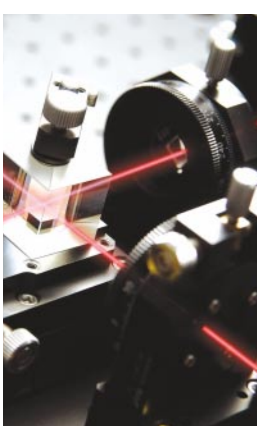
The FA Wiring Business, the FA Box Business and the FA Electronics Equipment Teams supply about 107,000 components, including connectors, wiring, harness, cables, terminals, boxes, cable accessories, and tools for automated machinery and inspection and measuring instruments. They also handle environmentally friendly proprietary standard products.

The FA Electronics Control Device Team focuses on FA components for PCs, including camera parts, image processing and network offerings. The team is reviewing the lineup of industrial PC components that it has traditionally supplied, such as assembled industrial computers and displays, in keeping with customer usage.

As part of this effort, the Electronics Business Team is deploying environmental measures for its lineup and is greatly expanding its range of products compatible with the European Union's Restriction of Hazardous Substances (RoHS) directive.

Optical-Related Businesses

Optical-Related Businesses develop and supply a wide variety of experimental research equipment related to optics. In addition, they supply machinery and equipment to manufacturers of electronics components, which are constantly changing due to increasing computerization of electrical machinery and home electronics.



A full range of products is available though MISUMI's catalogs, including precision positioning technology stages and holders for mirrors, lenses and other optical devices used in optical axis alignment.

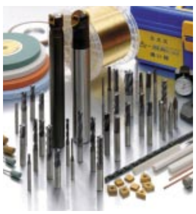
SURUGA SEIKI's optical devices business develops processes requiring submicron to nanometer-level superprecision and a wide range of electronic devices. It also supplies equipment and devices to accurately control attitude and positioning in production processes. As well as responding to the digitization of appliances with key offerings, we have won a top reputation for our measuring instruments and new optical sensors for "pose recognition."

We draw on technologies cultivated over the years in precision processing and optical technologies acquired through optical axis alignment for optical fibers used in communications systems. We are responding to the rapid digitization of electronic equipment to serve the research and development market, as well as the manufacturing equipment and materials market.

We offer an array of standard, modified and custom products to support diverse needs for a wide range of customers, including those for electrical and electronic machinery, optical and communications equipment manufacturers, as well as universities, governments and private research institutions.

Diversified Businesses

Our lineup includes machine tools, medical and veterinary supplies, foodstuffs and consumables for eating and drinking establishments.



Machine Tools

This business develops and supplies products used in machining environments as well as services. We standardize and sell approximately 29,500 essential items for machining, including end mills, drills and other cutting tools, electrical discharge machine tools for wiring and other materials, as well as jigs, finishing, measuring and assembly tools. We also provide regrind and recoating services for cutting tools.

Medical and Veterinary Supplies (PROMICLOS Corporation)

Promiclos provides more than 6,000 vital products for medical institutions, ranging from injection needles, sutures and catheters to gauzes, gloves and other general medical consumables. Promiclos also offers veterinary supplies and prescribed foods.

Food Service Supplies (MICREED Corporation)

Micreed provides total support services for the central kitchens of small and medium-scale eating and drinking establishments with about 2,400 items and services, including prepared foodstuffs, ready-made products, seasonings, alcoholic beverages, consumables and tableware, collecting used cooking oil and printing chopstick paper sleeves.

Global Network

● Domestic Network

MISUMI Group Inc./MISUMI Corporation
4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458
Tel: 81-3-3647-7112 (Representative) Fax: 81-3-3647-7458

Machine Industry

MISUMI QCT Center
(Tokyo)
2F Toyo Central Bldg., 1-13,
Toyo 4-chome, Koto-ku, Tokyo 135-0016
(Kumamoto)
2F Asahi Seimei Kouyaimamachi Bldg., 9-6,
Kouyaimamachi, Kumamoto City, Kumamoto 860-0012
Tel: 0120-343-066* Fax: 0570-034-355*

Ota Marketing Center
2F Ota Tokyo Kaijo Nichido Bldg., 1005-2,
Iida-cho, Ota City, Gunma 373-0851
Tel: 81-276-46-8551 Fax: 81-276-46-8557

Osaka Marketing Center
2F Shinwa-Esaka Bldg., 13-33, Esaka-cho
1-chome, Suita City, Osaka 564-0063
Tel: 81-6-6378-1001 Fax: 81-6-6378-1004

Hiroshima Marketing Center
4F Dai-Ni Kyotani Bldg., 7-17,
Hikari-machi 2-chome, Higashi-ku,
Hiroshima City, Hiroshima 732-0052
Tel: 81-82-263-0900 Fax: 81-82-263-0906

Fukuoka Marketing Center
7F Phase In Hakata Bldg., 3-17, Hie-machi,
Hakata-ku, Fukuoka City, Fukuoka 812-0014
Tel: 81-92-452-1910 Fax: 81-92-452-1905

Distribution Network

West Japan Distribution Center
Sanda Kogyodanchi, 501-53, Miyanomae,
Fukushima-aza, Sanda City, Hyogo 669-1313

East Japan Distribution Center
1-1-1, Anzen-cho, Tsurumi-ku,
Yokohama City, Kanagawa 230-0035

* Toll-free number for Japan only

SURUGA SEIKI CO., LTD.
549-1, Nanatsushinya, Shimizu-ku,
Shizuoka City, Shizuoka 424-8566
Tel: 81-543-44-0311 Fax: 81-543-46-1053

● Iwaki Fine Technology
8-1, Yoshima Kogyodanchi, Iwaki City,
Fukushima 970-1144
Tel: 81-246-36-6000 Fax: 81-246-36-8931

● Tokyo Branch Office
Sudacho Towa Bldg., 2-4, Kanda Suda-cho
2-chome, Chiyoda-ku, Tokyo 101-0041
Tel: 81-3-5256-9925 Fax: 81-3-5256-9922

● Kansai Branch Office
FJY Bldg., 5-25, Johoku-cho 1-chome,
Takatsuki City, Osaka 569-0071
Tel: 81-72-661-3500 Fax: 81-72-661-3622

● Kyushu Branch Office
5-25, Moto-machi 1-chome, Hakata-ku,
Fukuoka City, Fukuoka 816-0077
Tel: 81-92-588-2336 Fax: 81-92-588-2337

MISHIMA SEIKI CO., LTD.
580-49, Tokura, Shimizu-cho,
Sunto-gun, Shizuoka 411-0917
Tel: 81-55-931-1249 Fax: 81-55-931-2702

PROMICLOS Corporation (Promiclos Call Center)
4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458
Tel: 0120-343-155* Fax: 0120-343-019*

MICREED Corporation (Food Supplies Call Center)
6F TS Building, 28-6, Toyo 5-chome, Koto-ku, Tokyo 135-0016
Tel: 0120-917-000* Fax: 0120-917-343*

• Overseas Network

(As of September 1, 2007)

1 MISUMI USA, Inc.

1105 Remington Road, Suite B, Schaumburg,
IL 60173, U.S.A.
Tel: 1-847-843-9105 Fax: 1-847-843-9107

- Michigan Office
  Tel: 1-248-358-6959 Fax: 1-248-358-6960
- California Office
  Tel: 1-949-262-3212 Fax: 1-949-262-3299
- Georgia Office
  Tel: 1-770-291-2064 Fax: 1-770-297-2065

2 MISUMI UK LTD.

No. 1, The Courtyard, 76-78 High Street, Staines,
Middlesex TW18 4DP U.K.
Tel: 44-1784-465530 Fax: 44-1784-466695

3 MISUMI EUROPA GmbH

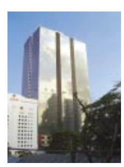
Katharina-Paulus-Strasse 6, 65824 Schwalbach, Germany
Tel: 49-6196-7746-0 Fax: 49-6196-7746-360

4 MISUMI SOUTH EAST ASIA PTE. LTD.

331 North Bridge Road, #03-01 Odeon Towers,
Singapore 188720
Tel: 65-6733-7211 Fax: 65-6733-0211

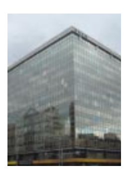
- Malaysia Office (Kuala Lumpur)
  Tel: 60-3-7960-1121 Fax: 60-3-7960-1120
- Vietnam Office (Ho Chi Minh)
  Tel: 84-8-897-4387 Fax: 84-8-897-4613

5 MISUMI (THAILAND) CO., LTD.



300/24 Moo 1, Eastern Seaboard Industrial Estate Soi 5,
Tambol Tasith, Amphur Pluakdaeng, Rayong
Province 21140, Thailand
Tel: 66-38-959200 Fax: 66-38-959202

6 MISUMI TAIWAN CORP.



9F, No. 126 Nanjing East Road Sec. 4 Taipei 105
Taiwan, R.O.C
Tel: 886-2-2570-3766 Fax: 886-2-2570-3767

7 MISUMI KOREA CORP.

3804 World Trade Center, 159-1, Samsungdong,
Kangnam-gu, Seoul 135-729, Korea
Tel: 82-2-551-3611 Fax: 82-2-551-4811

8 MISUMI E.A. HK LTD.

Suite 1602B, 16/F, Tower 5, China Hong Kong
City, 33 Canton Rd, Tsim Sha Tsui Kowloon, HK
Tel: 852-2375-4550 Fax: 852-2302-4589

9 MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD.

16th Floor, Jinling Hai Xin Bldg., No. 666 Fuzhou Rd.,
Shanghai 200001, P.R. of China
Tel: 86-21-6391-7080 Fax: 86-21-6391-7085

- Guangzhou Office
  Tel: 86-20-3890-0866 Fax: 86-20-3890-0817
- Tianjin Office
  Tel: 86-22-2302-9228 Fax: 86-22-2302-9320
- Wuxi Office
  Tel: 86-510-521-9793 Fax: 86-510-521-9651

10 SURUGA USA CORP.

40 S. Addison Rd., Suite 300 Addison, IL 60101, U.S.A.
Tel: 1-630-628-4000 Fax: 1-630-628-4005

11 SAIGON PRECISION CO., LTD.

Road 2, Linh Trung Export Processing, Zone ThuDuc
District, Ho Chi Minh City, Vietnam
Tel: 84-8-8974387 Fax: 84-8-8974613

12 SURUGA (THAILAND) CO., LTD.

300/23 Moo 1, Eastern Seaboard Industrial Estate Soi 5,
Tambol Tasith, Amphur Pluakdaeng, Rayong
Province 21140, Thailand
Tel: 66-38-954935 Fax: 66-38-954939

13 ADS TECHNOLOGIES CO., LTD.

477-9 Goowoon-Dong, Gweonseon-Gu, Suwon-Shi,
Gyounggi-Do 441-819, Korea
Tel: 82-31-294-8661 Fax: 82-31-294-8664

14 SURUGA KOREA CO., LTD.

3Ma 621 Sihwa Industrial Complex #2099-5,
Jeongwang-Dong, Siheung-Si, Gyeonggi-Do,
429-935, Korea
Tel: 82-31-434-8357 Fax: 82-31-434-8359

15 SURUGA SEIKI (SHANGHAI) CO., LTD.

A19, No. 5399, Wai QingSong Rd. QuingPu District,
Shanghai, P.R. of China.
Tel: 86-21-6921-2188 Fax: 86-21-6921-1428

16 SURUGA SEIKI (GUANGZHOU) CO., LTD.

B, No. 9, American Industrial Park, 48, Hongmian
Avenue, Huadu District, Guangzhou,
P.R. of China.
Tel: 86-20-3687-2889 Fax: 86-20-3687-2255

17 SURUGA POLSKA Sp. z o.o.

199A Slowackiego Street 80-298 Gdańsk, Poland
Tel: 48-58-340-6800 Fax: 48-58-340-6801

Contributing to Socioeconomic Progress

The MISUMI Group endeavors to contribute to socioeconomic progress in Japan and around the world through its business. Our efforts include sponsoring events that cultivate young, talented people, pursuing environmental management and supporting cultural activities.

Sponsoring NHK University Robot Contest and ABU Asia–Pacific Robot Contest

In 2007, we began cosponsoring the NHK University Robot Contest and the ABU Asia–Pacific Robot Contest. The latter tournament aims to cultivate tomorrow's engineers around the Asia–Pacific region. University student teams representing each ABU member country and region compete on the basis of their robots' technological capabilities and creativity. The NHK University Robot Contest is for Japanese teams that participate in the ABU Asia–Pacific Robot Contest.

It is part of MISUMI's mission to support global manufacturing, with our involvement in both of these contests reflecting our commitment to do so.

2007 NHK University Robot Contest


2007 ABU Robocon Hanoi

Sponsoring Student Formula SAE Competition of Japan and Supporting Formula-SAE Teams

The Group is sponsoring the Fifth Student Formula SAE Competition of Japan in September 2007, organized by the Society of Automotive Engineers (SAE) of Japan. We are providing free mechanical parts for FA systems to the Formula-SAE teams of Tokyo Denki University, Tokai University, Kanazawa University, as well as other universities. The competition measures the speed and durability of formula-style racing cars that students from around the world design and produce. We have supported teams since 2003 because the competition's philosophy of cultivating talented human resources with experience in manufacturing and team management matches the Group's stance on developing human resources.


The Fourth Student Fomula SAE Competition of Japan 2006


Racing car of Tokyo Denki University

Environmental Management Activities

Managing Environmental Chemicals

The European Union’s July 2006 implementation of its Restriction on Hazardous Substances (RoHS) Directive and China’s March 2007 launch of a local equivalent are among several regulations in recent years that have tightened controls over environmental substances. The MISUMI Group recognizes that compliance is central to customer product selection and is responding accordingly in the marketplace. As such, the Group discloses RoHS Directive compliance in the Factory Automation, the Die Components and the Electronics Businesses’ catalogs for the machinery industry. The Group will continue to ensure that it supplies products that customers trust.

Green Purchasing Guidelines

MISUMI and SURUGA SEIKI formulated their Green Purchasing Guidelines in September 2006 to foster recycling and to ensure adherence to environmental substances legislation and other requirements.

ISO Environmental Activities

In April 2003, MISUMI Group Inc., PROMICLOS Corporation and MICREED Corporation received certification under the ISO 14001 standard for environmental management. SURUGA SEIKI was certified in January 2001.

Supporting Exhibitions with the MISUMI Art Collection

Over the past few years, the Group has lent works from the MISUMI Art Collection seven times under special arrangements with galleries holding contemporary American art exhibitions. This acclaimed and highly distinctive collection focuses on contemporary American art, whose proponents eschewed European influences to break new stylistic ground. That spirit coincides with the Group’s corporate philosophy of constantly pursuing innovation.

We lent contemporary American artworks for exhibitions at the Sompo Japan Museum of Art in July 2006. We plan to continue meeting art loan requests from museums across Japan.

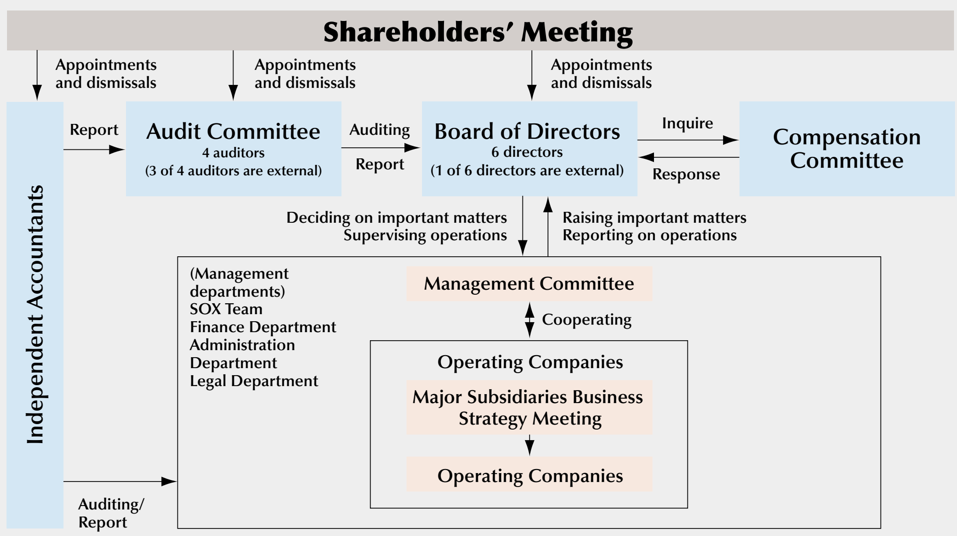
“Nelly” [2002] by Marina Kappos from the MISUMI Art Collection

Exhibition at the Museum of Contemporary Art Tokyo (2002–2003)

Reinforcing Corporate Governance and Maintaining Transparency

The MISUMI Group aims to make broad economic and social contributions by maximizing its long-term corporate value through business growth while cultivating managers. It is thus a top priority to strengthen corporate governance.

Corporate Governance System



As of March 31, 2007, our Board of Directors comprised six people, including an external member. The Board decides on important business matters. The Audit Committee has four members, including three from outside the Group, and oversees directors of the Board. The Compensation Committee has three directors, including an external one, to advise the Board on the compensation system and levels. We also seek advice as needed from external experts at law firms and accounting and tax firms.

We established the SOX Team to ensure Group compliance with an upcoming Japanese version of the Sarbanes-Oxley Act. This team liaises with the Board, management committees, the Audit Committee, the Finance Department, the Administration Department and the Legal Department to prepare for the new legislation.

It is important for all main subsidiaries to expand their organizations and cultivate the international market to drive Group growth. These operations thus need solid corporate governance setups. We are formulating a Group governance structure that is commensurate with its worldwide expansion. At the same time, we are working on governance systems and rules to guide our domestic and overseas subsidiaries.

The MISUMI Group Management Team

(As of August 1, 2007)

(Front row from left) Hiroshi Taguchi, Ryusei Ohno, Masayuki Takaya, Tadashi Saegusa, Masahiko Eguchi, Hiroshi Fukino
(Back row from left) Susumu Toda, Tae Ho Kim, Haruo Asakawa, Yasuhiro Tanabe, Masayuki Maeda, Tokuya Ikeguchi, Shigeki Takahara

Directors

President & Chief Executive Officer	**Tadashi Saegusa**	President of MISUMI Corporation, Chairman of SURUGA SEIKI CO., LTD.,
Director of the Board, Senior Corporate Officer	**Masahiko Eguchi**	President of MISUMI FA Company, MISUMI Corporation
Director of the Board, Senior Corporate Officer	**Masayuki Takaya**	President of SURUGA SEIKI CO., LTD.
Director of the Board, Corporate Officer	**Ryusei Ohno**	General Manager of Electronics Division and EC Division,
Director of the Board (non-executive)	**Hiroshi Taguchi**	President of M-out Inc.
Director of the Board (non-executive)	**Hiroshi Fukino**	President & Chief Executive Officer of Fukino Consulting Inc.

Auditors

Corporate Auditor	**Hiroshi Miyamoto**	Corporate Auditor of MISUMI Corporation, SURUGA SEIKI CO., LTD.,
Auditor	**Kouichi Takemata**	Representative, ReEx Accounting Firm, Certified Public Accountant and a Licensed Tax Accountant
Auditor	**Teruhisa Maruyama**	Attorney at Law of Kioicho Law Office
Auditor	**Juichi Nozue**	Attorney at Law and a patent attorney of Shizuoka Nozomi Law and Patent Office

Corporate Officers

Corporate Officer	**Susumu Toda**	General Manager of South Asia Division and East Asia Division, MISUMI Corporation
Corporate Officer	**Tae Ho Kim**	General Manager of Tools Division, MISUMI Corporation
Corporate Officer	**Haruo Asakawa**	Corporate Officer, General Manager of IFT Division, SURUGA SEIKI CO., LTD.
Corporate Officer	**Yasuhiro Tanabe**	General Manager of Mold Components Division, MISUMI Corporation
Corporate Officer and General Manager of Operation Management Department	**Masayuki Maeda**	General Manager of Marketing Center
Corporate Officer	**Tokuya Ikeguchi**	General Manager of Press Die Components Division, MISUMI Corporation
Corporate Officer in Charge of Finance and Accounting	**Shigeki Takahara**	

Six-Year Summary (Consolidated)

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2006, 2005, 2004, 2003 and 2002

	Millions of Yen					
	2007	2006	2005	2004	2003	2002
For the Year:						
Net sales	¥118,139	¥105,408	¥81,509	¥69,562	¥57,750	¥51,644
Factory Automation Businesses	56,344	46,405	35,388	26,569	19,163	14,877
Die Components Businesses	32,796	31,502	26,775	25,815	23,560	22,643
Electronics Businesses	11,836	10,085	8,903	7,497	5,809	5,160
Optical-Related Businesses	4,333	4,180	—	—	—	—
Diversified Businesses	12,830	13,236	10,443	9,681	9,218	8,964
Operating income	15,643	13,035	10,649	8,824	6,641	4,938
Income before income taxes and minority interest	15,999	13,424	10,739	8,785	6,221	4,462
Net income	9,447	7,619	6,507	5,023	3,518	2,544
At Year-End:						
Total assets	84,244	78,177	51,733	44,348	36,781	32,202
Total equity[2]	63,751	54,077	38,645	32,189	27,496	24,521
Interest-bearing debt[3]	1,717	3,092	800	800	831	807
Per Share Data:						
Net income per share[4] (yen)	108.42	84.95	78.27	59.68	43.27	32.99
Cash dividends per share[4] (yen)	22.00	18.00	15.50	12.33	8.67	7.00
Equity per share[2, 4] (yen)	725.45	619.93	475.82	399.53	344.79	308.30
Cash flow per share[4] (yen)	81.20	77.70	64.70	54.61	57.61	52.58
Stock Price:						
High (yen)	2,765	5,580	3,950	5,390	5,270	8,100
Low (yen)	1,812	3,090	2,670	2,840	2,690	3,030
Close (year ended March 31) (yen)	2,110	5,210	3,360	3,550	3,220	4,990
Number of outstanding shares (thousands)	88,259	43,592	40,412	26,638	26,512	26,500
Marketable capitalization (billions of yen)	1,854	2,261	1,357	945	854	1,322
Investment Indicators:						
Price/Earnings ratio – PER (times)	19.5	30.7	21.5	29.7	24.8	50.1
Price/Cash flow ratio – PCFR (times)	26.0	33.5	26.0	21.7	18.6	31.6
Price/Book value ratio – PBR (times)	2.9	4.2	3.5	3.0	3.1	5.4
EBITDA	17,792	15,339	11,506	9,828	7,491	5,835
Return Indicators:						
Return on equity[5] (%)	16.0	16.4	18.4	16.8	13.5	10.8
Return on assets[5] (%)	19.7	20.7	22.4	21.9	19.5	15.6
Liquidity Ratios:						
Current ratio (%)	351.4	278.5	383.7	350.1	370.5	376.5
Interest coverage ratio[6] (times)	110.0	156.6	1,171.1	835.4	786.1	474.8
Number of Customers:						
Domestic	93,830	99,638	96,529	93,978	92,497	87,772
Overseas	33,057	22,770	15,705	10,792	8,517	6,913
Number of Employees	3,382	2,887	690	472	389	340

Notes:
1. In keeping with the integration with SURUGA SEIKI CO., LTD., on April 1, 2005, figures for 2005 cover the former MISUMI Corporation, while data for 2006 and 2007 covers MISUMI Group Inc.
2. The Company presents Total Equity instead of Shareholders' Equity in keeping with the implementation of the Company Law on May 1, 2006.
3. Interest-bearing debt = Long-term and Short-term debt + Bonds + Warrant bonds + Discount on notes
4. Adjusted for stock splits up to March 31, 2007
5. Equity of ROE = Equity, Revenue of ROE = Net income
   Revenue of ROA = Income before income taxes and minority interest
6. Interest coverage ratio = Net cash provided by operating activities / Interest payment

The Company sold Nippon Kaiyo Co., Ltd., in June 2006 and sold 70% of the formerly wholly owned MULTI-BITS Corporation. This removed both companies from consolidation in the first and second halves, respectively, of the period under review.

Management's Discussion and Analysis

The MISUMI Group comprises holding company MISUMI Group Inc. and 26 consolidated subsidiaries and affiliates. Its operating segments are Factory Automation, Die Components, Electronics, Optical-Related and Diversified businesses.

Results Overview

In fiscal 2006, ended March 31, 2007, Japan headed for a soft landing as the economic expansion that began in summer 2003 began to slow down. Corporate allocations of income and abnormal weather braked growth in personal consumption. On top of that, high prices for oil and other energy and resources, tighter financial controls in China, uncertain prospects for the U.S. economy, and troubles in Iraq and Iran unsettled the business climate. Performances among large companies in the materials industry were flat, while the operating environment deteriorated for those in process industries, particularly electrical machinery manufacturers and automakers. Companies in these fields are key customers for the MISUMI Group.

In Japan, corporate earnings growth rates began to decline. After the first half, the information technology (IT) and digital equipment fields experienced lackluster results and inventory adjustments, causing capital investment demand to change.

In China, production, consumption and investment remained high despite tighter financial controls after spring 2006. Exports in the second half of the year returned to the high expansion pattern seen in 2005, propelling that nation's trade surplus to a record high.

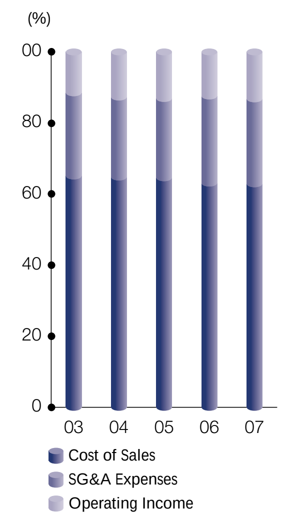
In the United States, rising delinquency rates on mortgages became a social issue, and the impact on share prices strengthened uncertainty about the economy's prospects. August 2006 saw an end to a two-year string of interest rate hikes, prompting the markets to consider the possibility that rates might actually fall.

Around Asia, economies weakened in the first half of the year in light of a weakening U.S. economy and slowdowns in the electronics sector that had driven expansion. However, the situation recovered in the second half on the strength of higher demand in the pharmaceuticals and other nonelectronics industries and climbing production localization rates throughout the region.

European economies slowed slightly in response to the high euro. Eurozone GDP growth dipped below 2%, compared with an expansion exceeding 2% in the year before.

Against this background, MISUMI's consolidated net sales rose 12.1%, or ¥12,731 million, to ¥118,139 million. Operating income gained 20.0%, or ¥2,608 million, to ¥15,643 million. Net income jumped 24.0%, or ¥1,828 million, to ¥9,447 million.

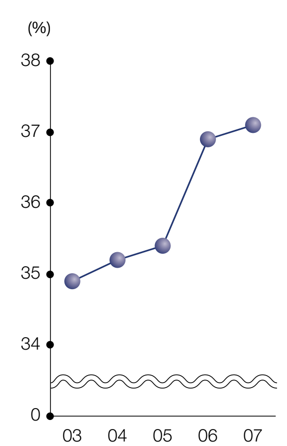
Ratio of Cost of Sales, SG&A Expenses and Operating Income to Net Sales



Net Sales

Net sales were up 12.1%, or ¥12,731 million, to ¥118,139 million, a fifth consecutive high. This improvement stemmed from many Company-driven factors that offset sometimes unfavorable capital investment levels among customers in the automotive, electrical machinery and other sectors. Ongoing additions to our product lineup, price cuts, the issue of new catalogs and better sales web sites led to favorable sales among core machinery users, notably Factory Automation, Die Components, Electronics and Optical-Related Businesses. Overseas sales were also solid.

Gross Profit Margin



Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased 11.8%, to ¥74,308 million, and decreased from 63.1% of net sales to 62.9%. Gross profit gained 12.6%, to ¥43,831 million, resulting in the gross margin expanding from 36.9% to 37.1%. Selling, general and administrative expenses were up 8.9%, to ¥28,188 million, and accounted for 23.9% of net sales, compared with 24.6% a year earlier. As a result, operating income climbed 20.0%, to ¥15,643 million. This was the first time operating income surpassed ¥15,000 million since MISUMI's establishment in 1963 and was the Company's fifth consecutive high. The operating margin improved from 12.4% to 13.2%.

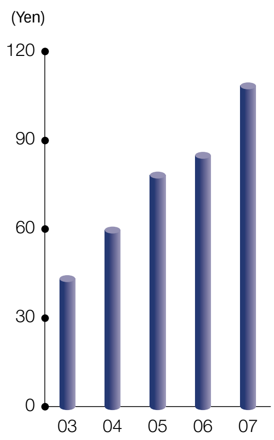
Other Income (Expenses)

Other income—net decreased from ¥389 million to ¥356 million. This was mainly because of lower foreign exchange gains and a rise in fixed asset impairment, which overshadowed higher interest income and gains on sales of securities in affiliates. Income before income taxes and minority interest thus rose 19.2%, to ¥15,999 million, and represented 13.5% of net sales, up from 12.7% in fiscal 2005.

Net Income

Total income taxes increased 15.2%, to ¥6,552 million. Net income jumped 24.0%, to ¥9,447 million. Net income was 8.0% of net sales, up from 7.2%. Net income per share increased from ¥84.95 to ¥108.42. Diluted net income per share rose from ¥84.03 to ¥107.17. Management retroactively adjusted for a stock split made on April 1, 2006.

Earnings per Share



Shareholder Return Policy

Dividend Policy

Ensuring returns to shareholders is a top priority for the MISUMI Group. We target a payout ratio exceeding 20% of consolidated net income.

Management's basic policy is to pay interim and year-end cash dividends. The Board determines the former and shareholders decide the latter at the annual general meeting.

Cash Dividends per Share

Cash dividends for the year were ¥22 per share. This comprised a year-end dividend of ¥12 that shareholders approved on June 21, 2007, and an interim dividend of ¥10 per share.

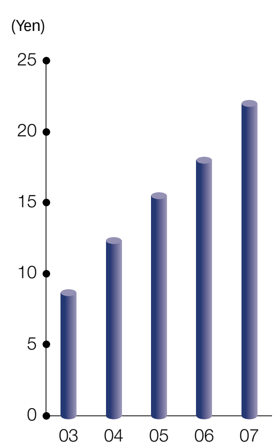
The payout ratio was thus 20.4%, and dividends accounted for 3.3% of equity.

The Group uses retained earnings to strengthen its financial position and bolster products and services while optimizing its domestic and overseas production, supply and sales network to underpin long-term operational stability.

Japan's new Corporate Law went into effect in May 2006 and lifted restrictions on the frequency of dividend payments, although this did not alter management's existing policy of paying dividends twice annually.

Business Segment Results

Cash Dividends per Share



Factory Automation Businesses

Orders increased steadily in the year under review because demand for standard products continued to rise from automotive, semiconductor and liquid crystal (LC) display manufacturers. We issued a new catalog carrying 2,400 new products and also featuring price cuts on 2,077 items, shorter delivery times on 650 items and 1,852 additional standards. Segment sales thus jumped 21.4%, or ¥9,938 million, to ¥56,344 million. Operating income rose 18.3%, or ¥1,538 million, to ¥9,963 million, reflecting higher sales and further cost-cutting.

Die Components Businesses

Domestic orders weakened, but foreign demand continued to grow. Another positive factor was the addition of 100 standards on 1,253 items in our new Press Die catalog, including coating punches and retainers for thick sheets and high-tensile materials and automotive die components. As a result, segment sales gained 4.1%, or ¥1,294 million, to ¥32,796 million. Operating income advanced 14.4%, or ¥502 million, to ¥3,984 million, as we were able to absorb wide-ranging price reductions.

Electronics Businesses

As in our Factory Automation Businesses, we benefited from capital expenditure among automotive, semiconductor and LC device manufacturers. Segment sales improved 17.4%, or ¥1,752 million, to ¥11,836 million. During the term, we enhanced our competitiveness by lowering prices of 883 AC servo motor harnesses an average 30%. We encountered higher costs in cable and wire products because copper materials were more expensive. We responded by constraining expenses, however, and thereby raised operating profit 7.3%, or ¥92 million, to ¥1,348 million.

Optical-Related Businesses

Capital investment demand remained solid from LC display and digital appliance makers. Prime sales contributors were measuring equipment and sensors and Optical-Related communications systems. Segment sales increased 3.7%, or ¥153 million, to ¥4,333 million. Operating income rocketed 94.5%, or ¥211 million, to ¥435 million.

Diversified Businesses

In June 2006, we sold environmental business Nippon Kaiyo Co., Ltd., and removed it from consolidation for the year. In October 2006, we sold 70% of the formerly wholly owned MULTI-BITS Corporation, a digital design tools and desktop publishing business, removing that company from consolidation in the second half of the term. Our diversified businesses now encompass machine tools through the tools division, medical and veterinary supplies through PROMICLOS Corporation, and foodstuffs and consumables for eating and drinking establishments through MICREED Corporation. Segment sales for the year declined 3.1%, or ¥406 million, to ¥12,830 million, reflecting the two removals from consolidation. Operating income soared 105.0%, or ¥209 million, to ¥408 million, owing to solid contributions from the Tool Division's end mill sales.

Regional Results

Japan

In the second half of the year, capital investment and machinery orders were largely down from the previous corresponding period. Second-half growth was thus sluggish among automotive, semiconductor manufacturing equipment and LC display makers. The Group successfully pushed ahead, however, by issuing new catalogs, commercializing new offerings and marketing to new customers. As a result, sales to customers increased 8.5%, or ¥7,729 million, to ¥99,024 million. Following further cost-cutting and efforts to constrain selling, general and administrative expenses, operating income gained 10.5%, or ¥1,360 million, to ¥14,272 million.

Asia

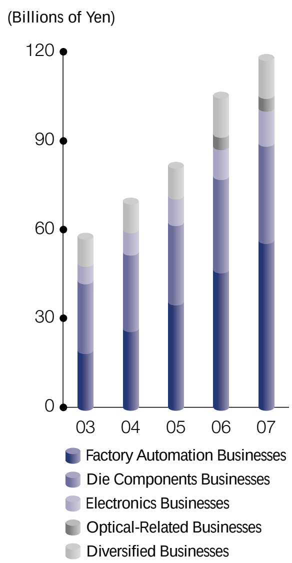
China again posted high economic growth in fiscal 2006. Real industrial output jumped 18.5% in January and February 2007, and investment inflows remained heavy. China's trade surplus rocketed over 3.3 times for the year, to $39.5 billion. The economy stayed overheated despite interest rate hikes and other government policies to tighten economic controls.

In Southeast Asia, export expansion declined somewhat in response to economic slowdowns around the world, particularly in the United States. Nonetheless, Southeast Asia markets remained buoyant. Taiwan suffered from high oil prices and sluggish private sector consumption. The Group enjoyed solid demand, however, by increasing the ratio of internally manufactured export components. There were weaknesses in the Korean economy, notably a lackluster real estate market and flat construction spending, but real gross domestic product increased 4% on the strength of exports. Hong Kong's export growth was lower, although robust domestic demand drove a 7% gain in real gross domestic product (GDP). In Thailand, domestic demand was dull owing to financial policy delays that stemmed from political turmoil. Singapore experienced an economic recovery that culminated in GDP growth of approximately 6%. Group orders in Asia remained favorable as a result of these factors. Sales to customers in this segment jumped 37.8%, or ¥4,042 million, to ¥14,729 million. Operating income rocketed 61.3%, or ¥790 million, to ¥2,079 million.

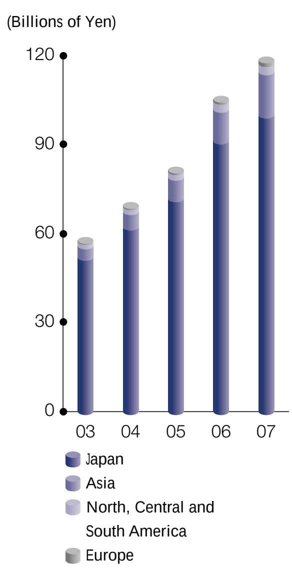
North and South America

A perceptible slowdown in the U.S. economy began during the year under review in light of concerns about the overheated housing market and a consequent decline in asset values. Another problem was high energy prices. We responded to this situation by upgrading our web site and heightening the Group profile. Sales to customers thus advanced 19.8%, or ¥533 million, to ¥3,229 million. We posted ¥5 million in operating income, compared with an operating loss of ¥338 million in fiscal 2005.

Net Sales by Segment



Net Sales by Region



Europe

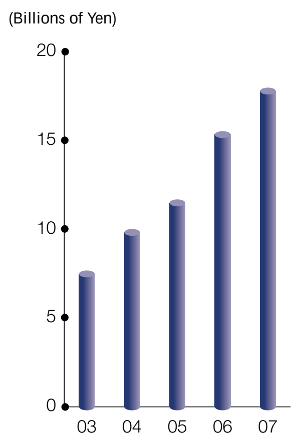
In February 2007, the European Commission announced that real GDP for the Eurozone increased 2.7% in 2006. This was considerably higher than the 1.4% recorded in 2005. From the second half of the period under review, Germany and other central European nations achieved stable capital spending and maintained high capacity utilization rates. Europe was thus relatively steady in a world expected to head toward an economic slowdown. We continued to focus on Factory Automation components sales in Europe during the term. As a result, sales to customers jumped 58.4%, or ¥427 million, to ¥1,157 million. We began constructing a plant in Poland during the year under review. Consequently, our operating loss rose 42.7%, or ¥65 million, to ¥218 million.

Liquidity and Capital Resources

Financial Policy

The Group emphasizes sound balance sheets and liquidity as it strives to maintain high growth. It is essential to enhance our excellence in terms of customer services and supplier relationships to generate stable medium- and long-term expansion. At the same time, we are pursuing efficiency by remaining effectively debt-free and suppressing asset increases while seeking to expand profitability and growth.

EBITDA



Cash Flows

At the close of fiscal 2006, cash and cash equivalents were ¥21,215 million, up ¥3,726 million from a year earlier.

Net cash provided by operating activities increased 5.8%, or ¥391 million, to ¥7,135 million. The principle factors were a ¥2,574 million gain in income before income taxes and minority interest, to ¥15,999 million, as well as rises in payables and accrued expenses.

Net cash used in investing activities was ¥2,533 million, down from ¥8,776 million at the end of fiscal 2005. This was largely because we limited payment into time deposits to ¥100 million, down ¥5,755 million.

Net cash used in financing activities was ¥1,115 million, a ¥1,308 million fall from the ¥2,423 million of fiscal 2005. This was due primarily to a ¥1,016 million rise in proceeds from issuance of stock—net, to ¥1,630 million.

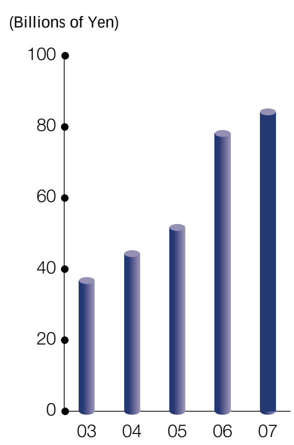
Assets

At year-end, total assets were up 7.8%, or ¥6,067 million, to ¥84,244 million. Total current assets expanded 4.9%, or ¥3,025 million, to ¥64,548 million. This was due mainly to higher cash and cash equivalents and trade notes and accounts receivable as a result of net sales growth, as well as a reduction in deferred tax assets.

Net property, plant and equipment climbed 18.3%, or ¥3,042 million, to ¥19,696 million. Tangible fixed assets surged 51.0%, or ¥3,352 million, to ¥9,929 million, mainly because of purchases of machinery and land. Intangible fixed assets were down 19.3%, or ¥655 million, to ¥2,742 million, reflecting goodwill amortization.

Total investments and other assets decreased 5.2%, or ¥345 million, to ¥7,025 million, principally because of a rise in investment securities.

Total Assets



Liabilities

Total current and long-term liabilities decreased 15.7%, or ¥3,794 million, to ¥20,306 million. Total current liabilities declined 16.8%, or ¥3,721 million, to ¥18,367 million. This was due largely to falls in short-term bank loans and income taxes payable. Total long-term liabilities were down 3.6%, or ¥72 million, to ¥1,939 million. The current ratio thus increased from 2.8 times to 3.5 times.

Equity

Total equity, comprising total shareholders' equity after valuation and translation adjustments and equity warrants, was ¥63,938 million. The prime contributor was a rise in retained earnings as a result of higher net income. The equity ratio was thus 75.7%, while the return on equity was 16.0%.

Capital Investment

Total capital investment in fiscal 2006 was ¥4,384 million*. Allocations for the Factory Automation Businesses were ¥2,376 million, mainly to bolster production capacity. Spending for the Press Die Components and Plastic Mold Businesses was ¥1,626 million, mainly to raise productivity and buy machinery and fixtures to upgrade plant facilities for high-precision and high-value-added products. For the Electronics Businesses, spending was ¥117 million, mainly to reinforce systems. Investments for the Optical-Related Businesses were ¥147 million, most of this spending going to upgrade production facilities and purchase product development equipment, inspection instruments and demonstration equipment for sales promotions. Diversified Businesses allocations were ¥115 million, mainly to boost systems.

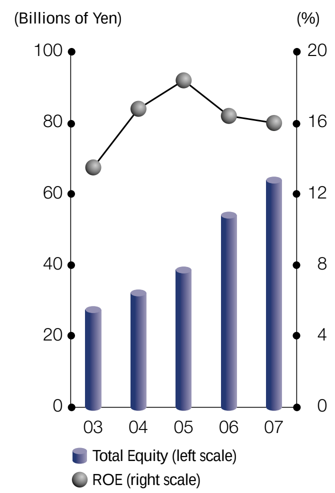
* Capital investments include spending on property, plant and equipment and on leases.

Research and Development Activities

The Group conducts research and development largely to maintain and improve the manufacturing technologies of SURUGA SEIKI without compromising Group management foundations. Group R&D harnesses daily collaboration with affiliates and businesses. Businesses oversee near-term R&D projects, while SURUGA SEIKI manages all other technological development. R&D expenses in fiscal 2006 were ¥618 million, including ¥256 million that could not be specifically allocated to businesses.

R&D spending in the Factory Automation Businesses was ¥1 million, mainly to develop new products and increase productivity. The Die Components Businesses spent ¥120 million to expand in high-precision and high-value-added business areas and improve productivity. The expenditure of the Optical-Related Businesses was ¥240 million, for developing new products.

Total Equity and ROE



Business and Other Risks

The following factors related to Group business and financial situations may influence investor decisions.

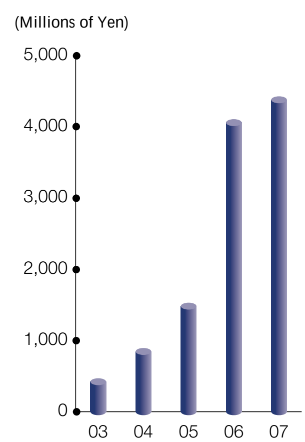
Effect of Trends in Certain Markets on Business Results

The Group primarily sells factory automation and press components. The major customers for these products are the automotive and electronic machinery (including LCs and semiconductors) industries. Production and investment trends in these industries affect Group results and may change.

Overseas Businesses

The Group is expanding overseas, and several key factors affect operations. They include each overseas subsidiary's organizational structure, progress in local production and procurement plans, the degree of Group recognition in local markets, foreign exchange and overseas political situations. Projects failing to proceed according to plans may adversely impact the Group's results and financial position because forward spending may grow faster than sales, delaying the recovery of market entry investments.

Capital Investment*



Safety Management

The Group's businesses include such segments as food, medical and other operations in which product defects could cause financial losses, including from sales suspensions and compensation to injured parties.

Customer Information Management

The Group uses a catalog sales business model—a form of database marketing—and handles a considerable amount of customer company information. Any information leaks because of ineffective management or other reasons, such as computer viruses or hackers, could cause major trust or financial losses.

Natural Disasters

Large earthquakes or other natural disasters could disrupt product logistics and harm the Group's performance and financial position.

Consolidated Balance Sheets

MISUMI Group Inc. and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**¥21,215**	¥17,489	**$179,712**
Time deposits	**2,351**	4,141	**19,917**
Marketable securities (Note 3)	**147**	252	**1,248**
Receivables:			
Trade notes	**7,023**	6,323	**59,490**
Trade accounts	**20,564**	19,324	**174,199**
Other	**121**	600	**1,022**
Allowance for doubtful receivables	**(112)**	(110)	**(949)**
Inventories (Note 4)	**11,040**	9,866	**93,523**
Deferred tax assets (Note 9)	**835**	1,113	**7,076**
Other	**1,364**	2,525	**11,551**
Total current assets	**64,548**	61,523	**546,789**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**3,004**	1,599	**25,443**
Buildings and structures	**5,251**	5,067	**44,478**
Machinery and vehicles	**4,862**	3,487	**41,187**
Other	**3,776**	978	**31,986**
Total	**16,893**	11,131	**143,094**
Accumulated depreciation and impairment loss	**(6,964)**	(4,555)	**(58,988)**
Net property, plant and equipment	**9,929**	6,576	**84,106**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**3,059**	3,025	**25,913**
Investment in associated companies	**380**	148	**3,218**
Long-term time deposits	**1,500**	1,500	**12,706**
Software	**1,174**	1,275	**9,943**
Goodwill	**1,411**	1,912	**11,955**
Refundable insurance premium	**600**	577	**5,085**
Deferred tax assets (Note 9)	**907**	935	**7,681**
Other assets	**736**	706	**6,236**
Total investments and other assets	**9,767**	10,078	**82,737**
TOTAL	**¥84,244**	¥78,177	**$713,632**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 1,649	¥ 2,662	$ 13,970
Current portion of long-term debt (Note 5)	67	180	570
Payables:			
Trade notes and accounts	8,387	7,972	71,049
Other	3,732	4,133	31,617
Income taxes payable (Note 9)	3,480	6,172	29,477
Other	1,052	970	8,907
Total current liabilities	18,367	22,089	155,590
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)		250	
Liability for retirement benefits (Note 6)	1,814	1,756	15,370
Other	125	5	1,052
Total long-term liabilities	1,939	2,011	16,422
COMMITMENTS (Note 10)			
EQUITY (Notes 7, 8, 13, 14 and 15)**:**			
Common stock— authorized, 340,000,000 shares in 2007 170,000,000 shares in 2006; issued, 88,259,384 shares in 2007 43,592,042 shares in 2006	4,060	3,243	34,396
Capital surplus	13,833	13,016	117,177
Stock acquisition rights	187		1,588
Retained earnings	44,960	37,559	380,852
Unrealized gain on available-for-sale securities	546	469	4,628
Foreign currency translation adjustments	997	434	8,441
Treasury stock—at cost, 381,556 shares in 2007 190,593 shares in 2006	(645)	(644)	(5,462)
Total equity	63,938	54,077	541,620
TOTAL	¥84,244	¥78,177	$713,632

Consolidated Statements of Income

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	**2007**
NET SALES (Note 16)	**¥118,139**	¥105,408	¥81,509	**$1,000,754**
COST OF SALES	**74,308**	66,487	52,616	**629,461**
Gross profit	**43,831**	38,921	28,893	**371,293**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**28,188**	25,886	18,244	**238,783**
Operating income (Note 16)	**15,643**	13,035	10,649	**132,510**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**142**	73	40	**1,204**
Interest expense	**(46)**	(42)	(4)	**(393)**
Exchange gain—net	**74**	276	73	**627**
Other—net	**186**	82	(19)	**1,576**
Other income—net	**356**	389	90	**3,014**
INCOME BEFORE INCOME TAXES (AND MINORITY INTEREST)	**15,999**	13,424	10,739	**135,524**
INCOME TAXES (Note 9):				
Current	**6,346**	6,123	4,182	**53,753**
Deferred	**206**	(438)	(22)	**1,745**
Total income taxes	**6,552**	5,685	4,160	**55,498**
MINORITY INTEREST IN NET INCOME		120	72	
NET INCOME	**¥ 9,447**	¥ 7,619	¥ 6,507	**$ 80,026**

	Yen			U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.v, 7, 13 and 15):				
Net income	**¥108.42**	¥84.95	¥78.27	**$0.92**
Diluted net income	**107.17**	84.03	77.89	**0.91**
Cash dividends applicable to the year	**22.00**	18.00	15.50	**0.19**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Thousands	Millions of Yen							
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE, MARCH 31, 2004	26,638	¥2,328	¥ 3,400		¥26,331	¥311	¥(148)	¥ (33)	¥32,189
Net income					6,507				6,507
Cash dividends, ¥13.34 per share					(1,070)				(1,070)
Bonuses to directors					(270)				(270)
Increase in treasury stock (12,478 shares)								(29)	(29)
Stock split (Note 7)	13,319								
Exercise of stock acquisition rights (Note 8)	455	607	608						1,215
Net change in the year						32	71		103
BALANCE, MARCH 31, 2005	40,412	2,935	4,008		31,498	343	(77)	(62)	38,645
Net income					7,619				7,619
Cash dividends, ¥16.00 per share					(1,336)				(1,336)
Bonuses to directors					(207)				(207)
Increase in treasury stock (170,155 shares)								(582)	(582)
Increase due to stock exchange (Note 2.b)	2,934		8,700						8,700
Deconsolidation of a subsidiary					(15)				(15)
Exercise of stock acquisition rights (Note 8)	246	308	308						616
Net change in the year						126	511		637
BALANCE, MARCH 31, 2006	43,592	¥3,243	¥13,016		¥37,559	¥469	¥434	¥(644)	¥54,077
Net income					**9,447**				**9,447**
Cash dividends, ¥20.50 per share					**(1,780)**				**(1,780)**
Bonuses to directors					**(266)**				**(266)**
Increase in treasury stock (370 shares)								**(1)**	**(1)**
Stock split (Note 7)	**43,592**								
Exercise of stock acquisition rights (Note 8)	**1,075**	**817**	**817**						**1,634**
Net change in the year				**187**		**77**	**563**		**827**
BALANCE, MARCH 31, 2007	**88,259**	**¥4,060**	**¥13,833**	**¥187**	**¥44,960**	**¥546**	**¥ 997**	**¥(645)**	**¥63,938**
		Thousands of U.S. Dollars (Note 1)							
BALANCE, MARCH 31, 2006		$27,474	$110,255		$318,157	$3,976	$3,683	$(5,457)	$458,088
Net income					**80,026**				**80,026**
Cash dividends, $0.17 per share					**(15,082)**				**(15,082)**
Bonuses to directors					**(2,249)**				**(2,249)**
Increase in treasury stock (370 shares)								**(5)**	**(5)**
Stock split (Note 7)									
Exercise of stock acquisition rights (Note 8)		**6,922**	**6,922**						**13,844**
Net change in the year				**$1,588**		**652**	**4,758**		**6,998**
BALANCE, MARCH 31, 2007		**$34,396**	**$117,177**	**$1,588**	**$380,852**	**$4,628**	**$8,441**	**$(5,462)**	**$541,620**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	**2007**
OPERATING ACTIVITIES:				
Income before income taxes (and minority interest)	**¥15,999**	¥13,424	¥10,739	**$135,524**
Adjustments for:				
Income taxes paid	**(9,578)**	(4,751)	(4,398)	**(81,134)**
Income taxes refund	**2,112**			**17,895**
Depreciation and amortization	**1,747**	1,873	752	**14,797**
Changes in assets and liabilities:				
Increase in receivables	**(2,247)**	(5,051)	(947)	**(19,035)**
Increase in inventories	**(1,490)**	(1,266)	(1,265)	**(12,622)**
Increase in payables	**532**	1,569	523	**4,510**
(Decrease) increase in other current liabilities	**(345)**	1,570	(4)	**(2,923)**
Other—net	**405**	(623)	(174)	**3,432**
Total adjustments	**(8,864)**	(6,679)	(5,513)	**(75,080)**
Net cash provided by operating activities	**7,135**	6,745	5,226	**60,444**
INVESTING ACTIVITIES:				
Proceeds from sales of marketable securities	**250**	127	664	**2,116**
Purchase of investment securities		(1,014)		
Purchase of property, plant and equipment	**(4,640)**	(2,729)	(1,266)	**(39,304)**
Refund from time deposits	**1,900**	648		**16,095**
Payment into time deposits	**(100)**	(5,855)	(27)	**(847)**
Other—net	**57**	47	(34)	**482**
Net cash used in investing activities	**(2,533)**	(8,776)	(663)	**(21,458)**
FINANCING ACTIVITIES:				
Decrease in short-term bank loans—net	**(800)**	(1,103)		**(6,771)**
Proceeds from long-term debt		298		
Repayments of long-term debt	**(165)**	(180)		**(1,398)**
Redemptions of bonds		(700)		
Proceeds from issuance of stock—net	**1,630**	596	1,184	**13,804**
Dividends paid	**(1,780)**	(1,334)	(1,070)	**(15,082)**
Net cash (used in) provided by financing activities	**(1,115)**	(2,423)	114	**(9,447)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**239**	198	116	**2,022**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,726**	(4,256)	4,793	**31,561**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**17,489**	20,738	15,945	**148,151**
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO NEWLY CONSOLIDATED SUBSIDIARIES		1,021		
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO DECONSOLIDATION OF A SUBSIDIARY		(14)		
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥21,215**	¥17,489	¥20,738	**$179,712**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MISUMI Group Inc. and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "consolidated statement of changes in equity" in the current year.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements for the year ended March 31, 2007 issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 and 2005 consolidated financial statements to conform to the classifications used in 2007.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MISUMI Group Inc. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥118.05 to $1, the rate of exchange at March 31, 2007. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation —The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its 24 (21 in 2006) subsidiaries (collectively the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in two (one in 2006) associated companies is accounted for by the equity method.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries at acquisition are recorded as goodwill, included in investments and other assets and are being amortized on a straight-line basis over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

For consolidated subsidiaries or associated companies whose closing dates are different from that of the Company, certain adjustments necessary to consolidate have been made.

b. Group Reorganization —On April 1, 2005, the Company newly established MISUMI Corporation through a divestiture that assumed all the business of the Company. The Company changed its name to MISUMI Group Inc. in becoming a holding company.

After becoming a holding company through divestiture, the Company executed an exchange of shares and became the parent company of wholly owned subsidiary, SURUGA SEIKI CO., LTD.

c. Cash Equivalents —Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and money management funds similar to money market mutual funds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

d. Inventories —Merchandise and material are principally stated at cost determined by the moving-average method. Finished goods, work in process and supplies are principally stated at cost by the specific method, except catalogs that are stated at cost by the last purchase method.

e. Marketable and Investment Securities —Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (2) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Allowance for Doubtful Accounts —The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. Property, Plant and Equipment —Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment held by domestic consolidated subsidiaries is computed principally by the declining-balance method, whereas the straight-line method is applied to those held by consolidated foreign subsidiaries.

The range of useful lives is principally as follows:

Buildings and structures	3 to 45 years
Machineries and vehicles	4 to 10 years

h. Long-lived Assets —In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Other Assets —Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method over five years.

j. Research and Development Costs —Research and development costs are charged to income as incurred.

k. Stock Issue Costs —Stock issue costs are charged to income as incurred.

l. Retirement Plan —The Company and certain subsidiaries have unfunded retirement benefit plans for employees which are non-contributory. Certain consolidated subsidiaries have non-contributory funded pension plans. The Group provided for the liability for employees' retirement benefits based on the projected benefit obligation and plan assets at the balance sheet date. Actuarial gains and losses are charged to income as incurred, whereas amortized over ten years for those incurred in certain consolidated subsidiaries.

Prior to April 1, 2006, the Group uses the simplified method to account for the liability for employees' retirement benefits. Effective April 1, 2006, however, the Group changed its method of accounting for such retirement benefits to a standard method.

This change was made because assumptions used for the computation of the benefit obligation and actuarial gain or loss became effective due to an increase in the number of employees that resolved deviations in their age and length of service. The effect of this change, calculated by comparing the amount of projected benefit obligations at beginning of the year determined by the simplified method and that determined by the standard method, was to decrease income before income taxes for the year ended March 31, 2007 by ¥25 million ($212 thousand), which was included in selling, general and administrative expenses.

The annual provisions for retirement payments to directors and corporate auditors are calculated to present the liability at the amount that would be required if all of the Company's eligible directors and corporate auditors who are covered by the retirement payment plan retired at each balance sheet date.

m. Bonuses to Directors and Corporate Auditors —Prior to the year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders' meeting. The ASBJ issued ASBJ Practical Issues Task Force ("PITF") No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year-end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes for the year ended March 31, 2007 by ¥270 million ($2,285 thousand).

n. Stock Options —On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied the new accounting standard for stock options to those granted on and after May 1, 2006. The effect of adoption of this accounting standard for the year ended March 31, 2007 was to decrease income before income taxes by ¥187 million ($1,588 thousand).

o. Leases —All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

p. Derivative Financial Instruments —The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign currency forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes. All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

q. Income Taxes —The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

r. Appropriations of Retained Earnings —Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

s. Presentation of Equity —On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

t. Foreign Currency Transactions —All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

u. Foreign Currency Financial Statements —The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

v. Per Share Information —Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if stock option rights were exercised. Diluted net income per share of common stock assumes full exercise of dilutive outstanding stock option rights.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of year, and are retroactively adjusted for stock splits.

w. New Accounting Pronouncements

Measurement of Inventories —Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting —On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements —Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest.

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Current:			
Corporate and public bonds	**¥ 20**	¥ 252	**$ 173**
Trust fund investments	**127**		**1,075**
Total	**¥ 147**	¥ 252	**$ 1,248**
Non-current:			
Equity securities	**¥ 295**	¥ 337	**$ 2,502**
Corporate and public bonds	**1,032**	1,026	**8,743**
Trust fund investments	**1,730**	1,662	**14,653**
Other	**2**		**15**
Total	**¥3,059**	¥3,025	**$25,913**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006, were as follows:

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 109	¥178		¥ 287
Debt securities	1,039	16	¥3	1,052
Trust fund investments	1,135	724	2	1,857

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 109	¥221		¥ 330
Debt securities	1,243	67	¥32	1,278
Trust fund investments	1,133	528		1,661

	Thousands of U.S. Dollars			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$ 924	$1,509		$ 2,433
Debt securities	8,801	140	$25	8,916
Trust fund investments	9,614	6,136	22	15,728

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2007 and 2006, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Available-for-sale:			
Equity securities	¥8	¥7	$69
Other	2		15
Held-to-maturity		1	
Total	¥10	¥8	$84

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006, were ¥862 million ($7,298 thousand) and ¥127 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, for the years ended March 31, 2007 and 2006, were ¥45 million ($384 thousand) and ¥44 million, respectively.

The redemption amounts of debt securities and trust fund investments by contractual maturities for securities classified either as available-for-sale or held-to-maturity at March 31, 2007, are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity
Due in one year or less	¥127	¥ 9	$1,073	$ 72
Due after one year through five years	204	18	1,727	152
Due after 10 years	127		1,073	
Total	¥458	¥27	$3,873	$224

The amount of stock lending is ¥110 million ($932 thousand) at March 31, 2007.

4. INVENTORIES

Inventories at March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Merchandise	**¥ 7,256**	¥5,914	**$61,463**
Finished goods	**325**	1,063	**2,753**
Materials	**2,310**	1,965	**19,565**
Supplies	**512**	545	**4,337**
Work in process and other	**637**	379	**5,405**
Total	**¥11,040**	¥9,866	**$93,523**

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The annual interest rates applicable to the short-term bank loans ranged from 0.91% to 5.85% and from 0.45% to 3.56% at March 31, 2007 and 2006, respectively.

Long-term debt at March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Unsecured 0.69% bonds, due 2007		¥200	
Unsecured 0.908% loans from banks, due 2008	**¥67**	230	**$570**
Total	**¥67**	¥430	**$570**
Less current portion	**(67)**	(180)	**(570)**
Long-term debt, less current portion		250	

6. RETIREMENT PLAN

Under most circumstances, terminated employees are entitled to retirement payments based on their rate of pay at the time of termination, years of service and certain other factors. Such retirement payments are made in the form of a lump-sum payment from the Company and certain consolidated subsidiaries.

Certain consolidated subsidiaries have non-contributory funded pension plans for employees which cover 100% of their benefits.

The liability for retirement benefits at March 31, 2007 and 2006, for the directors and corporate auditors were ¥542 million ($4,592 thousand) and ¥529 million, respectively. The amounts payable to directors and corporate auditors upon retirement is subject to the approval of the shareholders.

Prior to April 1, 2006, the Group used the simplified method to account for the liability for employees' retirement benefits. Effective April 1, 2006, however, the Group changed its method of accounting for such retirement benefits to a standard method.

This change was made because assumptions used for the computation of the benefit obligation and actuarial gain or loss became effective due to an increase in the number of employees that resolved deviations in their age and length of service.

The liability for employees' retirement benefits at March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligation	**¥1,733**	¥1,622	**$14,679**
Fair value of plan assets	**(443)**	(395)	**(3,750)**
Unrecognized actuarial loss	**(18)**		**(151)**
Net liability	**¥1,272**	¥1,227	**$10,778**

The components of net periodic benefit costs for the year ended March 31, 2007, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2007	2007
Service cost	¥225	$1,905
Interest cost	24	204
Expected return on plan assets	(11)	(96)
Recognized actuarial loss	29	249
Change in accounting method	25	212
Net periodic benefit costs	¥292	$2,474

The service cost, determined by the simplified method, was ¥432 million and ¥142 million for the years ended March 31, 2006 and 2005, respectively.

Assumptions used for the year ended March 31, 2007, are set forth as follows:

	2007
Discount rate	1.5%
Expected rate of return on plan assets	3.0%

Actuarial gains and losses are charged to income as incurred, while amortized over 10 years for those incurred in certain consolidated subsidiaries.

Transitional obligation is charged to income when incurred.

Assumptions used for computation of liability for retirement benefits for the years ended March 31, 2006 and 2005, are not presented because the simplified method had been applied.

7. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting, if companies meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation. The Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On May 20, 2004, the Company made a stock split by way of a free share distribution at the rate of 0.5 share for each outstanding share based on the resolution of the Board of Directors' meeting held on March 15, 2004.

On April 1, 2006, the Company made a 2-for-1 stock split by way of a free share distribution to each outstanding share based on the resolution of the Board of Directors' meeting held on February 20, 2006.

8. STOCK OPTION PLAN

The stock option outstanding as of March 31, 2007, is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option (1)	2 directors 1 employee	954,000 shares	2002.7.1	¥1,588 ($13.45)	From August 1, 2004 to July 31, 2007
2002 Stock Option (2)	2 directors 43 employees	996,000 shares	2003.3.3	¥1,154 ($9.78)	From August 1, 2004 to July 31, 2007
2003 Stock Option (1)	1 director	450,000 shares	2003.7.1	¥1,394 ($11.81)	From August 1, 2005 to July 31, 2010
2003 Stock Option (2)	4 directors 119 employees 1 director of subsidiary	600,000 shares	2003.12.1	¥1,742 ($14.76)	From August 1, 2005 to July 31, 2010
2004 Stock Option (1)	2 directors 3 employees	552,000 shares	2004.7.1	¥1,795 ($15.21)	From August 1, 2006 to July 31, 2011
2004 Stock Option (2)	4 directors 139 employees	497,200 shares	2005.3.15	¥1,735 ($14.70)	From August 1, 2006 to July 31, 2011
2005 Stock Option (1)	2 directors 1 employee	489,000 shares	2005.7.1	¥1,785 ($15.12)	From August 1, 2007 to July 31, 2012
2005 Stock Option (2)	2 directors 166 employees	708,400 shares	2006.3.1	¥2,534 ($21.47)	From August 1, 2007 to July 31, 2012
2006 Stock Option	6 directors	92,900 shares	2006.7.12	¥1 ($0.01)	From July 1, 2007 to June 30, 2008

Number of options granted and exercise price in the table above are presented after giving effect of stock splits.

The stock option activity is as follows:

	2002 Stock Option (1)	2002 Stock Option (2)	2003 Stock Option (1)	2003 Stock Option (2)
	(Shares)			
For the Year Ended March 31, 2006				
Non-vested:				
March 31, 2005—outstanding				
Granted				
Canceled				
Vested				
March 31, 2006—outstanding				
Vested:				
March 31, 2005—outstanding	477,000	373,200	225,000	300,000
Vested				
Exercised	(12,000)	(201,300)		(32,400)
Canceled				
March 31, 2006—outstanding	465,000	171,900	225,000	267,600
For the Year Ended March 31, 2007				
Non-vested:				
March 31, 2006—outstanding				
Stock split				
Granted				
Canceled				
Vested				
March 31, 2007—outstanding				
Vested:				
March 31, 2006—outstanding	**465,000**	**171,900**	**225,000**	**267,600**
Stock split	**465,000**	**171,900**	**225,000**	**267,600**
Vested				
Exercised	**669,000**	**232,500**		**94,800**
Canceled				**8,100**
March 31, 2007—outstanding	**261,000**	**111,300**	**450,000**	**432,300**
Exercise price	**¥1,588**	**¥1,154**	**¥1,394**	**¥1,742**
	($13.45)	**($9.78)**	**($11.81)**	**($14.76)**
Average stock price at exercise	**¥2,205**	**¥2,209**		**¥2,246**
	($18.68)	**($18.71)**		**($19.03)**

	2004 Stock Option (1)	2004 Stock Option (2)	2005 Stock Option (1)	2005 Stock Option (2)	2006 Stock Option
			(Shares)		
For the Year Ended March 31, 2006					
Non-vested:					
March 31, 2005—outstanding					
Granted			244,500	354,200	
Canceled					
Vested					
March 31, 2006—outstanding			244,500	354,200	
Vested:					
March 31, 2005—outstanding	276,000	248,600			
Vested					
Exercised					
Canceled					
March 31, 2006—outstanding	276,000	248,600			
For the Year Ended March 31, 2007					
Non-vested:					
March 31, 2006—outstanding			**244,500**	**354,200**	
Stock split			**244,500**	**354,200**	
Granted					**92,900**
Canceled					
Vested					
March 31, 2007—outstanding			**489,000**	**708,400**	**92,900**
Vested:					
March 31, 2006—outstanding	**276,000**	**248,600**			
Stock split	**276,000**	**248,600**			
Vested					
Exercised	**24,400**	**54,600**			
Canceled					
March 31, 2007—outstanding	**527,600**	**442,600**			
Exercise price	**¥1,795 ($15.21)**	**¥1,735 ($14.70)**	**¥1,785 ($15.12)**	**¥2,534 ($21.47)**	**¥1 ($0.01)**
Average stock price at exercise	**¥2,008 ($17.01)**	**¥2,204 ($18.67)**			
Fair value price at grant date					**¥2,018 ($17.09)**

The assumptions used to measure fair value of stock options granted on or after May 1, 2006:

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	33.74%
Estimated remaining outstanding period:	1.47 years
Estimated dividend:	¥18 per share
Interest rate with risk free:	0.75%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from January 21, 2005 to July 12, 2006.
2. Estimated remaining outstanding period is determined based on the assumption that all options would be exercised until the middle date of the exercise period (December 30, 2007).
3. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2006.
4. For the interest rate with risk free, the Company uses the yield of Japanese treasury bond applicable to the estimated remaining outstanding period of options.

9. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended March 31, 2007, 2006 and 2005.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current deferred tax assets:			
Devaluation of inventories	¥ 200	¥ 130	$ 1,691
Accrued enterprise tax	251	458	2,126
Accrued bonuses	353	297	2,987
Other—net	63	382	538
Current deferred tax assets	867	1,267	7,342
Current deferred tax liabilities:			
Valuation on available-for-sale securities	31	19	259
Other—net	1	135	7
Current deferred tax liabilities	32	154	266
Net current deferred tax assets	¥ 835	¥1,113	$ 7,076
Non-current deferred tax assets:			
Liabilities for retirement benefits for employees	¥ 497	¥ 487	$ 4,214
Liabilities for retirement benefits for directors and corporate auditors	221	214	1,869
Valuation on available-for-sale securities	192	192	1,630
Depreciation	243	246	2,056
Other—net	254	485	2,150
Subtotal	1,407	1,624	11,919
Less valuation allowance		(227)	
Non-current deferred tax assets	1,407	1,397	11,919
Non-current deferred tax liabilities:			
Valuation on fixed assets	149	149	1,259
Valuation on available-for-sale securities	341	299	2,888
Other—net	10	14	91
Non-current deferred tax liabilities	500	462	4,238
Net non-current deferred tax assets	¥ 907	¥ 935	$ 7,681

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2007, 2006 and 2005, was not presented because the differences between them were not material.

10. LEASES

The Group leases certain machinery, computer and telecommunication equipment, office space and other assets.

Total rental expense for the years ended March 31, 2007, 2006 and 2005, was ¥1,154 million ($9,773 thousand), ¥837 million and ¥728 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance lease, and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006, was as follows:

	Millions of Yen		
	2007		
	Machineries and Vehicles	Other	Total
Acquisition cost	**¥3,158**	**¥433**	**¥3,591**
Accumulated depreciation	**(1,375)**	**(261)**	**(1,636)**
Accumulated impairment loss	**(145)**		**(145)**
Net leased property	**¥1,638**	**¥172**	**¥1,810**

	Millions of Yen		
	2006		
	Machineries and Vehicles	Other	Total
Acquisition cost	¥3,883	¥588	¥4,471
Accumulated depreciation	(1,456)	(317)	(1,773)
Net leased property	¥2,427	¥271	¥2,698

	Thousands of U.S. Dollars		
	2007		
	Machineries and Vehicles	Other	Total
Acquisition cost	**$26,751**	**$3,668**	**$30,419**
Accumulated depreciation	**(11,645)**	**(2,210)**	**(13,855)**
Accumulated impairment loss	**(1,226)**		**(1,226)**
Net leased property	**$13,880**	**$1,458**	**$15,338**

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Obligations under finance leases:			
Due within one year	**¥ 548**	¥ 435	**$ 4,643**
Due after one year	**1,463**	1,303	**12,394**
Total	**¥2,011**	¥1,738	**$17,037**

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Depreciation expense and interest expense under finance leases:			
Depreciation expense	**¥661**	¥466	**$5,597**
Interest expense	**65**	35	**549**
Total	**¥726**	¥501	**$6,146**
Lease payments	**¥720**	¥506	**$6,103**
Impairment loss	**¥145**		**$1,226**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2007, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥ 83**	**$704**
Due after one year	**17**	**144**
Total	**¥100**	**$848**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥618 million ($5,233 thousand) and ¥821 million for the years ended March 31, 2007 and 2006, while nil incurred for 2005.

12. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Fair Value of Derivative Financial Instruments

The fair value of the Company's derivative financial instruments at March 31, 2007 and 2006, is as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2007			**2007**		
	Contract Amount	Fair Value	Gain/Loss	Contract Amount	Fair Value	Gain/Loss
Foreign currency forward contracts:						
Buying	**¥530**	**¥533**	**¥3**	**$4,489**	**$4,512**	**$23**
Selling	**850**	**838**	**(12)**	**7,199**	**7,097**	**(102)**

	Millions of Yen		
	2006		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:			
Buying	¥13	¥14	¥1

13. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share, after retroactive restatement of stock split for the years ended March 31, 2007, 2006 and 2005, is as follows:

Year Ended March 31, 2007	Millions of Yen Net Income	Thousands of Shares Weighted-average Shares	Yen EPS	U.S. Dollars EPS
Basic EPS—Net income available to common shareholders	**¥9,447**	**87,129**	**¥108.42**	**$0.92**
Effect of dilutive securities—Stock options		**1,015**		
Diluted EPS—Net income for computation	**¥9,447**	**88,144**	**¥107.17**	**$0.91**
Year Ended March 31, 2006				
Basic EPS—Net income available to common shareholders	¥7,353	86,563	¥84.95	
Effect of dilutive securities—Stock options		944		
Diluted EPS—Net income for computation	¥7,353	87,507	¥84.03	
Year Ended March 31, 2005				
Basic EPS—Net income available to common shareholders	¥6,300	80,501	¥78.27	
Effect of dilutive securities—Stock options		386		
Diluted EPS—Net income for computation	¥6,300	80,887	¥77.89	

14. RELATED PARTY TRANSACTION

For the Year Ended March 31, 2007

None applicable.

For the Year Ended March 31, 2006

The stock option plan, which was approved at the shareholders' meeting on June 23, 2005, grants directors without compensation the right to purchase up to 466 thousand shares and 136 thousand shares of the Company's common stock, which will be granted at the exercise price of ¥1,785 and ¥2,534, respectively, or ¥1,174 million in the period from August 1, 2007 to July 31, 2012. The exercise price and number of shares are retroactively restated for the 2-for-1 stock split made in the year ended March 31, 2007.

For the Year Ended March 31, 2005

The Company loaned ¥12 million to a director during the period. All loans are repaid and no outstanding balance remained at March 31, 2005.

The stock option plan, which was approved at the shareholders' meeting on June 22, 2004, grants directors without compensation the right to purchase up to 480 thousand shares and 120 thousand shares of the Company's common stock, which will be granted at the exercise price of ¥1,795 and ¥1,735, respectively, or ¥1,070 million in the period from August 1, 2006 to July 31, 2011. The exercise price and number of shares are retroactively restated for the 2-for-1 stock split made in the year ended March 31, 2007.

15. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2007, were approved at the shareholders' meeting on June 21, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥12 ($0.10) per share	**¥1,055**	**$8,933**

16. SEGMENT INFORMATION

Information about operations in different industry segments, geographical segments and sales to foreign customers of the Company and its consolidated subsidiaries for the years ended March 31, 2007, 2006 and 2005, is as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen						
	2007						
	Factory Automation Businesses	Die Components Businesses	Electronics Businesses	Optical-Related Businesses	Diversified Businesses	Eliminations (Corporate)	Consolidated
Sales to customers	¥56,344	¥32,796	¥11,836	¥4,333	¥12,830		¥118,139
Intersegment sales							
Total sales	56,344	32,796	11,836	4,333	12,830		118,139
Operating expenses	46,381	28,812	10,488	3,898	12,422	¥ 495	102,496
Operating income	¥ 9,963	¥ 3,984	¥ 1,348	¥ 435	¥ 408	¥(495)	¥ 15,643

b. Assets, Depreciation, Capital Expenditures and Impairment Loss

	Millions of Yen						
	2007						
	Factory Automation Businesses	Die Components Businesses	Electronics Businesses	Optical-Related Businesses	Diversified Businesses	Eliminations (Corporate)	Consolidated
Assets	¥26,382	¥19,624	¥3,909	¥2,757	¥4,625	¥26,947	¥84,244
Depreciation	545	486	86	56	79		1,252
Capital expenditures	2,337	1,450	116	137	113		4,153
Impairment loss				184			184

a. Sales and Operating Income

	Thousands of U.S. Dollars						
	2007						
	Factory Automation Businesses	Die Components Businesses	Electronics Businesses	Optical-Related Businesses	Diversified Businesses	Eliminations (Corporate)	Consolidated
Sales to customers	$477,289	$277,813	$100,267	$36,703	$108,682		$1,000,754
Intersegment sales							
Total sales	477,289	277,813	100,267	36,703	108,682		1,000,754
Operating expenses	392,892	244,068	88,842	33,018	105,229	$ 4,195	868,244
Operating income	$ 84,397	$ 33,745	$ 11,425	$ 3,685	$ 3,453	$(4,195)	$ 132,510

b. Assets, Depreciation, Capital Expenditures and Impairment Loss

	Thousands of U.S. Dollars						
	2007						
	Factory Automation Businesses	Die Components Businesses	Electronics Businesses	Optical-Related Businesses	Diversified Businesses	Eliminations (Corporate)	Consolidated
Assets	$223,479	$166,236	$33,116	$23,355	$39,178	$228,268	$713,632
Depreciation	4,619	4,116	724	474	669		10,602
Capital expenditures	19,799	12,288	981	1,157	955		35,180
Impairment loss				1,558			1,558

a. Sales and Operating Income

	Factory Automation Businesses	Die Components Businesses	Electronics Businesses	Optical-Related Businesses	Diversified Businesses	Eliminations (Corporate)	Consolidated
	Millions of Yen						
	2006						
Sales to customers	¥46,405	¥31,502	¥10,085	¥4,180	¥13,236		¥105,408
Intersegment sales							
Total sales	46,405	31,502	10,085	4,180	13,236		105,408
Operating expenses	37,980	28,020	8,829	3,956	13,038	¥ 550	92,373
Operating income	¥ 8,425	¥ 3,482	¥ 1,256	¥ 224	¥ 198	¥(550)	¥ 13,035

b. Assets, Depreciation and Capital Expenditures

	Factory Automation Businesses	Die Components Businesses	Electronics Businesses	Optical-Related Businesses	Diversified Businesses	Eliminations (Corporate)	Consolidated
	Millions of Yen						
	2006						
Assets	¥20,729	¥16,331	¥3,499	¥3,402	¥5,240	¥28,976	¥78,177
Depreciation	490	494	86	78	174		1,322
Capital expenditures	667	1,494	106	132	139		2,538

a. Sales and Operating Income

	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
	Millions of Yen					
	2005					
Sales to customers	¥35,388	¥26,775	¥8,903	¥10,443		¥81,509
Intersegment sales						
Total sales	35,388	26,775	8,903	10,443		81,509
Operating expenses	29,358	23,259	7,873	10,370		70,860
Operating income	¥ 6,030	¥ 3,516	¥1,030	¥ 73		¥10,649

b. Assets, Depreciation and Capital Expenditures

	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
	Millions of Yen					
	2005					
Assets	¥13,013	¥11,180	¥2,710	¥3,283	¥21,547	¥51,733
Depreciation	308	220	86	138		752
Capital expenditures	561	474	98	133		1,266

(2) Geographical Segments

The geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2007, 2006 and 2005, are summarized as follows:

	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
	Millions of Yen					
	2007					
Sales to customers	**¥ 99,024**	**¥14,729**	**¥3,229**	**¥1,157**		**¥118,139**
Interarea transfer	**10,887**	**5,345**	**88**	**549**	**¥(16,869)**	
Total sales	**109,911**	**20,074**	**3,317**	**1,706**	**(16,869)**	**118,139**
Operating expenses	**95,639**	**17,995**	**3,312**	**1,924**	**(16,374)**	**102,496**
Operating income (loss)	**¥ 14,272**	**¥ 2,079**	**¥ 5**	**¥ (218)**	**¥ (495)**	**¥ 15,643**
Assets	**¥ 52,458**	**¥15,496**	**¥1,563**	**¥1,302**	**¥ 13,425**	**¥ 84,244**

	Thousands of U.S. Dollars					
	2007					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	**$838,833**	**$124,762**	**$ 27,354**	**$ 9,805**		**$1,000,754**
Interarea transfer	**92,221**	**45,281**	**747**	**4,647**	**$(142,896)**	
Total sales	**931,054**	**170,043**	**28,101**	**14,452**	**(142,896)**	**1,000,754**
Operating expenses	**810,160**	**152,433**	**28,060**	**16,292**	**(138,701)**	**868,244**
Operating income (loss)	**$120,894**	**$ 17,610**	**$ 41**	**$ (1,840)**	**$ (4,195)**	**$ 132,510**
Assets	**$444,373**	**$131,270**	**$ 13,236**	**$11,031**	**$ 113,722**	**$ 713,632**

	Millions of Yen					
	2006					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	¥ 91,295	¥10,686	¥ 2,696	¥ 731		¥105,408
Interarea transfer	10,451	3,886	85	528	¥(14,950)	
Total sales	101,746	14,572	2,781	1,259	(14,950)	105,408
Operating expenses	88,834	13,284	3,119	1,411	(14,275)	92,373
Operating income (loss)	¥ 12,912	¥ 1,288	¥ (338)	¥ (152)	¥ (675)	¥ 13,035
Assets	¥ 44,901	¥11,840	¥ 1,341	¥ 687	¥ 19,408	¥ 78,177

	Millions of Yen					
	2005					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	¥71,813	¥7,215	¥1,915	¥566		¥81,509
Interarea transfer	5,632	843	6	419	¥ (6,900)	
Total sales	77,445	8,058	1,921	985	(6,900)	81,509
Operating expenses	67,326	7,306	2,245	957	(6,974)	70,860
Operating income (loss)	¥10,119	¥ 752	¥ (324)	¥ 28	¥ 74	¥10,649
Assets	¥25,267	¥5,347	¥1,047	¥375	¥19,697	¥51,733

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2007, 2006 and 2005, were as follows:

	Millions of Yen			
	2007			
	Asia	North and South America	Europe	Total
Sales to foreign customers	**¥15,673**	**¥3,357**	**¥1,162**	**¥20,192**

	Thousands of U.S. Dollars			
	2007			
	Asia	North and South America	Europe	Total
Sales to foreign customers	**$132,761**	**$28,439**	**$9,844**	**$171,044**

	Millions of Yen			
	2006			
	Asia	North and South America	Europe	Total
Sales to foreign customers	¥11,500	¥2,814	¥738	¥15,052

	Millions of Yen			
	2005			
	Asia	North and South America	Europe	Total
Sales to foreign customers	¥7,216	¥1,915	¥566	¥9,697

Independent Auditors' Report

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3) 3457 7321
Fax: +81(3) 3457 1694
www.deloitte.com/jp

To the Board of Directors of MISUMI Group Inc.:

We have audited the accompanying consolidated balance sheets of MISUMI Group Inc. (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended March 31, 2007, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MISUMI Group Inc. and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.m to the consolidated financial statements, the Group applied the new accounting standard for bonuses to directors and corporate auditors.

As discussed in Note 2.n to the consolidated financial statements, the Group applied the new accounting standard for stock options to those granted on and after May 1, 2006.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 21, 2007

Company Profile and Investor Information

(As of March 31, 2007)

Corporate Profile

Corporate Name	MISUMI Group Inc.
Established	February 23, 1963
Head Office	4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458
Paid-in Capital	¥4,060,000,000
Stock Listing	Tokyo Stock Exchange (Ticker code: 9962)
Fiscal Year	From April 1 to March 31
General Shareholders' Meeting	Generally held in June
Description of Business	Development of Group management strategies, adminisitration and all functions related to Group management
URL	http://www.misumi.co.jp/index_e.html

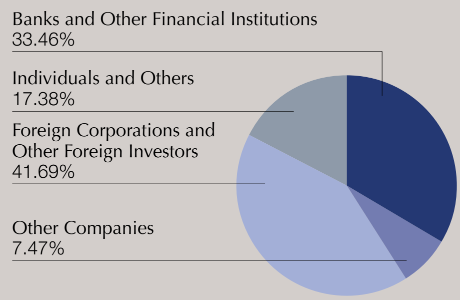
Investor Information

Authorized Number of Shares	340,000,000
Issued Number of Shares	88,259,384
Number of Shareholders	7,146

Major Shareholders

Name of Shareholders	Number of Shares Held	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd.	9,592,600	10.87
Hiroshi Taguchi	7,026,700	7.96
State Street Trust and Banking Company, Ltd.	6,692,954	7.58
M-out Inc.	4,745,294	5.38
Japan Trustee Services Bank, Ltd.	4,714,100	5.34
Goldman Sachs International Ltd.	3,644,128	4.13
Mizuho Trust & Banking Co., Ltd. (Retirement Benefits Trust, Mizuho Bank, Ltd. Account)	3,559,500	4.03
Trust & Custody Services Bank, Ltd.	2,885,800	3.27
The Nomura Trust and Banking Co., Ltd.	2,292,000	2.60
Nippon Life Insurance Company	2,022,590	2.29

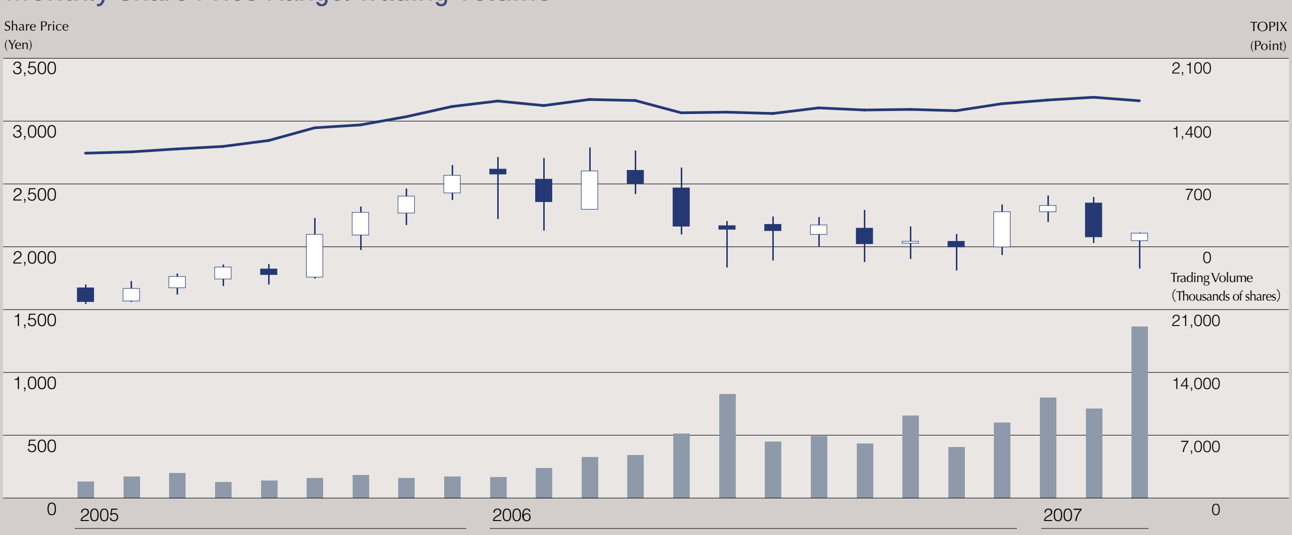
Composition of Shareholders



Stock Splits

May	1994	1	➡	1.2
May	1995	1	➡	1.1
May	1996	1	➡	1.1
November	1997	1	➡	1.1
May	2000	1	➡	1.1
August	2001	1	➡	1.1
May	2004	1	➡	1.5
April	2006	1	➡	2.0

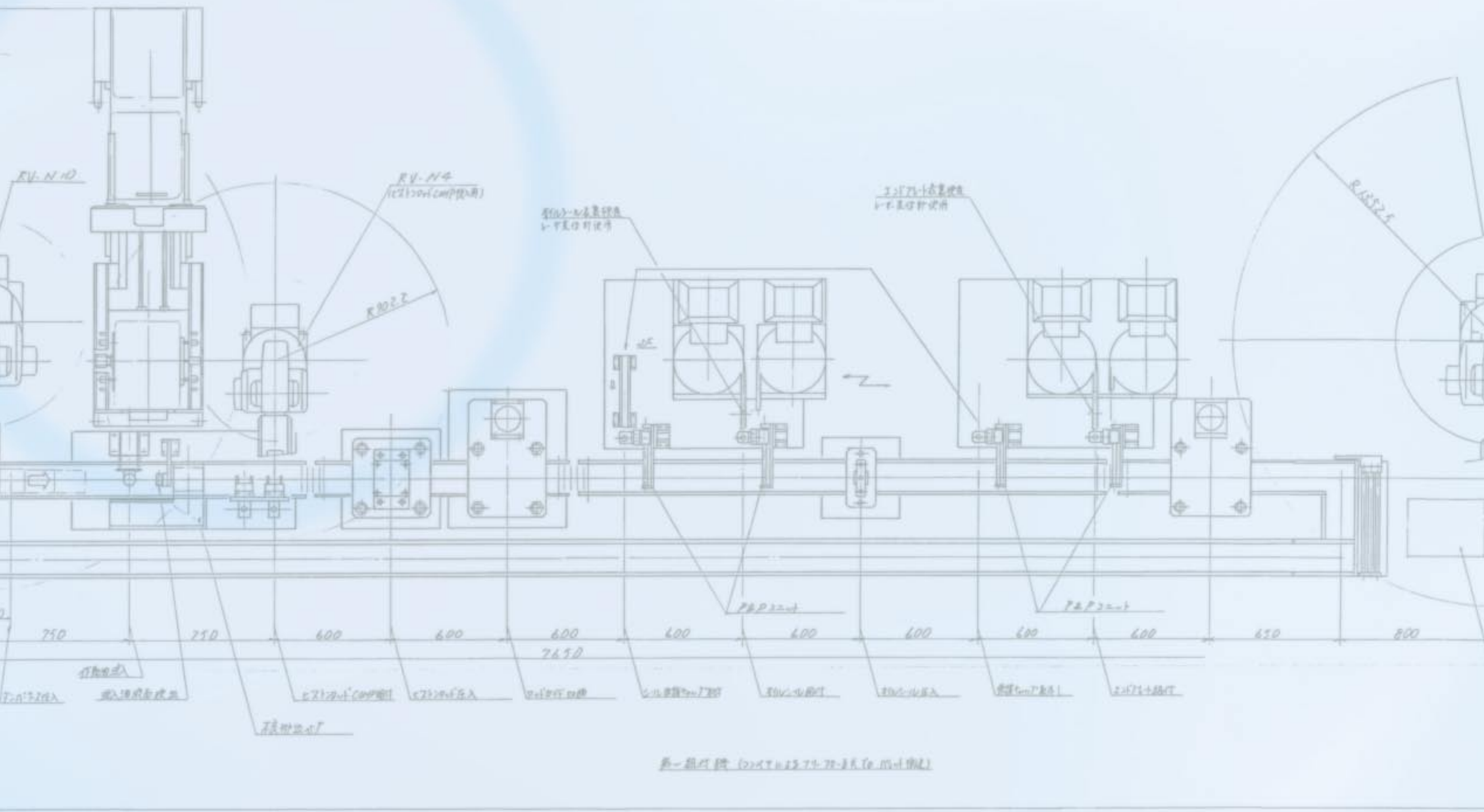
Monthly Share Price Range/Trading Volume



On April 1, 2006, stock prices are retroactive at the past fiscal year and adjusted for the stock split.

MISUMI

MISUMI Group Inc.
4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458, Japan
URL: http://www.misumi.co.jp/



Printed in Japan with soy ink on recycled paper.