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Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]



April 27, 2023

Company name: MISUMI Group Inc. Stock exchange listing: Tokyo Stock Exchange
 Securities Code: 9962 URL: <https://www.misumi.co.jp>
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 Phone: +81-3-6777-7579
 Scheduled date of Annual General Meeting of Shareholders: June 15, 2023
 Scheduled date of dividend payments: June 21, 2023
 Scheduled date of filing securities report: June 23, 2023
 Preparation of supplemental explanatory materials: Yes (materials for institutional investors)
 Holding of financial results meeting: Yes (meeting for institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	373,151	1.9	46,615	(10.7)	47,838	(8.9)	34,282	(8.7)
March 31, 2022	366,160	17.8	52,210	92.0	52,500	93.1	37,557	119.1

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥42,810 million (20.0)%
 Fiscal year ended March 31, 2022: ¥53,528 million 114.4%

	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	120.53	120.18	11.7	13.2	12.5
March 31, 2022	132.15	131.72	14.8	16.5	14.3

(Reference) Share of profit of entities accounted for using equity method:

Fiscal year ended March 31, 2023: ¥43 million

Fiscal year ended March 31, 2022: ¥37 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	378,458	314,224	82.3	1,093.98
As of March 31, 2022	347,390	279,959	79.8	975.04

(Reference) Shareholders' equity: As of March 31, 2023: ¥311,286 million
 As of March 31, 2022: ¥277,225 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2023	31,447	(19,033)	(11,169)	106,640
March 31, 2022	55,391	(22,761)	(9,609)	101,443

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen —	Yen 18.33	Yen —	Yen 14.71	Yen 33.04
Fiscal year ended March 31, 2023	—	17.80	—	12.34	30.14
Fiscal year ending March 31, 2024 (Forecast)	—	16.43	—	16.79	33.22

	Total cash dividends paid	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
Fiscal year ended March 31, 2022	Million yen 9,391	% 25.0	% 3.7
Fiscal year ended March 31, 2023	8,573	25.0	2.9
Fiscal year ending March 31, 2024 (Forecast)		25.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2nd quarter-end (Cumulative)	188,000	(0.1)	25,200	(6.3)	25,400	(7.7)	18,700	(7.6)	65.72
Full year	396,000	6.1	51,000	9.4	51,400	7.4	37,800	10.3	132.84

*** Notes:**

- (1) Changes in significant consolidated subsidiaries during the fiscal year
(Changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None
(Note) For details, please refer to “3. Consolidated Financial Statements and Primary Notes, (5) Notes to the Consolidated Financial Statements (Changes in accounting policies)” on page 13 of the attached document.
- (3) Total number of shares outstanding (common shares)
1) Total number of shares outstanding at the end of the fiscal year (including treasury stock):
As of March 31, 2023: 284,675,397 shares
As of March 31, 2022: 284,452,897 shares

2) Total number of treasury stock at the end of the fiscal year:
As of March 31, 2023: 130,070 shares
As of March 31, 2022: 129,896 shares

3) Weighted average number of shares outstanding during the fiscal year:
Fiscal year ended March 31, 2023: 284,420,737 shares
Fiscal year ended March 31, 2022: 284,200,208 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2023	22,123	(15.9)	9,461	20.8	9,680	18.9	9,375	17.9
March 31, 2022	26,307	18.9	7,834	112.9	8,142	96.9	7,953	102.8

	Net income per share	Net income per share (diluted)
Fiscal year ended	Yen	Yen
March 31, 2023	32.96	32.87
March 31, 2022	27.98	27.89

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	105,672	66,104	60.7	225.32
As of March 31, 2022	77,548	65,377	81.8	223.13

(Reference) Shareholders' equity: As of March 31, 2023: ¥64,114 million
As of March 31, 2022: ¥63,439 million

* These financial results are outside the scope of audit 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 “1. Overview of Business Results, etc. (4) Future Outlook” on page 4 of the attached document.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year

During FY 2022, the global economy was affected by COVID-19 infections. In China, economic activity stagnated due to the lockdown at the beginning of the period and the resurgence of infections in the second half of the year, resulting in continued sluggish demand. In other overseas regions, demand gradually slowed down in the second half of the fiscal year due to inflation and other factors, but growth was maintained in Europe and the US. In Japan, however, demand remained generally weak due to the impact of the slowdown in China and low factory utilization rates, particularly for automotive-related products.

In this economic environment, MISUMI Group is leveraging its unique Business MODEL, which encompasses manufacturing and distribution businesses. By advancing the business foundation that supports these businesses globally, we are contributing to industries related to automation demand, particularly the manufacturing industry, by responding to customers' needs for reliable and quick delivery.

Despite our efforts to accurately anticipate customer demand by leveraging our solid business foundation in IT, logistics, and manufacturing and our global network of locations, the business was severely affected by the lockdown in China at the beginning of the period and weak global demand for capital investment in the second half of the year.

As a result, despite the slowdown in demand, consolidated net sales were ¥373,151 million (1.9% increase year-on-year) due to the impact of foreign exchange rate effects. In terms of profit, operating income was 46,615 million yen (10.7% decrease year-on-year) and ordinary income was ¥47,838 million yen (8.9% decrease year-on-year) due to a decrease in sales volume and an increase in expenses related to the introduction of a new core system. Net income attributable to owners of parent totaled ¥34,282 million yen (8.7% decrease year-on-year).

(Million yen)

	Net Sales			Operating Income		
	Previous Consolidated fiscal year	Current Consolidated fiscal year	Percentage Change (%)	Previous Consolidated fiscal year	Current Consolidated fiscal year	Percentage Change (%)
Factory Automation (FA) Business	119,253	121,932	2.2	23,381	21,384	(8.5)
Die Components Business	75,108	79,125	5.3	9,542	8,723	(8.6)
VONA Business	171,799	172,093	0.2	19,287	16,506	(14.4)
Total	366,160	373,151	1.9	52,210	46,615	(10.7)

1) Factory Automation (FA) Business

The FA business continued to grow in Europe and the US, but demand in China and Japan was weak, with net sales of ¥121,932 million (2.2% increase year-on-year) and operating income of ¥21,384 million yen (8.5% decrease year-on-year).

2) Die Components Business

The Die Components business experienced sluggish growth particularly in China and Asia, due to delays in investment in automotive-related equipment and reduced factory operations worldwide. Net sales were ¥79,125 million (5.3% increase year-on-year), while operating income was ¥8,723 million (8.6% decrease year-on-year).

3) VONA Business

VONA business is MISUMI Group's sales and distribution business of manufacturing / automation-related equipment parts and MRO (Maintenance, Repair, and Operations) products. In addition, this business segment includes MISUMI branded products and third-party manufacturers' products. In Europe and the US, strong demand for EV-related products continued to drive growth, while in China and Japan, the impact of low factory utilization rates and other factors led to a significant decline in demand. As a result, net sales were ¥172,093 million (0.2% increase year-on-year) and operating income was ¥16,506 million (14.4% decrease year-on-year).

(2) Overview of Financial Position for the Fiscal Year

Assets, liabilities and net assets

1) Assets

Total assets as of the end of fiscal year were ¥378,458 million, an increase of ¥31,068 million (8.9%) compared to the previous year-end. Current assets were ¥282,623 million, an increase of ¥29,499 million (11.7%). This was mainly attributable to cash and deposits, which rose by ¥10,663 million (9.8%), and an increase of ¥12,157 million (24.0%) in merchandise and finished goods. Non-current assets were ¥95,835 million, an increase of ¥1,568 million (1.7%). Property, plant and equipment amounted to ¥48,405 million, an increase of ¥1,884 million (4.1%). This was mainly attributable to an increase of ¥1,829 million (57.0%) in construction in progress. Intangible assets decreased by ¥698 million (-2.0%) to ¥35,021 million. Investments and other assets increased by ¥382 million (3.2%) to ¥12,408 million.

2) Liabilities

Total liabilities amounted to ¥64,234 million, a decrease of ¥3,196 million (-4.7%) compared to the previous year-end. Current liabilities were ¥48,942 million, a decrease of ¥3,468 million (-6.6%). This was mainly attributable to income taxes payable, which fell by ¥2,877 million (-40.2%). Long-term liabilities amounted to ¥15,291 million, an increase of ¥272 million (1.8%). This was mainly attributable to retirement benefits, which increase by ¥152 million (2.2%).

As a result, the current ratio was 5.8 times, and the Company maintained high stability.

3) Net assets

Total net assets amounted to ¥314,224 million, an increase of ¥34,264 million (12.2%) compared to the previous year-end. This was primarily because shareholders' equity increased by ¥25,581 million (9.9%) due to an increase of ¥25,037 million (11.4%) in retained earnings, and an increase of ¥8,479 million in accumulated other comprehensive income including foreign currency translation adjustments.

As a result, the equity ratio was 82.3%, compared to 79.8% at the end of the previous year.

(3) Overview of Cash Flows for the Fiscal Year

At the end of the fiscal year, cash and cash equivalents amounted to ¥106,640 million, an increase of ¥5,197 million compared to the previous year-end.

Cash inflows from operating activities amounted to a net cash inflow of ¥31,447 million, (a net cash inflow of ¥55,391 million for the same period in the previous year). The breakdown is as follows. Income before income taxes was ¥46,533 million. Depreciation and amortization was ¥16,587 million. The amount of decrease in notes and accounts receivable - trade was ¥1,306 million. An increase in inventories was ¥13,693 million. The amount of increase in notes and accounts payable - trade was ¥619 million. Income taxes paid was ¥17,586 million.

Cash outflows from investing activities amounted to a net cash outflow of ¥19,033 million, (a net cash outflow of ¥22,761 million for the same period in the previous year). The breakdown is as follows. The purchase of fixed assets was ¥13,625 million. Payments into time deposits were ¥19,646 million. Refund from time deposits was ¥14,229 million.

Cash outflows from financing activities amounted to a net cash outflow of ¥11,169 million, (a net cash outflow of ¥9,609 million for the same period in the previous year). The main item was dividends paid of ¥9,244 million.

(Reference) Trend of cash flow indicators

	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022	Fiscal year ended March 2023
Equity ratio (%)	80.6	79.2	80.0	79.8	82.3
Equity ratio (market value basis) (%)	309.3	252.6	316.2	300.0	248.1
Interest-bearing debt to cash flow ratio (%)	—	18.4	11.2	13.0	24.4
Interest coverage ratio (times)	8,853.9	360.1	541.8	623.9	270.4

1. Equity ratio: Shareholders' equity / Total assets
2. Equity ratio (market value basis): Total market capitalization / Total assets
3. Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows
4. Interest coverage ratio: Cash flows / Interest expenses

Notes:

1. All indicators are calculated using consolidated financial figures.
2. Total market capitalization is calculated by multiplying the closing share price at the end of the fiscal year with the number of outstanding shares (excluding treasury stock) as of that date.
3. Cash flows are cash flows from operating activities stated in the consolidated statements of cash flows. Interest-bearing debt includes convertible bonds and lease obligations according to application of IFRS16 "Leases" from the fiscal year ended March 31, 2020. Interest expenses are interest expenses paid stated in the consolidated statements of cash flows.

(4) Future Outlook

The global economy and the Japanese economy are expected to continue to face an uncertain business environment amid structural changes in the post-Corona market and shifts toward regional blocs in the global supply chain. However, in the industrial sector, there are high expectations that demand for automation will continue to increase globally, as various social issues are addressed.

To meet these customer needs, we will continue to advance our IT, logistics, and manufacturing business foundations and further refine our "globally reliable, quick delivery".

In addition, we will focus on regions, businesses and services that with higher growth potential and profitability, and strive to innovate MISUMI's Business MODEL in anticipation of the changes in the competitive environment and geopolitical risks, among others.

Regarding the consolidated earnings forecast for the fiscal year ending March 31, 2024, the MISUMI Group expects net sales of 396.0 billion yen, operating income of 51.0 billion yen, and net income attributable to owners of parent of 37.8 billion yen.

(Foreign Exchange assumptions: 130.0 yen/USD, 138.0 yen/EUR, 19.0 yen/RMB)

Please note that this earnings forecast is subject to change due to changes in the business environment and we will promptly disclose any material events that may arise.

[Considerations related to estimated earnings]

The outlook for the fiscal year ending March 31, 2024 and the forward-looking statements in this document have been prepared on the basis of information available at the time of preparation. This includes the domestic and foreign economic climate, changes in foreign exchange rates for various currencies, and other factors that may affect business performance, that have been determined to be reasonable by MISUMI Group Inc. as well as risks and uncertainties. In light of this, please refrain from making investment decisions solely on the basis of this outlook. Actual business performance may differ greatly from this outlook due to various factors that affect MISUMI Group Inc., including economic climate, market trends and exchange rates.

2. Basic Policy Regarding Selection of Accounting Standards

The Group intends to consider adopting the International Financial Reporting Standards (IFRS) in view of the trend of the ratio of foreign shareholders and the trend in IFRS adoption by other companies in Japan from now on.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	108,895	119,558
Notes and accounts receivable - trade	76,819	76,359
Merchandise and finished goods	50,593	62,750
Work in process	2,823	4,457
Raw materials and supplies	8,324	10,182
Income taxes receivable	452	2,473
Other	5,498	7,276
Allowance for doubtful accounts	(282)	(436)
Total current assets	253,123	282,623
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,550	29,186
Accumulated depreciation	(12,734)	(14,582)
Buildings and structures, net	13,815	14,604
Machinery, equipment and vehicles	40,493	43,506
Accumulated depreciation	(24,221)	(27,839)
Machinery, equipment and vehicles, net	16,272	15,666
Land	3,876	3,898
Right-of-use assets	9,410	9,256
Accumulated depreciation	(2,686)	(2,831)
Right-of-use assets, net	6,724	6,424
Construction in progress	3,210	5,039
Other	8,700	9,434
Accumulated depreciation	(6,079)	(6,662)
Other, net	2,620	2,771
Total property, plant and equipment	46,520	48,405
Intangible assets		
Software	28,527	28,125
Other	7,192	6,896
Total intangible assets	35,719	35,021
Investments and other assets		
Investment securities	6	6
Deferred tax assets	6,550	6,891
Other	5,824	5,907
Allowance for doubtful accounts	(355)	(397)
Total investments and other assets	12,026	12,408
Total non-current assets	94,266	95,835
Total assets	347,390	378,458

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,617	22,434
Lease obligations	1,775	2,163
Accounts payable - other	9,208	8,909
Income taxes payable	7,154	4,276
Provision for bonuses	4,819	3,184
Provision for directors' bonuses	250	51
Provision for office relocation expenses	—	608
Other	7,585	7,312
Total current liabilities	52,410	48,942
Long-term liabilities		
Lease obligations	5,409	5,521
Deferred tax liabilities	939	798
Liability for retirement benefits	6,872	7,025
Other	1,798	1,946
Total long-term liabilities	15,019	15,291
Total liabilities	67,430	64,234
Net assets		
Shareholders' equity		
Common stock	13,664	13,936
Capital surplus	24,020	24,292
Retained earnings	220,519	245,557
Treasury stock	(79)	(80)
Total shareholders' equity	258,125	283,706
Accumulated other comprehensive income		
Deferred gain (loss) on hedges	36	—
Foreign currency translation adjustments	19,063	27,508
Defined retirement benefit plans	(0)	71
Total accumulated other comprehensive income	19,100	27,580
Stock acquisition rights	1,937	1,989
Non-controlling interests	797	948
Total net assets	279,959	314,224
Total liabilities and net assets	347,390	378,458

(2) Consolidated Statement of Income and Comprehensive Income
Consolidated Statement of Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	366,160	373,151
Cost of sales	199,296	202,073
Gross profit	166,863	171,078
Selling, general and administrative expenses	114,652	124,463
Operating income	52,210	46,615
Non-operating income		
Interest income	532	1,357
Share of profit of entities accounted for using equity method	37	43
Subsidy income	9	461
Miscellaneous income	463	420
Total non-operating income	1,043	2,283
Non-operating expenses		
Interest expenses	99	160
Foreign exchange losses	450	557
Miscellaneous loss	204	341
Total non-operating expenses	753	1,059
Ordinary income	52,500	47,838
Extraordinary income		
Gain on sale of non-current assets	57	—
Total extraordinary income	57	—
Extraordinary losses		
Impairment loss	642	44
Loss related to COVID-19	783	90
Office relocation expenses	—	1,170
Total extraordinary losses	1,426	1,305
Income before income taxes	51,131	46,533
Income taxes - current	13,975	12,509
Income taxes - deferred	(466)	(383)
Income taxes	13,509	12,156
Net income	37,621	34,406
Net income attributable to non-controlling interests	64	124
Net income attributable to owners of parent	37,557	34,282

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net income	37,621	34,406
Other comprehensive income		
Deferred gain (loss) on hedges	36	(36)
Foreign currency translation adjustments	15,706	8,361
Defined retirement benefit plans	153	72
Share of other comprehensive income in associates	9	7
Total other comprehensive income	15,906	8,404
Comprehensive income	53,528	42,810
Comprehensive income attributable to		
Owners of parent	53,439	42,762
Non-controlling interests	88	48

(3) Consolidated Statement of Changes in Equity
Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	13,436	23,791	190,779	(78)	227,929
Changes of items during fiscal year					
Issuance of new shares	228	228	—	—	456
Dividends of surplus	—	—	(7,817)	—	(7,817)
Net income attributable to owners of parent	—	—	37,557	—	37,557
Purchase of treasury stock	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during fiscal year	228	228	29,739	(0)	30,195
Balance at end of fiscal year	13,664	24,020	220,519	(79)	258,125

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	—	3,371	(153)	3,217	1,787	634	233,569
Changes of items during fiscal year							
Issuance of new shares	—	—	—	—	—	—	456
Dividends of surplus	—	—	—	—	—	—	(7,817)
Net income attributable to owners of parent	—	—	—	—	—	—	37,557
Purchase of treasury stock	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	36	15,692	153	15,882	149	162	16,194
Total changes of items during fiscal year	36	15,692	153	15,882	149	162	46,390
Balance at end of fiscal year	36	19,063	(0)	19,100	1,937	797	279,959

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	13,664	24,020	220,519	(79)	258,125
Changes of items during fiscal year					
Issuance of new shares	272	272	—	—	544
Dividends of surplus	—	—	(9,244)	—	(9,244)
Net income attributable to owners of parent	—	—	34,282	—	34,282
Purchase of treasury stock	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during fiscal year	272	272	25,037	(0)	25,581
Balance at end of fiscal year	13,936	24,292	245,557	(80)	283,706

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	36	19,063	(0)	19,100	1,937	797	279,959
Changes of items during fiscal year							
Issuance of new shares	—	—	—	—	—	—	544
Dividends of surplus	—	—	—	—	—	—	(9,244)
Net income attributable to owners of parent	—	—	—	—	—	—	34,282
Purchase of treasury stock	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	(36)	8,444	72	8,479	51	150	8,682
Total changes of items during fiscal year	(36)	8,444	72	8,479	51	150	34,264
Balance at end of fiscal year	—	27,508	71	27,580	1,989	948	314,224

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Income before income taxes	51,131	46,533
Depreciation and amortization	15,341	16,587
Impairment loss	642	44
Increase (decrease) in liability for retirement benefits	249	230
Increase (decrease) in provision for bonuses	1,080	(1,754)
Increase (decrease) in provision for directors' bonuses	208	(198)
Increase (decrease) in allowance for doubtful accounts	(10)	179
Interest and dividend income	(539)	(1,364)
Interest expenses	99	160
Share-based compensation expenses	589	595
Foreign exchange (gains) losses	47	(114)
Share of (profit) loss of entities accounted for using equity method	(37)	(43)
Loss related to COVID-19	783	90
Office relocation expenses	—	1,170
(Increase) decrease in notes and accounts receivable - trade	(511)	1,306
(Increase) decrease in inventories	(2,857)	(13,693)
Increase (decrease) in accounts payable - other	1,153	(1,302)
(Increase) decrease in consumption taxes refund receivable	(870)	(772)
Increase (decrease) in notes and accounts payable - trade	1,029	619
(Increase) decrease in other assets	(368)	(566)
Increase (decrease) in other liabilities	(987)	450
Subtotal	66,172	48,160
Interest and dividend income received	396	1,226
Interest expenses paid	(88)	(116)
Payments related to COVID-19	(773)	(85)
Payments for office relocation expenses	—	(151)
Income taxes paid	(10,316)	(17,586)
Net cash provided by operating activities	55,391	31,447
Cash flows from investing activities		
Purchase of fixed assets	(16,508)	(13,625)
Proceeds from sales of fixed assets	220	106
Payments into time deposits	(13,463)	(19,646)
Refund from time deposits	7,102	14,229
Payments for lease and guarantee deposits	(1,284)	(904)
Proceeds from collection of lease and guarantee deposits	1,144	785
Other, net	26	21
Net cash used in investing activities	(22,761)	(19,033)
Cash flows from financing activities		
Proceeds from issuance of stock	17	0
Proceeds from share issuance to non-controlling shareholders	—	34
Repayments of lease obligations	(1,808)	(1,958)
Dividends paid	(7,817)	(9,244)
Other, net	(0)	(0)
Net cash used in financing activities	(9,609)	(11,169)
Effect of exchange rate change on cash and cash equivalents	6,459	3,952
Net increase (decrease) in cash and cash equivalents	29,479	5,197
Cash and cash equivalents at beginning of fiscal year	71,964	101,443
Cash and cash equivalents at end of fiscal year	101,443	106,640

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

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

DT Dynamics Corporation was included in the scope of consolidation during the fiscal year ended March 31, 2023 due to its establishment.

(Changes in accounting policies)

(Application of the U.S. GAAP ASU 2016-02 “Leases”)

Some of the consolidated subsidiaries outside Japan have applied ASU 2016-02 “Leases” from the beginning of the current fiscal year. Accordingly, assets and liabilities are now recognized for all leases as a lessee in principle. In applying the said standard, those consolidated subsidiaries elected to recognize the cumulative effect of initially applying the standard at the date of initial application, which is allowed as a transitional treatment.

As a result of the application of the said accounting standard, “Right-of-use assets” under property, plant and equipment increased by ¥838 million, “Lease obligations” under current liabilities increased by ¥190 million, and “Lease obligations” under long-term liabilities increased by ¥741 million.

The application of the said accounting standard has only a minimal impact on income and loss for the fiscal year ended March 31, 2023.

(Changes in accounting estimates)

Not applicable

(Changes in presentation method)

(Consolidated Statement of Income)

In the previous fiscal year, “subsidy income” included in “miscellaneous income” under non-operating income, exceeded 10% of total non-operating income, and therefore it is stated as a separate item in the current fiscal year. The consolidated financial statements for the previous fiscal year have been adjusted in order to reflect this change in presentation.

As a result, the ¥473 million stated as “miscellaneous income” under non-operating income in the consolidated statement of income for the previous fiscal year has been reclassified to ¥9 million as “subsidy income” and ¥463 million as “miscellaneous income”.

(Consolidated Statement of Cash Flows)

“Income taxes refund” under “Cash flows from operating activities,” which was independently presented in the previous fiscal year, is included in “Income taxes paid” from the fiscal year ended March 31, 2023 because of its diminished importance. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, “Income taxes refund” of ¥338 million and “Income taxes paid” of ¥(10,665) million, which was presented under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year, is reclassified as “Income taxes paid” of ¥(10,316) million.

(Additional information)

(Accounting treatment of corporate and local corporate taxes or accounting treatment for tax effect accounting related to such taxes)

From the current fiscal year, the Company and certain consolidated subsidiaries in Japan apply the group tax sharing system. In addition, the Company performs accounting treatment of corporate and local corporate taxes or accounting treatment for tax effect accounting related to these taxes and disclosures in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021).

(Segment information)

[Segment information]

1. Description of reportable segments

Reportable segments are parts of the Group whose financial data can be obtained separately. The Board of Directors reviews the financial data periodically to evaluate earnings and determine how to allocate business resources.

The Group consists of MISUMI Group Inc. (the Company), 51 consolidated subsidiaries, 1 non-consolidated subsidiary and 2 affiliated companies, operating in three business segments: FA Business, Die Components Business and VONA Business.

“FA Business” develops and provides standard components that help streamline production and save labor costs in a production system such as factory automation as well as auto locating modules for high-precision production equipment. Various optics research and experimental equipment and components for production equipment, which change due to digitalization of electronic devices, are also developed and offered.

“Die Components Business” serves the automotive, electronics, and electrical machinery industries by developing and supplying standardized die components for metal press and plastic injection molding applications and precision die components.

“VONA Business” provides third-party brands alongside original MISUMI-branded products mainly through online sales. It provides indirect materials such as MRO (consumables), etc. as well as manufacturing, automation-related equipment parts.

2. Method of computing net sales, income/loss and assets/liabilities by reportable segment

Accounting treatment applied for reportable business segments is consistent with those described in “Basis of Presentation of Consolidated Financial Statements.”

Income of reportable segments is presented on an operating income basis.

3. Net sales, income/loss and assets/liabilities, and disaggregation of revenue by reportable segment
For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Revenue from contracts with customers	119,253	75,108	171,799	366,160	–	366,160
Sales to customers	119,253	75,108	171,799	366,160	–	366,160
Internal sales to other segments	–	–	–	–	–	–
Total	119,253	75,108	171,799	366,160	–	366,160
Segment income*	23,381	9,542	19,287	52,210	–	52,210

*(Note) Total of segment income corresponds to operating income in the Consolidated Statements of Income.

(Note) For the Group's internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Revenue from contracts with customers	121,932	79,125	172,093	373,151	–	373,151
Sales to customers	121,932	79,125	172,093	373,151	–	373,151
Internal sales to other segments	–	–	–	–	–	–
Total	121,932	79,125	172,093	373,151	–	373,151
Segment income*	21,384	8,723	16,506	46,615	–	46,615

*(Note) Total of segment income corresponds to operating income in the Consolidated Statements of Income.

(Note) For the Group's internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

[Supplementary information]

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information by product and service

Information by product and service is not presented because similar information is presented in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
175,463	74,986	53,918	33,899	20,781	7,110	366,160

(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
15,161	11,052	6,205	4,939	9,161	46,520

3. Information by major customer

Information by major customer is not presented because sales to no specific customer account for 10% or more of net sales in the consolidated statement of income.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Information by product and service

Information by product and service is not presented because similar information is presented in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
172,661	68,900	56,182	42,521	24,257	8,627	373,151

(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
15,792	11,484	5,951	6,616	8,561	48,405

3. Information by major customer

Information by major customer is not presented because sales to no specific customer account for 10% or more of net sales in the consolidated statement of income.

[Information on impairment losses of fixed assets by reportable segment]

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

For the Group's internal management, impairment losses of non-current assets are not allocated to reportable segments. Thus, impairment losses by reportable segment are ¥642 million.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

For the Group's internal management, impairment losses of non-current assets are not allocated to reportable segments. Thus, impairment losses by reportable segment are ¥44 million.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Not applicable

[Information on gain from negative goodwill by reportable segment]

Not applicable

(Per share information)

(Yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share	975.04	1,093.98
Net income per share	132.15	120.53
Net income per share (diluted)	131.72	120.18

Notes:

1. The basis for the calculation of net assets per share is as follows.

	As of March 31, 2022	As of March 31, 2023
Total net assets (Millions of yen)	279,959	314,224
Net assets pertaining to shares of common stock (Millions of yen)	277,225	311,286
Major components of the difference (Millions of yen)		
Stock acquisition rights	1,937	1,989
Non-controlling interests	797	948
Number of shares of common stock outstanding (Thousands of shares)	284,452	284,675
Number of treasury stock (Thousands of shares)	129	130
Number of shares of common stock used for calculation of net assets per share (Thousands of shares)	284,323	284,545

2. The basis for the calculation of net income per share and net income per share (diluted) is as follows.

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net income per share		
Net income attributable to owners of parent (Millions of yen)	37,557	34,282
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to owners of parent pertaining to shares of common stock (Millions of yen)	37,557	34,282
Average number of shares of common stock in the fiscal year (Thousands of shares)	284,200	284,420
Net income per share (diluted)		
Adjusted net income attributable to owners of parent (Millions of yen)	—	—
Major components of the increase in the number of shares of common stock used for calculation of net income per share (diluted) (Thousands of shares)		
Stock acquisition rights	935	841
Increase in the number of shares of common stock (Thousands of shares)	935	841
Summary of residual shares not included in calculation of net income per share (diluted) because of no dilutive effect	Stock acquisition rights by resolution of the Board of Directors on November 18, 2021 Number of stock acquisition rights: 997 (Number of common shares: 99,700)	—

(Significant subsequent events)

We are pleased to inform you that at the meeting of the Board of Directors held on April 27, 2023, in accordance with the provisions of Article 156 of the Companies Act, applied pursuant to Article 165, Paragraph 3 of the same Act, the following resolutions were adopted on matters relating to the acquisition of treasury stocks.

1. Reasons for the repurchase of treasury stocks

To maintain our competitive advantage, achieve sustainable growth, and increase shareholder value in the future, we continue to innovate MISUMI's Business MODEL by proactively strengthening our business foundation in IT, logistics, manufacturing, and supply chain.

This means striking a balance between medium- to long-term investments in growth and returns to shareholders.

In terms of dividends, we will pay a dividend payout ratio of 25%, considering the expansion of our management base, the strengthening of our financial position, and improvement of capital efficiency.

With respect to share repurchases, we intend to have the flexibility to repurchase shares depending on our cash reserves, growth investment opportunities, stock market trends and other conditions.

This share repurchase enhances shareholder returns and a flexible capital policy.

2. Type of stock to be repurchased

Ordinary stock of MISUMI Group Inc.

3. Total number of stocks to be purchased

Up to 4,000,000 stocks (approximately 1.41% of total outstanding stocks excluding treasury stocks)

4. Total purchase price

Up to ¥10,000 million

5. Acquisition period

From May 1, 2023 to July 31, 2023

6. Acquisition method

Market acquisition through a discretionary transaction method on the Tokyo Stock Exchange

(Reference) Stock information as of March 31, 2023

Total number of stocks issued (excluding treasury stocks): 284,545,327

Number of treasury stocks: 130,070