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Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [Japanese GAAP]



May 9, 2019

Company name: MISUMI Group Inc. Stock exchange listing: Tokyo Stock Exchange
 Securities Code: 9962 URL: <https://www.misumi.co.jp>
 Representative: Ryusei Ono, Representative Director, President and CEO
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 Scheduled date of Annual General Meeting of Shareholders: June 13, 2019
 Scheduled date of dividend payments: June 19, 2019
 Scheduled date of filing securities report: June 21, 2019
 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, 2019 (April 1, 2018 to March 31, 2019)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|----------------------------------|-------------|------|------------------|-------|-----------------|-------|---|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended March 31, 2019 | 331,936 | 6.1 | 31,874 | (8.5) | 31,815 | (8.3) | 24,034 | (6.1) |
| March 31, 2018 | 312,969 | 20.8 | 34,848 | 28.5 | 34,679 | 31.0 | 25,601 | 39.2 |

(Note) Comprehensive income: Fiscal year ended March 31, 2019: ¥23,988 million (8.1%)
 Fiscal year ended March 31, 2018: ¥26,106 million 61.7%

| | Earnings per share attributable to owners of the parent (basic) | Earnings per share attributable to owners of the parent (diluted) | Return on equity | Ordinary income to total assets | Operating income to net sales |
|-------------------|---|---|------------------|---------------------------------|-------------------------------|
| Fiscal year ended | Yen | Yen | % | % | % |
| March 31, 2019 | 84.80 | 84.48 | 12.4 | 12.8 | 9.6 |
| March 31, 2018 | 91.01 | 89.76 | 15.1 | 15.2 | 11.1 |

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

Fiscal year ended March 31, 2019: ¥60 million

Fiscal year ended March 31, 2018: ¥54 million

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2019 | 252,393 | 205,424 | 80.6 | 717.56 |
| As of March 31, 2018 | 243,492 | 186,719 | 76.1 | 653.71 |

(Reference) Shareholders' equity: As of March 31, 2019: ¥203,520 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.

(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, 2019 | 13,048 | (16,955) | (5,991) | 41,753 |
| March 31, 2018 | 24,324 | (14,887) | (5,725) | 51,713 |

2. Cash Dividends

| | Cash dividends per share for the fiscal year (yen) | | | | |
|--|--|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2018 | — | 11.52 | — | 11.08 | 22.60 |
| Fiscal year ended March 31, 2019 | — | 10.21 | — | 10.99 | 21.20 |
| Fiscal year ending March 31, 2020 (Forecast) | — | 9.61 | — | 13.23 | 22.84 |

| | Amount of dividends (Total) | Dividend payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|--|-----------------------------|--------------------------------------|---|
| | Million yen | % | % |
| Fiscal year ended March 31, 2018 | 6,400 | 25.0 | 3.4 |
| Fiscal year ended March 31, 2019 | 6,010 | 25.0 | 3.1 |
| Fiscal year ending March 31, 2020 (Forecast) | | 25.0 | |

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

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | | Basic earnings per share |
|---------------------------------|-------------|-----|------------------|-------|-----------------|-------|---|-------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Second quarter-end (Cumulative) | 168,100 | 0.9 | 14,800 | (6.9) | 14,700 | (8.0) | 10,900 | (5.8) | 38.43 |
| Full year | 355,000 | 6.9 | 35,400 | 11.1 | 35,200 | 10.6 | 25,900 | 7.8 | 91.32 |

* 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: Yes
 - 4) Retrospective restatement: None

(Note) Please see the page 13 “3. Consolidated Financial Statements and Primary Notes (5) Notes to the Consolidated Financial Statements (Changes in presentation)” for details.

(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, 2019 : 283,756,497 shares

As of March 31, 2018 : 283,439,597 shares

2) Total number of treasury stock at the end of the fiscal year:

As of March 31, 2019 : 129,626 shares

As of March 31, 2018 : 129,536 shares

3) Weighted average number of shares outstanding during the fiscal year:

Fiscal year ended March 31, 2019 : 283,426,313 shares

Fiscal year ended March 31, 2018 : 281,293,892 shares

(Reference) Overview of Non-consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

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

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|-------------------|-------------|------|------------------|--------|-----------------|--------|-------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended | | | | | | | | |
| March 31, 2019 | 26,248 | 9.4 | 4,542 | (27.4) | 4,653 | (30.0) | 4,379 | (31.8) |
| March 31, 2018 | 23,986 | 42.2 | 6,254 | 33.4 | 6,648 | 30.6 | 6,422 | 26.5 |

| | Basic earnings per share | | Diluted earnings per share | |
|-------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Fiscal year ended | | | | |
| March 31, 2019 | 15.45 | | 15.39 | |
| March 31, 2018 | 22.83 | | 22.31 | |

(2) Non-consolidated Financial Position

| | Total assets | | Net assets | | Equity ratio | | Net assets per share | |
|----------------------|--------------|--|-------------|--|--------------|--|----------------------|--|
| | Million yen | | Million yen | | % | | Yen | |
| As of March 31, 2019 | 70,070 | | 64,472 | | 90.1 | | 222.62 | |
| As of March 31, 2018 | 77,477 | | 65,358 | | 83.1 | | 227.21 | |

(Reference) Shareholders' equity: As of March 31, 2019: ¥63,140 million

As of March 31, 2018: ¥64,371 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 5 of the attached document.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year

The global economy trended towards deceleration during FY 2018. Sales of smartphones and automobiles were sluggish, in addition, appetite for capital investment in manufacturing industry waned due to prolonged US-China trade conflict. Business conditions were particularly weak in the second half, decelerating month after month. Also, in Japan, business climate similarly slowed down in response to deceleration of overseas demand and capital investments, which impacted 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. During this fiscal year, continued innovations of our business model were pursued to better adapt to the world's evolving "digital manufacturing". To further strengthen competitiveness, EC websites were revamped and optimized to meet local needs of respective countries and 3D CAD incorporated services were further enhanced. Also, while being cautious about some investments in response to declining demand, 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.

Advancements to our business model offers high convenience to our customers, which led to customer number growth amid decelerating business conditions in the manufacturing industry. Along with accelerated global expansion of the VONA business, consolidated net sales exceeded on a year-on-year basis despite being slightly off projection.

Consequently, consolidated net sales was ¥331,936 million, (6.1% increase year-on-year), highest result for the 8th consecutive year. In terms of profit, thorough expense management was carried out in light of recent demand slowdown, while continued investments were deployed to accelerate further growth. Subsequently, operating income was ¥31,874 million, (8.5% decrease year-on-year), and ordinary income was ¥31,815 million, (8.3% decrease year-on-year). Net income attributable to owners of parent was ¥24,034 million (6.1% 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 | 105,184 | 109,230 | 3.8 | 20,171 | 18,835 | (6.6) |
| Die Components Business | 76,523 | 76,443 | (0.1) | 5,869 | 6,109 | 4.1 |
| VONA Business | 131,262 | 146,262 | 11.4 | 9,010 | 6,929 | (23.1) |
| Adjustments | — | — | — | (203) | — | (100.0) |
| Total | 312,969 | 331,936 | 6.1 | 34,848 | 31,874 | (8.5) |

① Factory Automation (FA) Business

In the FA business, although being impacted by slowdown in capital investment demand namely in China and South Korea, global needs for reliable and quick delivery of FA components expanded further, steadily permeating MISUMI's business model; incorporating demand for automation products in South East Asia and Europe. Accordingly, net sales was ¥109,230 million (3.8% increase year-on-year). Operating income was ¥18,835 million (6.6% decrease year-on-year) as a result of increased expenses incurred to further strengthen the business foundation.

② Die Components Business

Despite favorable sales activities in South East Asia, sales in the Die components business was ¥76,443 million (0.1% decrease year-on-year) due to lower demand in the automotive industry within principal countries. Operating income was ¥6,109 million (4.1% increase year-on-year) due to decrease in amortization expenses of goodwill.

② VONA Business

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 manufacturers' products. Enhanced product lineup continued to support business growth this term. Items handled reached 26.7 million globally as at the end of FY2018. These efforts coupled with carrying out proactive sales expansion initiatives resulted in net sales of ¥146,262 million (11.4% increase year-on-year). Meanwhile, operating income was ¥6,929 million (23.1% 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) Overview of Financial Position for the Fiscal Year

• Assets, liabilities and net assets

1) Assets

Total assets as of the end of fiscal year was ¥252,393 million, increase of ¥8,901 million (3.7%) compared to the previous year-end. Current assets was ¥175,620 million, decrease of ¥4,283 million (2.4%). This decrease was mainly attributable to a decrease of ¥14,818 million (22.6%) in cash and deposits, a decrease of ¥564 million (0.8%) in notes and accounts receivable - trade, and an increase of ¥9,587 million (28.9%) in merchandise and finished goods. Non-current assets was ¥76,772 million, increase of ¥13,185 million (20.7%). Property, plant and equipment was ¥37,637 million, increase of ¥7,922 million (26.7%). Intangible assets increased ¥5,074 million (20.6%) to ¥29,661 million. Investments and other assets increased ¥188 million (2.0%) to ¥9,474 million.

2) Liabilities

Total liabilities was ¥46,968 million, decrease of ¥9,803 million (17.3%) compared to the previous year-end. Current liabilities was ¥39,520 million, decrease of ¥10,164 million (20.5%). This decrease was mainly attributable to a decrease of ¥3,851 million (27.5%) in accounts payable - other, a decrease of ¥1,720 million (38.3%) in income taxes payable, and a decrease of ¥1,305 million (6.7%) in notes and accounts payable - trade. Long-term liabilities was ¥7,448 million, increase of ¥547 million (11.2%) due mainly to liability for retirement benefits.

As a result, the current ratio was 4.4 times, and the company maintained high stability.

3) Net assets

Total net assets was ¥205,424 million, increase of ¥18,704 million (10.0%) compared to the previous year-end. This was mainly because shareholders' equity increased ¥18,390 million (10.0%) mainly due to an increase of ¥18,001 million (12.2%) in retained earnings, although accumulated other comprehensive income including foreign currency translation adjustments decreased ¥73 million (6.0%).

As a result, the equity ratio was 80.6%, compared to 76.1% 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 was made with figures adjusted retroactively.

(3) Overview of Cash Flows for the Fiscal Year

• Cash flows

At the end of the fiscal year, cash and cash equivalents amounted to ¥41,753 million, a decrease of ¥9,959 million compared to the previous year-end.

1) Cash flows from operating activities

Cash inflows from operating activities was ¥13,048 million, a decrease of ¥11,276 million compared to the previous year.

The breakdown of cash flows from operating activities is as follows. Income before income taxes was ¥31,815 million. Depreciation and amortization was ¥8,840 million. An increase in notes and accounts receivable - trade was ¥1,529 million. An increase in inventories was ¥10,345 million. A decrease in notes and accounts payable - trade was ¥1,699 million. A decrease in accounts payable - other was ¥3,633 million. Income taxes paid was ¥9,383 million.

2) Cash flows from investing activities

Cash outflows from investing activities was ¥16,955 million, an increase of ¥2,067 million compared to the previous year. The breakdown of cash flows from investing activities is as follows. The purchase of fixed assets was ¥21,414 million. Payments into time deposits was ¥27,940 million. Refund from time deposits was ¥32,920 million. Payments for lease and guarantee deposits was ¥1,051 million.

3) Cash flows from financing activities

Cash outflows from financing activities was ¥5,991 million, an increase of ¥266 million compared to the previous year. The main item of cash flows from financing activities was dividends pay-out of ¥6,032 million.

(Reference) Trend of cash flow indicators

| | Fiscal year ended March 2015 | Fiscal year ended March 2016 | Fiscal year ended March 2017 | Fiscal year ended March 2018 | Fiscal year ended March 2019 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Equity ratio (%) | 71.5 | 72.8 | 72.9 | 76.1 | 80.6 |
| Equity ratio (market value basis) (%) | 239.8 | 227.7 | 261.5 | 339.9 | 309.3 |
| Interest-bearing debt to cash flow ratio (%) | 106.3 | 67.4 | 53.3 | 0.4 | — |
| Interest coverage ratio (times) | 1,470.3 | 5,179.8 | 4,972.6 | 21,868.1 | 8,853.9 |

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. Interest expenses are interest expenses paid stated in the consolidated statements of cash flows.

(4) Future Outlook

Global economies including Japan, are concerned with the possibility of further prolongation of US-China trade conflict, and the subsequent continuation of opaque economic conditions in China. Also the impact of uncertainties in overseas economies and fluctuations in financial capital markets and geopolitical risks should be monitored. In the short term, concerns over the economic slowdown are likely to intensify. In the long term however, the evolution of “digital manufacturing” in the manufacturing industry is accelerating globally and the tendency towards automation remains unchanged.

MISUMI Group will continue to make further refinements to the superiority of our global reliable and quick delivery, striving for business model innovation adapted to “digital manufacturing”; further expanding business operations in the global market to increase market share. Reflecting these strategies, in the fiscal year ending March 31, 2020, MISUMI Group expects net sales of ¥ 355.0 billion, operating income of ¥ 35.4 billion, and net income attributable to owners of parent of ¥ 25.9 billion.

(Forex assumptions: ¥108/USD, ¥124/EUR, ¥16.2/RMB)

[Considerations related to estimated earnings]

The outlook for the year ending March 2020 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, 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.

(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, 2018 | As of March 31, 2019 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 65,502 | 50,684 |
| Notes and accounts receivable - trade | 67,817 | 67,252 |
| Merchandise and finished goods | 33,208 | 42,795 |
| Work in process | 1,771 | 2,372 |
| Raw materials and supplies | 6,301 | 6,564 |
| Income taxes receivable | 404 | 463 |
| Other | 5,217 | 5,692 |
| Allowance for doubtful accounts | (319) | (205) |
| Total current assets | 179,904 | 175,620 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 18,063 | 19,843 |
| Accumulated depreciation | (8,413) | (9,283) |
| Buildings and structures, net | 9,649 | 10,560 |
| Machinery, equipment and vehicles | 26,179 | 30,118 |
| Accumulated depreciation | (14,126) | (16,099) |
| Machinery, equipment and vehicles, net | 12,053 | 14,018 |
| Land | 3,728 | 3,758 |
| Construction in progress | 2,257 | 6,926 |
| Other | 6,014 | 6,809 |
| Accumulated depreciation | (3,989) | (4,437) |
| Other, net | 2,024 | 2,371 |
| Total property, plant and equipment | 29,714 | 37,637 |
| Intangible assets | | |
| Software | 17,057 | 22,186 |
| Other | 7,529 | 7,475 |
| Total intangible assets | 24,587 | 29,661 |
| Investments and other assets | | |
| Investment securities | 6 | 6 |
| Deferred tax assets | 5,817 | 5,346 |
| Other | 3,649 | 4,308 |
| Allowance for doubtful accounts | (187) | (186) |
| Total investments and other assets | 9,285 | 9,474 |
| Total non-current assets | 63,587 | 76,772 |
| Total assets | 243,492 | 252,393 |

(Millions of yen)

| | As of March 31, 2018 | As of March 31, 2019 |
|--|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 19,524 | 18,218 |
| Current portion of convertible bonds | 106 | — |
| Accounts payable - other | 14,001 | 10,150 |
| Income taxes payable | 4,494 | 2,774 |
| Provision for bonuses | 3,525 | 2,549 |
| Provision for directors' bonuses | 261 | 35 |
| Other | 7,770 | 5,791 |
| Total current liabilities | 49,684 | 39,520 |
| Long-term liabilities | | |
| Deferred tax liabilities | 1,509 | 1,317 |
| Liability for retirement benefits | 4,878 | 5,425 |
| Other | 700 | 705 |
| Total long-term liabilities | 7,087 | 7,448 |
| Total liabilities | 56,772 | 46,968 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 12,812 | 13,023 |
| Capital surplus | 23,201 | 23,378 |
| Retained earnings | 148,059 | 166,060 |
| Treasury stock | (77) | (78) |
| Total shareholders' equity | 183,994 | 202,384 |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustments | 1,291 | 1,211 |
| Defined retirement benefit plans | (83) | (75) |
| Total accumulated other comprehensive income | 1,208 | 1,135 |
| Stock acquisition rights | 986 | 1,331 |
| Non-controlling interests | 529 | 572 |
| Total net assets | 186,719 | 205,424 |
| Total liabilities and net assets | 243,492 | 252,393 |

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

(Millions of yen)

| | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|---|---|---|
| Net sales | 312,969 | 331,936 |
| Cost of sales | 178,917 | 189,846 |
| Gross profit | 134,051 | 142,090 |
| Selling, general and administrative expenses | 99,202 | 110,215 |
| Operating income | 34,848 | 31,874 |
| Non-operating income | | |
| Interest income | 201 | 276 |
| Share of profit of entities accounted for using equity method | 54 | 60 |
| Insurance premiums refunded cancellation | 72 | — |
| Insurance premiums refunded | — | 143 |
| Subsidy income | 80 | — |
| Miscellaneous income | 269 | 310 |
| Total non-operating income | 677 | 791 |
| Non-operating expenses | | |
| Interest expenses | 1 | 1 |
| Sales discounts | 83 | 87 |
| Foreign exchange losses | 644 | 608 |
| Miscellaneous loss | 118 | 152 |
| Total non-operating expenses | 847 | 850 |
| Ordinary income | 34,679 | 31,815 |
| Extraordinary income | | |
| Gain on liquidation of subsidiaries and associates | 98 | — |
| Total extraordinary income | 98 | — |
| Extraordinary losses | | |
| Impairment loss | 261 | — |
| Total extraordinary losses | 261 | — |
| Income before income taxes | 34,516 | 31,815 |
| Income taxes - current | 10,663 | 7,641 |
| Income taxes - deferred | (1,825) | 75 |
| Income taxes | 8,837 | 7,717 |
| Net income | 25,679 | 24,098 |
| Net income attributable to non-controlling interests | 77 | 64 |
| Net income attributable to owners of parent | 25,601 | 24,034 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|--|---|---|
| Net income | 25,679 | 24,098 |
| Other comprehensive income (loss) | | |
| Foreign currency translation adjustments | 445 | (105) |
| Defined retirement benefit plans | (25) | 7 |
| Share of other comprehensive income (loss) in associates | 7 | (11) |
| Total other comprehensive income | 427 | (109) |
| Comprehensive income | 26,106 | 23,988 |
| Comprehensive income attributable to | | |
| Owners of parent | 26,004 | 23,961 |
| Non-controlling interests | 102 | 27 |

(3) Consolidated Statement of Changes in Equity

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 |
| Changes in scope of consolidation | — | — | — | — | — |
| 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 |
| Changes in scope of consolidation | — | — | — | — | — | — |
| 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 |

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of fiscal year | 12,812 | 23,201 | 148,059 | (77) | 183,994 |
| Changes of items during fiscal year | | | | | |
| Issuance of new shares | 211 | 211 | — | — | 422 |
| Dividends of surplus | — | — | (6,032) | — | (6,032) |
| Net income attributable to owners of parent | — | — | 24,034 | — | 24,034 |
| Changes in scope of consolidation | — | (33) | — | — | (33) |
| 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 | 211 | 177 | 18,001 | (0) | 18,390 |
| Balance at end of fiscal year | 13,023 | 23,378 | 166,060 | (78) | 202,384 |

| | 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 | 1,291 | (83) | 1,208 | 986 | 529 | 186,719 |
| Changes of items during fiscal year | | | | | | |
| Issuance of new shares | — | — | — | — | — | 422 |
| Dividends of surplus | — | — | — | — | — | (6,032) |
| Net income attributable to owners of parent | — | — | — | — | — | 24,034 |
| Changes in scope of consolidation | — | — | — | — | — | (33) |
| Purchase of treasury stock | — | — | — | — | — | (0) |
| Disposal of treasury stock | — | — | — | — | — | — |
| Net changes of items other than shareholders' equity | (80) | 7 | (73) | 344 | 43 | 314 |
| Total changes of items during fiscal year | (80) | 7 | (73) | 344 | 43 | 18,705 |
| Balance at end of fiscal year | 1,211 | (75) | 1,135 | 1,331 | 572 | 205,424 |

(4) Consolidated Statement of Cash Flows

(Millions of yen)

| | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|--|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 34,516 | 31,815 |
| Depreciation and amortization | 7,187 | 8,840 |
| Impairment loss | 261 | — |
| Amortization of goodwill | 1,000 | — |
| Increase (decrease) in liability for retirement benefits | 337 | 556 |
| Increase (decrease) in provision for bonuses | 1,248 | (982) |
| Increase (decrease) in provision for directors' bonuses | 19 | (225) |
| Increase (decrease) in allowance for doubtful accounts | 8 | (111) |
| Interest and dividend income | (201) | (282) |
| Interest expenses | 1 | 1 |
| Share-based compensation expenses | 525 | 626 |
| Foreign exchange (gains) losses | (861) | (14) |
| Share of (profit) loss of entities accounted for using equity method | (54) | (60) |
| (Gain) loss on liquidation of subsidiaries and associates | (98) | — |
| Insurance premiums refunded | — | (143) |
| (Increase) decrease in notes and accounts receivable - trade | (7,638) | (1,529) |
| (Increase) decrease in inventories | (8,153) | (10,345) |
| Increase (decrease) in accounts payable - other | 2,790 | (3,633) |
| (Increase) decrease in consumption taxes refund receivable | 96 | 133 |
| Increase (decrease) in notes and accounts payable - trade | 2,333 | (1,699) |
| (Increase) decrease in other assets | (1,453) | (1,314) |
| Increase (decrease) in other liabilities | 772 | 81 |
| Subtotal | 32,637 | 21,714 |
| Interest and dividend income received | 258 | 383 |
| Interest expenses paid | (1) | (1) |
| Insurance premiums received | — | 143 |
| Income taxes refund | 96 | 191 |
| Income taxes paid | (8,667) | (9,383) |
| Net cash provided by operating activities | 24,324 | 13,048 |
| Cash flows from investing activities | | |
| Purchase of fixed assets | (15,421) | (21,414) |
| Proceeds from sales of fixed assets | 40 | 46 |
| Payments into time deposits | (25,168) | (27,940) |
| Refund from time deposits | 26,604 | 32,920 |
| Payments for lease and guarantee deposits | (959) | (1,051) |
| Proceeds from collection of lease and guarantee deposits | 399 | 415 |
| Other, net | (382) | 69 |
| Net cash used in investing activities | (14,887) | (16,955) |
| Cash flows from financing activities | | |
| Proceeds from issuance of stock | 54 | 50 |
| Dividends paid | (5,768) | (6,032) |
| Other, net | (10) | (10) |
| Net cash used in financing activities | (5,725) | (5,991) |
| Effect of exchange rate change on cash and cash equivalents | 161 | (60) |
| Net increase (decrease) in cash and cash equivalents | 3,872 | (9,959) |
| Cash and cash equivalents at beginning of fiscal year | 47,840 | 51,713 |
| Cash and cash equivalents at end of fiscal year | 51,713 | 41,753 |

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Changes in presentation)

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” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Therefore, consolidated financial position as of March 31, 2018 has been presented as follows. Deferred tax assets amounted to ¥3,178 million of Current assets and deferred tax liabilities amounted to ¥193 million of Long-term liabilities are included in deferred tax assets of Investments and other assets, and deferred tax liabilities of Long-term liabilities are amounted to ¥1,509 million.

(Changes in accounting estimates)

With respect to valuation criteria for inventories, MISUMI Group until now employed consolidated balance sheet price after devaluing 100% of the book value pertaining to products over a certain volume, in stock for a certain length of period, and where prospect of a sale is unlikely.

Now that accumulated data for evaluating the product life cycle has been collected for an ample period, coupled with advancement of inventory management in Japan and overseas, is enabling actual life cycle to be grasped in depth. It was decided to alter the length of period for an inventoried product’s book value reduction. This change reflects more properly the true decline in profitability relating to inventories within the financial position and operating results.

As a result, compared to the previous method, gross profit, operating income, ordinary income and income before income taxes and minority interests for the current consolidated fiscal year increased by ¥1,679 million.

(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), 45 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 or MRO (consumables) as well as production equipment.

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 by reportable segment
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.

For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

| | Reportable Segments | | | | Adjustments | Consolidated |
|----------------------------------|---------------------|-------------------------|---------------|---------|-------------|--------------|
| | FA Business | Die Components Business | VONA Business | Total | | |
| Net sales | | | | | | |
| Sales to customers | 109,230 | 76,443 | 146,262 | 331,936 | – | 331,936 |
| Internal sales to other segments | – | – | – | – | – | – |
| Total | 109,230 | 76,443 | 146,262 | 331,936 | – | 331,936 |
| Segment income | 18,835 | 6,109 | 6,929 | 31,874 | – | 31,874 |

| | | | | | | |
|---|--------|-------|-------|--------|---|--------|
| Segment income before amortization of goodwill* | 18,835 | 6,725 | 6,929 | 32,490 | – | 32,490 |
|---|--------|-------|-------|--------|---|--------|

*(Note)

Amortization of 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, 2018 | For the fiscal year ended March 31, 2019 |
|--|---|---|
| Total of reportable segment | 35,051 | 31,874 |
| Other | (203) | - |
| Operating income in consolidated statement of income | 34,848 | 31,874 |

[Supplementary information]

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.

For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

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 |
|---------|--------|--------|---------|--------|--------|---------|
| 176,127 | 56,837 | 47,849 | 28,236 | 17,255 | 5,630 | 331,936 |

(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 |
|--------|-------|---------|---------|--------|--------|
| 14,367 | 7,889 | 8,440 | 3,263 | 3,675 | 37,637 |

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, 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 | — | — |

For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Not applicable

[Information on gain from negative goodwill by reportable segment]

Not applicable

(Per share information)

(Yen)

| | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|---|---|---|
| Net assets per share | 653.71 | 717.56 |
| Earnings per share attributable to owners of the parent (basic) | 91.01 | 84.80 |
| Earnings per share attributable to owners of the parent (diluted) | 89.76 | 84.48 |

Notes:

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

| | As of March 31, 2018 | As of March 31, 2019 |
|---|----------------------|----------------------|
| Total net assets (Millions of yen) | 186,719 | 205,424 |
| Net assets pertaining to shares of common stock (Millions of yen) | 185,203 | 203,520 |
| Major components of the difference (Millions of yen) | | |
| Stock acquisition rights | 986 | 1,331 |
| Non-controlling interests | 529 | 572 |
| Number of shares of common stock outstanding (Thousands of shares) | 283,439 | 283,756 |
| 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) | 283,310 | 283,626 |

2. The basis for the calculation of earnings per share attributable to owners of the parent (basic) and earnings per share attributable to owners of the parent (diluted) is as follows.

| | For the fiscal year ended March 31, 2018 | For the fiscal year ended March 31, 2019 |
|--|---|---|
| Earnings per share attributable to owners of the parent (basic) | | |
| Basic earnings attributable to owners of parent (Millions of yen) | 25,601 | 24,034 |
| 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) | 25,601 | 24,034 |
| Average number of shares of common stock in the fiscal year (Thousands of shares) | 281,293 | 283,426 |
| Earnings per share attributable to owners of the parent (diluted) | | |
| Adjusted basic earnings attributable to owners of parent (Millions of yen) | (78) | — |
| Major components of the increase in the number of shares of common stock used for calculation of earnings per share attributable to owners of the parent (diluted) (Thousands of shares) | | |
| Stock acquisition rights | 967 | 1,085 |
| Convertible bonds | 2,082 | — |
| Increase in the number of shares of common stock (Thousands of shares) | 3,050 | 1,085 |
| Summary of residual shares not included in calculation of earnings per share attributable to owners of the parent (diluted) because of no dilutive effect | — | — |

(Significant subsequent events)

Not applicable