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## Consolidated Financial Results for the Nine Months Ended December 31, 2018 [Japanese GAAP]



January 29, 2019

Company name: MISUMI Group Inc. Stock exchange listing: Tokyo Stock Exchange  
 Ticker Code: 9962 URL: <https://www.misumi.co.jp>  
 Representative: Ryusei Ono, Representative Director, President and CEO  
 Contact: Ichiro Otokozawa, Executive Director and CFO Phone: +81-3-5805-7401  
 Scheduled date of filing quarterly securities report: February 5, 2019  
 Scheduled date of dividend payments: -  
 Preparation of supplemental explanatory materials: None  
 Holding of quarterly financial results meeting: None

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

### 1. Consolidated Financial Results for the Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2018	249,719	8.1	22,694	(16.5)	22,660	(15.7)	16,216	(19.3)
December 31, 2017	231,058	23.4	27,171	31.1	26,886	32.1	20,104	55.9

(Note) Comprehensive income: Nine months ended December 31, 2018: ¥15,493 million (36.3)%  
 Nine months ended December 31, 2017: ¥24,314 million 122.9%

	Earnings per share attributable to owners of the parent (basic)		Earnings per share attributable to owners of the parent (diluted)	
Nine months ended	Yen		Yen	
December 31, 2018	57.23		57.02	
December 31, 2017	71.62		70.44	

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2018	241,714	196,734	80.6
As of March 31, 2018	243,492	186,719	76.1

(Reference) Shareholders' equity: As of December 31, 2018: ¥194,807 million  
 As of March 31, 2018: ¥185,203 million

(Note)

Effective from the three months ended June 30, 2018, the presentation method has been changed following the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Therefore, consolidated financial position as of March 31, 2018 has been presented by retroactively adjusting the figures to reflect such changes.

## 2. Cash Dividends

	Cash dividends per share for the fiscal year				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2018	Yen —	Yen 11.52	Yen —	Yen 11.08	Yen 22.60
Fiscal year ending March 31, 2019	—	10.21	—		
Fiscal year ending March 31, 2019 (Forecast)				10.52	20.73

(Note) Revision of the latest forecast for cash dividends: Yes

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Earnings per share attributable to owners of the parent (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	335,200	7.1	32,800	(5.9)	32,800	(5.4)	23,500	(8.2)	82.92

(Note) Revision of the latest financial results forecasts: Yes

### \* Notes:

- (1) Changes in significant consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - 1) Changes in accounting policies due to the revision of accounting standards: None
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (4) Total number of shares outstanding (common shares)
  - 1) Total number of shares outstanding at the end of the period (including treasury stock):
    - As of December 31, 2018 : 283,575,697 shares
    - As of March 31, 2018 : 283,439,597 shares
  - 2) Total number of treasury stock at the end of the period:
    - As of December 31, 2018 : 129,626 shares
    - As of March 31, 2018 : 129,536 shares
  - 3) Weighted average number of shares outstanding during the period:
    - Nine months ended December 31, 2018 : 283,383,366 shares
    - Nine months ended December 31, 2017 : 280,694,594 shares

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

\* Explanation on the appropriate use of forecasts and other notes

- The earnings forecasts and other forward-looking statements herein are based on information available to the Company at the time of preparation and certain assumptions deemed to be reasonable, and actual results may differ significantly from the forecasts due to various factors. For the assumptions on the earnings forecasts and notes on their use, please refer to “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements” on page 4 of the attached document.

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## **1. Qualitative Information on Quarterly Financial Results**

### **(1) Explanation of Operating Results**

Global and Japanese economy trended towards deceleration during the cumulative third quarter period of FY2018, as capital investments towards the manufacturing industry became more cautious from mounting concerns that trade conflicts may be prolonged. As a result of deterioration of import-export environment in China, Asia and the United States due to trade conflict impact, and stagnation of the automotive related sector in Europe, business climate of the manufacturing industry is slowing down within each respective region. Also, in Japan, business climate weakened due to sluggishness of overseas demand and capital investments, with uncertainty mounting in production machinery and automotive related sectors.

Even under such circumstances, MISUMI Group's strategy remains unchanged, leveraging its unique business model, which encompasses both manufacturing and distribution businesses, and advancing the business foundation that supports these businesses globally. We are contributing to manufacturing industry worldwide by eliminating inefficiencies faced by customers. To address a new wave of manufacturing that positions IT at its core, even in this term, we accelerated establishment of EC websites within the respective region to respond immediately to each country's needs to strengthen competitiveness. Also, efforts were made to reinforce our global reliable and quick delivery business model by promoting local production, local sourcing for optimal procurement as well as expanding logistics sites in Japan and overseas. Meanwhile, prudence was observed for some investment decisions amidst this decelerating business climate.

Advancements to our business model offered high convenience to our customers, coupled with accelerated global expansion of the VONA business assisting in sales growth, and consequently consolidated net sales exceeded on a year-on-year basis.

Reflecting this performance, consolidated net sales was ¥249,719 million, (8.1% increase year-on-year), highest third quarter result to date. In terms of profit, as a result of deploying investments to accelerate growth, operating income was ¥22,694 million, (16.5% decrease year-on-year), and ordinary income ¥22,660 million, (15.7% decrease year-on-year). Net income attributable to owners of parent was ¥16,216 million (19.3% decrease year-on-year). Profits decreased year-on-year compared to the most profitable cumulative third quarter period of last year.

#### **① Factory Automation (FA)**

In the FA business, global needs for reliable and quick delivery of FA components expanded further, steadily permeating MISUMI's business model, incorporating demand for automation products in the automotive and electronics related industries. Accordingly, net sales was ¥82,319 million (5.8% increase year-on-year). Operating income was ¥13,800 million (10.2% decrease year-on-year) as a result of increased expenses incurred to further strengthen the business foundation.

#### **② Die Components**

Despite favorable sales activities in Asia, sales in the Die components business was ¥57,758 million (0.0% decrease year-on-year) due to lower demand in the automotive industry in Japan and the United States. Operating income was ¥4,706 million (11.0% increase year-on-year) due to decrease in amortization expenses of goodwill.

#### **③ VONA**

VONA business is MISUMI Group's sales and distribution business of production facilities related components, production auxiliary materials and MRO\*. This business segment includes MISUMI brand products as well as third party manufacturer's products. Enhanced product lineup continued to support business growth this term. Items handled reached 26 million globally as at the end of the third quarter of FY2018. These efforts coupled with carrying out proactive sales expansion initiatives resulted in net sales of ¥109,642 million (14.8% increase year-on-year). Meanwhile, operating income was ¥4,577 million (43.4% decrease year-on-year) as upfront investments geared for business expansion in Japan and overseas increased.

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

## **(2) Explanation of Financial Position**

### **1) Assets, liabilities and net assets**

Total assets as of the end of the third quarter of the fiscal year were ¥241,714 million, a decrease of ¥1,777 million compared to the previous year-end. Current assets decreased ¥10,060 million. This is mainly due to a decrease in cash and deposits of ¥15,405 million, a decrease in notes and accounts receivable - trade of ¥2,831 million and an increase in merchandise and finished goods of ¥6,147 million. Property, plant and equipment increased ¥6,362 million. Intangible assets increased ¥1,809 million. Investments and other assets such as investment securities increased ¥111 million.

Total liabilities were ¥44,979 million, a decrease of ¥11,792 million compared to the previous year-end. Current liabilities decreased ¥12,272 million. This is mainly due to a decrease in notes and accounts payable - trade of ¥2,014 million, a decrease in accounts payable - other of ¥4,608 million, a decrease in income taxes payable of ¥1,908 million, a decrease in provision for bonuses of ¥1,549 million, and a decrease in other current liabilities of ¥1,895 million. Long-term liabilities increased ¥479 million.

Total net assets were ¥196,734 million, an increase of ¥10,014 million compared to the previous year-end. This was primarily because shareholders' equity increased by ¥10,332 million mainly due to an increase of ¥10,184 million in retained earnings, and accumulated other comprehensive income including foreign currency translation adjustments decreased by ¥727 million. As a result, the equity ratio was 80.6%, compared to 76.1% marked at the end of the previous year.

Effective from the fiscal year 2018, the presentation method has been changed following the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Accordingly, year-on-year comparisons were made with figures adjusted retroactively.

### **2) Cash flows**

At the end of the third quarter of the fiscal year, cash and cash equivalents amounted to ¥38,959 million, a decrease of ¥12,753 million compared to the previous year-end.

The status of cash flows and their underlying factors for the nine months ended December 31, 2018 were as follows.

Cash inflows from operating activities were ¥6,878 million (a net cash inflow of ¥17,242 million for the same period in the previous year). A breakdown of cash flows from operating activities is as follows. Income before income taxes was ¥22,660 million. Depreciation and amortization was ¥6,452 million. A decrease in provision for bonuses was ¥1,554 million. An increase in notes and accounts receivable - trade was ¥713 million. An increase in inventories was ¥7,234 million. A decrease in notes and accounts payable - trade was ¥1,240 million. A decrease in accounts payable - other was ¥3,605 million. Income taxes paid was ¥8,024 million.

Cash outflows from investing activities were ¥13,194 million (a net cash outflow of ¥3,253 million for the same period in the previous year). A breakdown of cash flows from investing activities is as follows. The purchase of fixed assets was ¥15,222 million. Payments into time deposits were ¥27,123 million. Refund from time deposits was ¥29,733 million.

Cash outflows from financing activities were ¥5,999 million (a net cash outflow of ¥5,749 million for the same period in the previous year). The main item of cash flows from financing activities was dividends paid of ¥6,032 million.

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

Based on the financial results for the nine months ended December 31, 2018 and recent business trends, we have revised the full-year consolidated financial results forecast announced on October 29, 2018, for the fiscal year ending March 31, 2019 as follows.

[Full-year consolidated financial results forecast for the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)]

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Earnings per share attributable to owners of the parent (basic)
Revised forecast	Million yen 335,200	Million yen 32,800	Million yen 32,800	Million yen 23,500	Yen 82.92
Previous forecast	343,000	35,000	35,200	25,700	90.69

The forecast for dividends is announced in the press release dated January 29, 2019, titled “Announcement regarding revisions to forecasts of full-year business results and year-end dividend”.

## **2. Quarterly Consolidated Financial Statements and Primary Notes**

### **(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	65,502	50,097
Notes and accounts receivable - trade	67,817	64,985
Merchandise and finished goods	33,208	39,355
Work in process	1,771	2,695
Raw materials and supplies	6,301	6,382
Other	5,622	6,565
Allowance for doubtful accounts	(319)	(237)
Total current assets	179,904	169,844
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,649	10,407
Machinery, equipment and vehicles, net	12,053	13,313
Land	3,728	3,739
Other, net	4,282	8,615
Total property, plant and equipment	29,714	36,076
Intangible assets		
Software	17,057	18,742
Other	7,529	7,654
Total intangible assets	24,587	26,396
Investments and other assets		
Investment securities	6	6
Other	9,467	9,592
Allowance for doubtful accounts	(187)	(201)
Total investments and other assets	9,285	9,397
Total non-current assets	63,587	71,870
Total assets	243,492	241,714



(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	19,524	17,510
Current portion of convertible bonds	106	—
Accounts payable - other	14,001	9,393
Income taxes payable	4,494	2,586
Provision for bonuses	3,525	1,976
Provision for directors' bonuses	261	71
Other	7,770	5,874
Total current liabilities	49,684	37,412
Long-term liabilities		
Liability for retirement benefits	4,878	5,337
Other	2,209	2,229
Total long-term liabilities	7,087	7,567
<b>Total liabilities</b>	<b>56,772</b>	<b>44,979</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	12,812	12,903
Capital surplus	23,201	23,258
Retained earnings	148,059	158,243
Treasury stock	(77)	(78)
Total shareholders' equity	183,994	194,327
Accumulated other comprehensive income		
Foreign currency translation adjustments	1,291	552
Defined retirement benefit plans	(83)	(71)
Total accumulated other comprehensive income	1,208	480
Stock acquisition rights	986	1,390
Non-controlling interests	529	536
<b>Total net assets</b>	<b>186,719</b>	<b>196,734</b>
<b>Total liabilities and net assets</b>	<b>243,492</b>	<b>241,714</b>

**(2) Quarterly Consolidated Statement of Income and Comprehensive Income**  
**Quarterly Consolidated Statement of Income**  
**For the Nine Months Ended December 31, 2018 and 2017**

(Millions of yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Net sales	231,058	249,719
Cost of sales	132,191	144,009
Gross profit	98,867	105,709
Selling, general and administrative expenses	71,695	83,015
Operating income	27,171	22,694
Non-operating income		
Interest income	154	181
Insurance premiums refunded	—	144
Subsidy income	38	—
Miscellaneous income	230	290
Total non-operating income	423	616
Non-operating expenses		
Sales discounts	62	67
Foreign exchange losses	556	460
Miscellaneous loss	89	122
Total non-operating expenses	708	650
Ordinary income	26,886	22,660
Income before income taxes	26,886	22,660
Income taxes	6,721	6,391
Net income	20,164	16,269
Net income attributable to non-controlling interests	59	52
Net income attributable to owners of parent	20,104	16,216

**Quarterly Consolidated Statement of Comprehensive Income**  
**For the Nine Months Ended December 31, 2018 and 2017**

(Millions of yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Net income	20,164	16,269
Other comprehensive income (loss)		
Foreign currency translation adjustments	4,134	(777)
Defined retirement benefit plans	9	11
Share of other comprehensive income (loss) in associates	5	(10)
Total other comprehensive income (loss)	4,150	(775)
Comprehensive income	24,314	15,493
Comprehensive income attributable to		
Owners of parent	24,229	15,488
Non-controlling interests	84	4

### (3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
<b>Cash flows from operating activities</b>		
Income before income taxes	26,886	22,660
Depreciation and amortization	5,300	6,452
Amortization of goodwill	1,009	—
Increase (decrease) in liability for retirement benefits	329	477
Increase (decrease) in provision for bonuses	1,398	(1,554)
Increase (decrease) in provision for directors' bonuses	(8)	(189)
Increase (decrease) in allowance for doubtful accounts	(2)	(64)
Interest and dividend income	(167)	(187)
Interest expenses	1	1
Share-based compensation expenses	391	463
Foreign exchange losses (gains)	(363)	96
Share of (profit) loss of entities accounted for using equity method	(42)	(41)
Insurance premiums refunded	—	(144)
(Increase) decrease in notes and accounts receivable - trade	(5,928)	(713)
(Increase) decrease in inventories	(5,293)	(7,234)
(Increase) decrease in consumption taxes refund receivable	582	15
Increase (decrease) in notes and accounts payable - trade	(183)	(1,240)
Increase (decrease) in accounts payable - other	(596)	(3,605)
(Increase) decrease in other assets	(958)	(1,052)
Increase (decrease) in other liabilities	2,574	144
Subtotal	24,927	14,284
Interest and dividend income received	201	284
Interest expenses paid	(1)	(1)
Insurance premiums received	—	144
Income taxes refund	96	191
Income taxes paid	(7,980)	(8,024)
Net cash provided by operating activities	17,242	6,878
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(8,902)	(15,222)
Proceeds from sales of fixed assets	3	43
Payments into time deposits	(17,640)	(27,123)
Refund from time deposits	24,397	29,733
Payments for lease and guarantee deposits	(449)	(1,022)
Proceeds from collection of lease and guarantee deposits	224	335
Other, net	(886)	62
Net cash used in investing activities	(3,253)	(13,194)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of stock	20	33
Dividends paid	(5,768)	(6,032)
Other, net	(1)	(0)
Net cash used in financing activities	(5,749)	(5,999)
Effect of exchange rate change on cash and cash equivalents	1,087	(438)
Net increase (decrease) in cash and cash equivalents	9,327	(12,753)
Cash and cash equivalents at beginning of period	47,840	51,713
Cash and cash equivalents at end of period	57,168	38,959

#### (4) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Additional information)

Following the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the fiscal year, deferred tax assets are presented in investments and other assets, while deferred tax liabilities are presented in long-term liabilities.

(Matters related to quarterly consolidated statement of cash flows)

Details of significant non-monetary transactions

(Millions of yen)

	For the nine months ended December 31, 2017	For the nine months ended December 31, 2018
Increase in common stock due to conversion of convertible bonds	5,084	56
Increase in capital surplus due to conversion of convertible bonds	5,084	56
Decrease in convertible bonds due to conversion of the bonds	10,169	112

(Segment information)

[Segment information]

For the nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

1. Net sales and segment income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	77,789	57,758	95,509	231,058	–	231,058
Internal sales to other segments	–	–	–	–	–	–
Total	77,789	57,758	95,509	231,058	–	231,058
Segment income	15,364	4,238	8,082	27,685	(513)	27,171
Segment income before amortization of goodwill*	15,364	5,714	8,082	29,160	(513)	28,647

\*(Note)

Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

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

(Millions of yen)

Income	Amount
Total of reportable segment	27,685
Adjustments	(513)
Operating income in quarterly consolidated statement of income	27,171

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

1. Net sales and segment income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	82,319	57,758	109,642	249,719	–	249,719
Internal sales to other segments	–	–	–	–	–	–
Total	82,319	57,758	109,642	249,719	–	249,719
Segment income	13,800	4,706	4,577	23,083	(389)	22,694
Segment income before amortization of goodwill*	13,800	5,168	4,577	23,545	(389)	23,156

\*(Note)

Amortization of Other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

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

(Millions of yen)

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

[Supplementary information]

For the nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

1. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
121,870	43,070	31,153	19,878	11,305	3,781	231,058

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

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
10,656	7,289	6,147	2,703	1,670	28,467

2. Information on goodwill by reportable segment

(Millions of yen)

	Die Components Business
Amortization for the nine months ended December 31, 2017	1,009
Balance as of December 31, 2017	—

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

1. Information by region

(1) Net sales

(Millions of yen)

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

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

(2) Property, plant and equipment

(Millions of yen)

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

2. Information on goodwill by reportable segment

Not applicable