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Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 [Japanese GAAP]



May 10, 2018

Company name: MISUMI Group Inc. Stock exchange listing: Tokyo Stock Exchange
 Ticker Code: 9962 URL: <http://www.misumi.co.jp>
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 Scheduled date of Annual General Meeting of Shareholders: June 14, 2018
 Scheduled date of dividend payments: June 20, 2018
 Scheduled date of filing securities report: June 22, 2018
 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, 2018 (April 1, 2017 to March 31, 2018)

(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, 2018	312,969	20.8	34,848	28.5	34,679	31.0	25,601	39.2
March 31, 2017	259,015	7.9	27,127	5.6	26,462	5.3	18,387	8.8

(Note) Comprehensive income: Fiscal year ended March 31, 2018: ¥26,106 million 61.7%
 Fiscal year ended March 31, 2017: ¥16,141 million 27.0%

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2018	91.01	89.79	15.1	15.2	11.1
March 31, 2017	66.94	64.70	12.4	13.0	10.5

(Reference) Equity in earnings of associates: Fiscal year ended March 31, 2018: ¥54 million
 Fiscal year ended March 31, 2017: ¥52 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2018	243,685	186,719	76.0	653.71
March 31, 2017	212,041	155,658	72.9	560.79

(Reference) Shareholders' equity: As of March 31, 2018: ¥185,203 million
 As of March 31, 2017: ¥154,530 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, 2018	24,324	(14,887)	(5,725)	51,713
March 31, 2017	19,508	(6,056)	(4,008)	47,840

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, 2017	Yen —	Yen 7.61	Yen —	Yen 9.10	Yen 16.71
Fiscal year ended March 31, 2018	—	11.52	—	11.08	22.60
Fiscal year ending March 31, 2019 (Forecast)	—	12.53	—	12.62	25.15

	Amount of dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	Million yen	%	%
Fiscal year ended March 31, 2017	4,597	25.0	3.1
Fiscal year ended March 31, 2018	6,400	25.0	3.4
Fiscal year ending March 31, 2019 (Forecast)		25.0	

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		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter-end (Cumulative)	170,000	11.5	19,800	4.7	19,700	5.8	14,200	8.9	50.12
Full year	361,000	15.3	39,700	13.9	39,500	13.9	28,500	11.3	100.60

* 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: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (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, 2018 : 283,439,597 shares
 - As of March 31, 2017 : 275,689,140 shares
 - 2) Total number of treasury stock at the end of the fiscal year:
 - As of March 31, 2018 : 129,536 shares
 - As of March 31, 2017 : 129,178 shares
 - 3) Weighted average number of shares outstanding during the fiscal year:
 - Fiscal year ended March 31, 2018 : 281,293,892 shares
 - Fiscal year ended March 31, 2017 : 274,691,800 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2018	23,986	42.2	6,254	33.4	6,648	30.6	6,422	26.5
March 31, 2017	16,869	24.6	4,689	42.9	5,091	37.1	5,075	40.3

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2018	22.83	22.31
March 31, 2017	18.48	17.78

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2018	77,477	65,358	83.1	227.21
March 31, 2017	85,943	53,956	62.0	193.36

(Reference) Shareholders' equity: As of March 31, 2018: ¥64,371 million

As of March 31, 2017: ¥53,281 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 the fiscal year 2017, gradual recovery continued with major economies around the world, including Japan. In the United States, notwithstanding the impact of trade issues remaining uncertain, economic recovery trend continued with rise in employment rates and corporate capital investments. In China as a whole, steady economic movement continued. In other parts of Asia and in Europe, economic recovery continued to be moderate. Meanwhile, in Japan there were indications that consumer spending and capital investments continued to grow steadily with improvements to corporate earnings and employment rates.

Amid this economic environment, the MISUMI Group is leveraging its unique business model, which encompasses both manufacturing and distribution operations, to expand its business foundation globally contributing to the manufacturing industry worldwide by eliminating customer inefficiency, while simultaneously accelerating business expansion. In an effort to address a new wave of manufacturing that positions IT at its core, we improved our competitive strength by continuing to implement Internet strategies. Efforts were made to strengthen our global reliable and quick delivery business model by promoting local production, local procurement for optimal procurement as well as expanding logistics sites in Japan and overseas.

Performance at our business segments primarily benefited from the aforementioned strengthening of our business infrastructure and platforms. In the Factory Automation (FA) business and Die Components business, sales rose on brisk demand in the automotive industry and electronics industry. In the VONA business, domestic growth was strong reflecting an increase in product lineup, coupled with a growth in overseas sales owing to expansion overseas. Accordingly, our consolidated net sales increased year-on-year.

Reflecting this performance, consolidated net sales was ¥312,969 million, (20.8% increase year-on-year). In the profit front, we recorded an operating income of ¥34,848 million, (28.5% increase year-on-year), and ordinary income of ¥34,679 million, (31.0% increase year-on-year). Meanwhile, net income attributable to owners of parent reached ¥25,601 million, (39.2% increase year-on-year). Both net sales and profits continued to surpass past records for 7 consecutive years.

(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) Businesses	84,669	105,184	24.2	14,417	20,171	39.9
Die Components Businesses	69,797	76,523	9.6	3,097	5,869	89.5
VONA Business	104,548	131,262	25.6	9,950	9,010	(9.4)
Adjustments	—	—	—	(338)	(203)	(40.0)
Total	259,015	312,969	20.8	27,127	34,848	28.5

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, and proactively captured the brisk demand for automation products in the automotive and electronics related industries. Accordingly, sales grew in Japan, China and other parts of Asia contributing to net sales of ¥105,184 million (24.2% increase year-on-year). Operating income was ¥20,171 million (39.9% increase year-on-year).

② Die Components

In the Die components business, sales promotion activities aimed at our principal customers in the automotive related sector, and sales expansion in China and other parts of Asia, contributed to net sales of ¥76,523 million (9.6% increase year-on-year) and operating income was ¥5,869 million (89.5% increase year-on-year).

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 year. Items handled reached 24.2 million globally as at the end of FY2017. These aforementioned efforts coupled with carrying out proactive sales expansion initiatives resulted in net sales of ¥131,262 million (25.6% increase year-on-year). Meanwhile, mainly due to increases related to overseas business expansion expenses, operating income was ¥9,010 million (9.4% decrease year-on-year).

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

(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 ¥243,685 million, up ¥31,643 million (14.9%) compared to the previous year-end. Current assets were ¥183,083 million, up ¥22,801 million (14.2%). This increase was mainly attributable to an increase of ¥2,323 million (3.7%) in cash and deposits, an increase of ¥9,969 million (17.2%) in notes and accounts receivable - trade, an increase of ¥7,759 million (30.5%) in merchandise and finished goods. Non-current assets were ¥60,601 million, up ¥8,841 million (17.1%). Property, plant and equipment were ¥29,714 million, up ¥1,839 million (6.6%). Intangible assets increased ¥5,575 million (29.3%) to ¥24,587 million. Investments and other assets increased ¥1,426 million (29.3%) to ¥6,300 million.

2) Liabilities

Total liabilities were ¥56,965 million, up ¥582 million (1.0%) compared to the previous year-end. Current liabilities were ¥49,687 million, up ¥12,440 million (33.4%). This increase was mainly attributable to an increase of ¥4,968 million (55.0%) in accounts payable - other, and an increase of ¥2,550 million (15.0%) in notes and accounts payable - trade. Long-term liabilities were ¥7,278 million, down ¥11,857 million (62.0%) due mainly to conversion of convertible bonds.

As a result, the current ratio was 3.7 times, and the Company maintained high stability.

3) Net assets

Total net assets were ¥186,719 million, up ¥31,061 million (20.0%) compared to the previous year-end. This was mainly because shareholders' equity increased ¥30,269 million (19.7%) mainly due to an increase of ¥19,832 million (15.5%) in retained earnings, and accumulated other comprehensive income including foreign currency translation adjustments increased ¥402 million (50.0%).

As a result, the equity ratio was 76.0%, compared to 72.9% marked at the end of the previous year.

(3) Overview of Cash Flows for the Fiscal Year

• Cash flows

At the end of the fiscal year, cash and cash equivalents amounted to ¥51,713 million, a decrease of ¥3,872 million compared to the previous year-end.

1) Cash flows from operating activities

Cash inflows from operating activities were ¥24,324 million, an increase of ¥4,815 million compared to the previous year.

The breakdown of cash flows from operating activities is as follows. Income before income taxes was ¥34,516 million. Depreciation and amortization was ¥7,187 million. Amortization of goodwill was ¥1,000 million. An increase in provision of bonuses was ¥1,248 million. An increase in notes and accounts receivable - trade was ¥7,638 million. An increase in inventories was ¥8,153 million. An increase in notes and accounts payable - trade was ¥2,333 million. Income taxes paid were ¥8,667 million.

2) Cash flows from investing activities

Cash outflows from investing activities were ¥14,887 million, an increase of ¥8,830 million compared to the previous year. The breakdown of cash flows from investing activities is as follows. The purchase of fixed assets was ¥15,421 million. Payments into time deposits were ¥25,168 million. Refund from time deposits was ¥26,604 million.

3) Cash flows from financing activities

Cash outflows from financing activities were ¥5,725 million, a decrease of ¥1,716 million compared to the previous year. The main item of cash flows from financing activities was dividends paid of ¥5,768 million.

(Reference) Trend of cash flow indicators

	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2016	Fiscal year ended March 2017	Fiscal year ended March 2018
Equity ratio (%)	71.1	71.5	72.8	72.9	76.0
Equity ratio (market value basis) (%)	159.4	239.8	227.7	261.5	339.6
Interest-bearing debt to cash flow ratio (%)	72.3	106.3	67.4	53.3	0.4
Interest coverage ratio (times)	1,691.2	1,470.3	5,179.8	4,972.6	22,306.7

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 bonds with subscription rights to shares. Interest expenses are interest expenses paid stated in the consolidated statements of cash flows.

(4) Future Outlook

Amid this market environment, the MISUMI Group plans to move forward the expansion of its product lineup and the strengthening of its cost competitiveness. In addition, we also look to reinforce our global reliable and quick delivery system and further expand our business operations in the global market to increase our market share. Reflecting these strategies, in the fiscal year ending March 31, 2019, MISUMI Group expects net sales of ¥361.0 billion, operating income of ¥39.7 billion and net income attributable to owners of parent was ¥28.5 billion. (Forex assumptions: ¥105/USD, ¥129/EUR, ¥16.6/RMB)

[Considerations related to estimated earnings]

The outlook for the year ending March 2019 and the future posted in this document has been prepared on the basis of information that is available at the current point in time, such as the domestic and foreign economic climate, changes in the exchange rates of various currencies, and other factors that may affect business performance, that has been determined as logical by MISUMI Group Inc., but include risks and uncertainties. Therefore, please refrain from making investment decisions solely on the basis of such outlook. The actual business performance may differ greatly from this outlook based on various factors. Such factors include the economic climate, market trends and exchange rates that affect MISUMI Group Inc.

(5) Significant Events Concerning Going Concern Assumption

Not applicable

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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	63,179	65,502
Notes and accounts receivable - trade	57,847	67,817
Merchandise and finished goods	25,448	33,208
Work in process	2,215	1,771
Raw materials and supplies	5,646	6,301
Deferred tax assets	3,010	3178
Income taxes receivable	780	404
Other	2,454	5,217
Allowance for doubtful accounts	(301)	(319)
Total current assets	160,281	183,083
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,373	18,063
Accumulated depreciation	(7,662)	(8,413)
Buildings and structures, net	9,711	9,649
Machinery, equipment and vehicles	24,662	26,179
Accumulated depreciation	(13,207)	(14,126)
Machinery, equipment and vehicles, net	11,454	12,053
Land	3,712	3,728
Construction in progress	1,240	2,257
Other	6,352	6,014
Accumulated depreciation	(4,596)	(3,989)
Other, net	1,756	2,024
Total property, plant and equipment	27,874	29,714
Intangible assets		
Software	9,568	17,057
Goodwill	1,011	—
Other	8,432	7,529
Total intangible assets	19,012	24,587
Investments and other assets		
Investment securities	6	6
Deferred tax assets	1,924	2,831
Other	3,138	3,649
Allowance for doubtful accounts	(195)	(187)
Total investments and other assets	4,873	6,300
Total non-current assets	51,759	60,601
Total assets	212,041	243,685

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,974	19,524
Current portion of convertible bonds	—	106
Accounts payable - other	9,033	14,001
Income taxes payable	3,332	4,494
Provision for bonuses	2,286	3,525
Provision for directors' bonuses	242	261
Other	5,378	7,772
Total current liabilities	37,246	49,687
Long-term liabilities		
Convertible bonds	10,388	—
Deferred tax liabilities	2,663	1,699
Liability for retirement benefits	4,509	4,878
Other	1,573	700
Total long-term liabilities	19,135	7,278
Total liabilities	56,382	56,965
Net assets		
Shareholders' equity		
Common stock	7,593	12,812
Capital surplus	17,982	23,201
Retained earnings	128,226	148,059
Treasury stock	(76)	(77)
Total shareholders' equity	153,724	183,994
Accumulated other comprehensive income		
Foreign currency translation adjustments	863	1,291
Defined retirement benefit plans	(57)	(83)
Total accumulated other comprehensive income	805	1,208
Stock acquisition rights	675	986
Non-controlling interests	453	529
Total net assets	155,658	186,719
Total liabilities and net assets	212,041	243,685

(2) Consolidated Statement of Income and Comprehensive Income

Consolidated Statement of Income

For the Fiscal Year Ended March 31, 2018 and 2017

(Millions of yen)

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Net sales	259,015	312,969
Cost of sales	151,564	178,917
Gross profit	107,451	134,051
Selling, general and administrative expenses	80,323	99,202
Operating income	27,127	34,848
Non-operating income		
Interest income	192	201
Share of profit of entities accounted for using equity method	52	54
Insurance premiums refunded cancellation	—	72
Subsidy income	49	80
Miscellaneous income	217	269
Total non-operating income	511	677
Non-operating expenses		
Interest expenses	4	1
Sales discounts	69	83
Foreign exchange losses	909	644
Contribution for establishing an educational institute	100	—
Miscellaneous loss	93	118
Total non-operating expenses	1,176	847
Ordinary income	26,462	34,679
Extraordinary income		
Gain on liquidation of subsidiaries and associates	—	98
Total extraordinary income	—	98
Extraordinary losses		
Loss on business restructuring	391	—
Impairment loss	—	261
Total extraordinary losses	391	261
Income before income taxes	26,071	34,516
Income taxes - current	8,601	10,663
Income taxes - deferred	(888)	(1,825)
Total income taxes	7,713	8,837
Net income	18,357	25,679
Net income (loss) attributable to non-controlling interests	(29)	77
Net income attributable to owners of parent	18,387	25,601

Consolidated Statement of Comprehensive Income
For the Fiscal Year Ended March 31, 2018 and 2017

(Millions of yen)

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Net income	18,357	25,679
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	6	—
Foreign currency translation adjustments	(2,225)	445
Defined retirement benefit plans	14	(25)
Share of other comprehensive income (loss) in associates	(11)	7
Total other comprehensive income	(2,216)	427
Comprehensive income	16,141	26,106
Comprehensive income attributable to		
Owners of parent	16,206	26,004
Non-controlling interests	(64)	102

(3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	6,996	17,385	114,169	(76)	138,475
Changes of items during fiscal year					
Issuance of new shares	596	596	—	—	1,193
Dividends of surplus	—	—	(4,299)	—	(4,299)
Net income attributable to owners of parent	—	—	18,387	—	18,387
Effect resulting from change of accounting period of certain consolidated subsidiaries	—	—	(30)	—	(30)
Purchase of treasury stock	—	—	—	(0)	(0)
Disposal of treasury stock	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during fiscal year	596	596	14,056	(0)	15,249
Balance at end of fiscal year	7,593	17,982	128,226	(76)	153,724

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	(6)	3,065	(72)	2,986	342	527	142,333
Changes of items during fiscal year							
Issuance of new shares	—	—	—	—	—	—	1,193
Dividends of surplus	—	—	—	—	—	—	(4,299)
Net income attributable to owners of parent	—	—	—	—	—	—	18,387
Effect resulting from change of accounting period of certain consolidated subsidiaries	—	—	—	—	—	—	(30)
Purchase of treasury stock	—	—	—	—	—	—	(0)
Disposal of treasury stock	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	6	(2,201)	14	(2,181)	332	(74)	(1,923)
Total changes of items during fiscal year	6	(2,201)	14	(2,181)	332	(74)	13,325
Balance at end of fiscal year	—	863	(57)	805	675	453	155,658

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	7,593	17,982	128,226	(76)	153,724
Changes of items during fiscal year					
Issuance of new shares	5,218	5,218	—	—	10,437
Dividends of surplus	—	—	(5,768)	—	(5,768)
Net income attributable to owners of parent	—	—	25,601	—	25,601
Purchase of treasury stock	—	—	—	(1)	(1)
Disposal of treasury stock	—	0	—	0	0
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during fiscal year	5,218	5,218	19,832	(1)	30,269
Balance at end of fiscal year	12,812	23,201	148,059	(77)	183,994

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	863	(57)	805	675	453	155,658
Changes of items during fiscal year						
Issuance of new shares	—	—	—	—	—	10,437
Dividends of surplus	—	—	—	—	—	(5,768)
Net income attributable to owners of parent	—	—	—	—	—	25,601
Purchase of treasury stock	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	—	—	—	0
Net changes of items other than shareholders' equity	428	(25)	402	311	76	791
Total changes of items during fiscal year	428	(25)	402	311	76	31,061
Balance at end of fiscal year	1,291	(83)	1,208	986	529	186,719

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Cash flows from operating activities		
Income before income taxes	26,071	34,516
Depreciation and amortization	5,901	7,187
Impairment loss	—	261
Amortization of goodwill	1,707	1,000
Increase (decrease) in liability for retirement benefits	538	337
Increase (decrease) in provision for bonuses	(170)	1,248
Increase (decrease) in provision for directors' bonuses	(67)	19
Increase (decrease) in allowance for doubtful accounts	100	8
Interest and dividend income	(192)	(201)
Interest expenses	4	1
Share-based compensation expenses	395	525
Foreign exchange losses (gains)	633	(861)
Share of (profit) loss of entities accounted for using equity method	(52)	(54)
(Gain) loss on liquidation of subsidiaries and associates	—	(98)
Loss on business restructuring	391	—
(Increase) decrease in notes and accounts receivable - trade	(8,785)	(7,638)
(Increase) decrease in inventories	(4,453)	(8,153)
Increase (decrease) in accounts payable - other	2,092	2,790
(Increase) decrease in consumption taxes refund receivable	307	96
Increase (decrease) in notes and accounts payable - trade	2,851	2,333
(Increase) decrease in other assets	(151)	(1,453)
Increase (decrease) in other liabilities	898	772
Subtotal	28,020	32,637
Interest and dividend income received	233	258
Interest expenses paid	(3)	(1)
Income taxes refund	713	96
Income taxes paid	(9,454)	(8,667)
Net cash provided by operating activities	19,508	24,324
Cash flows from investing activities		
Purchase of fixed assets	(7,219)	(15,421)
Proceeds from sales of fixed assets	4	40
Payments into time deposits	(31,743)	(25,168)
Refund from time deposits	30,285	26,604
Payments for lease and guarantee deposits	(608)	(959)
Proceeds from collection of lease and guarantee deposits	316	399
Other, net	2,907	(382)
Net cash used in investing activities	(6,056)	(14,887)
Cash flows from financing activities		
Proceeds from issuance of stock	291	54
Dividends paid	(4,299)	(5,768)
Other, net	(0)	(10)
Net cash used in financing activities	(4,008)	(5,725)
Effect of exchange rate change on cash and cash equivalents	(25)	161
Net increase (decrease) in cash and cash equivalents	9,417	(3,872)
Cash and cash equivalents at beginning of fiscal year	39,204	47,840
Net increase (decrease) in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(781)	—
Cash and cash equivalents at end of fiscal year	47,840	51,713

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Basis of presentation of consolidated financial statements)

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 47

Names of major consolidated subsidiaries

- MISUMI Corporation
- SURUGA Production Platform Co., Ltd.

(New) 2 companies added to the scope of consolidation due to their formation during the current fiscal year

- MISUMI Mexico S. de R.L. de C.V.
- MISUMI Mexico Service S. de R.L. de C.V.

(Exclusion) 1 company eliminated from the scope of consolidation due to completion of liquidation during the current fiscal year

- SHANGHAI JOMBO PRECISION MACHINERY CO., LTD.

(2) Number of non-consolidated subsidiaries and names of major non-consolidated subsidiaries

Number of non-consolidated subsidiaries: 1

- WUXI PARTS SEIKO PRECISION IND CO., LTD.

Reason for exclusion from consolidation

The above non-consolidated subsidiary was excluded from the scope of consolidation because its impact on indicators such as total assets, net sales, net income or loss, and retained earnings is immaterial, and it has no significance as a whole.

(Changes in accounting policies)

Not applicable

(Changes in presentation)

Not applicable

(Changes in accounting estimates)

Not applicable

(Additional information)

(Adoption of consolidated taxation system)

During the fiscal year, the Company and certain consolidated subsidiaries in Japan have adopted the consolidated taxation system.

(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 has operational headquarters for each product or service in MISUMI Corporation. Each operational headquarters plans overall strategies for both domestic and overseas markets and conducts business related to its own products or services. Accordingly, the Group comprises segments by product or service based on the operational headquarters, and there are 3 reportable 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 or MRO (consumables) as well as production equipment.

2. Method of computing net sales and segment income by reportable segment

Accounting treatment applied for reportable business segments is largely 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 and segment income by reportable segment

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	84,669	69,797	104,548	259,015	–	259,015
Internal sales to other segments	–	–	–	–	–	–
Total	84,669	69,797	104,548	259,015	–	259,015
Segment income	14,417	3,097	9,950	27,465	(338)	27,127
Segment income before amortization of goodwill*	14,417	5,391	9,950	29,759	(338)	29,421

*(Note)

Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment 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, 2018 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	105,184	76,523	131,262	312,969	–	312,969
Internal sales to other segments	–	–	–	–	–	–
Total	105,184	76,523	131,262	312,969	–	312,969
Segment income	20,171	5,869	9,010	35,051	(203)	34,848
Segment income before amortization of goodwill*	20,171	7,486	9,010	36,668	(203)	36,465

*(Note)

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

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

(Millions of yen)

Income	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Total of reportable segment	27,465	35,051
Other	(338)	(203)
Operating income in consolidated statement of income	27,127	34,848

[Supplementary information]

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

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
140,301	43,401	32,637	25,794	12,588	4,291	259,015

(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
10,423	6,961	5,866	3,182	1,439	27,874

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, 2018 (from April 1, 2017 to March 31, 2018)

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
166,440	56,872	42,315	26,985	15,489	4,865	312,969

(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
11,261	7,482	6,253	2,605	2,111	29,714

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, 2018 (from April 1, 2017 to March 31, 2018)

For the Group's internal management, impairment losses of fixed assets are not allocated to reportable segments. Thus, impairment losses by reportable segment are ¥261 million.

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

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segment	Total
	Die Components Business	
Amortization for the fiscal year ended March 31, 2017	1,707	1,707
Balance as of March 31, 2017	1,011	1,011

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable Segment	Total
	Die Components Business	
Amortization for the fiscal year ended March 31, 2018	1,000	1,000
Balance as of March 31, 2018	—	—

[Information on gain from negative goodwill by reportable segment]

Not applicable

(Per share information)

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Net assets per share	¥560.79	¥653.71
Basic earnings per share	¥66.94	¥91.01
Diluted earnings per share	¥64.70	¥89.76

Notes:

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

	As of March 31, 2017	As of March 31, 2018
Total net assets (Millions of yen)	155,658	186,719
Net assets pertaining to shares of common stock (Millions of yen)	154,530	185,203
Major components of the difference (Millions of yen)		
Stock acquisition rights	675	986
Non-controlling interests	453	529
Number of shares of common stock outstanding (Thousands of shares)	275,689	283,439
Number of treasury stock (Thousands of shares)	129	129
Number of shares of common stock used for calculation of net assets per share (Thousands of shares)	275,559	283,310

2. The basis for the calculation of basic earnings per share and diluted basic earnings per share is as follows.

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Basic earnings per share		
Basic earnings attributable to owners of parent (Millions of yen)	18,387	25,601
Amount not attributable to common shareholders (Millions of yen)	—	—
Basic earnings attributable to owners of parent pertaining to shares of common stock (Millions of yen)	18,387	25,601
Average number of shares of common stock in the fiscal year (Thousands of shares)	274,691	281,293
Diluted basic earnings per share		
Adjusted basic earnings attributable to owners of parent (Millions of yen)	(31)	(78)
Major components of the increase in the number of shares of common stock used for calculation of diluted basic earnings per share (Thousands of shares)		
Stock acquisition rights	870	967
Convertible bonds	8,156	2,082
Increase in the number of shares of common stock (Thousands of shares)	9,026	3,050
Summary of residual shares not included in calculation of diluted basic earnings per share because of no dilutive effect	—	—

(Significant subsequent events)

Not applicable