

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Earnings per share attributable to owners of the parent (basic)
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	300,000	(4.3)	20,900	(11.6)	20,500	(11.8)	14,900	(9.7)	52.48

(Note) Revision of the latest financial results forecasts: None

*** Notes:**

- (1) Changes in significant consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of shares outstanding (common shares)
 - 1) Total number of shares outstanding at the end of the period (including treasury stock):
 - As of December 31, 2020 : 284,071,097 shares
 - As of March 31, 2020 : 284,028,197 shares
 - 2) Total number of treasury stock at the end of the period:
 - As of December 31, 2020 : 129,618 shares
 - As of March 31, 2020 : 129,616 shares
 - 3) Weighted average number of shares outstanding during the period:
 - Nine months ended December 31, 2020 : 283,912,017 shares
 - Nine months ended December 31, 2019 : 283,658,706 shares

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

* Explanation on the appropriate use of forecasts and other notes

- The earnings forecasts and other forward-looking statements herein are based on information available to the Company at the time of preparation and certain assumptions deemed to be reasonable, and actual results may differ significantly from the forecasts due to various factors. For the assumptions on the earnings forecasts and notes on their use, please refer to “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements” on page 3 of the attached document.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The global economy during the consolidated cumulative third quarter of FY2020 experienced the continuing impact from the spread of COVID-19 infection and US-China trade conflict. However, during October to December of 2020, in addition to economic recovery in China, business conditions in the Americas, Europe, and Asia started to pick up, and capital investment and operations in the manufacturing industry have been on a gradual recovery trend. In Japan, although recovery was seen in some industries such as the semiconductor-related, capital investment demand has not yet recovered on a full-scale. Going forward, the business conditions related to global manufacturing industry still remain unclear due to the impact of COVID-19 infection.

Even in such an economic environment, MISUMI Group is leveraging its unique business model, which encompasses both manufacturing and distribution businesses, and by advancing the business foundation that supports these businesses globally, we are contributing to the manufacturing industry worldwide by responding to customer's reliable quick delivery needs. Amidst the continued impact of COVID-19, we continued to steadily provide products meeting customers' reliable and quick delivery needs, by fully utilizing the strong business foundations built to date in IT, logistics and production; as well as leveraging the global network. In the cumulative third quarter, although business conditions are on a recovery trend globally, both sales and profits decreased year on year due to the impact of sluggish capital investment in the manufacturing industry in the first half.

Consequently, consolidated net sales were ¥223,014 million (5.4% decrease year-on-year). In terms of profit, although the impact of decrease in sales was significant, thorough cost reduction had an effect causing operating income to be ¥17,533 million (3.2% decrease year-on-year) and ordinary income to be ¥17,459 million (1.1% decrease year-on-year). Net income attributable to owners of parent was ¥12,183 million (5.7% decrease year-on-year).

① Factory Automation (FA) Business

In the FA business, strong performance in China, recovery trend in other overseas regions, and the continued slump in Japan caused net sales to be ¥74,055 million (0.7% decrease year-on-year). Operating income was ¥10,497 million (10.1% increase year-on-year) due to the effect of thorough cost reduction.

② Die Components Business

Net sales in the Die components business were ¥48,520 million (12.4% decrease year-on-year), with the automotive industry showing recovery but the impact of the slump in the first half was significant. Operating income was ¥3,061 million (24.2% decrease year-on-year) significantly impacted by a decline in sales.

③ VONA Business

VONA business is MISUMI Group's sales and distribution business of production facilities related components, production auxiliary materials, and MRO* products. This business segment includes MISUMI brand products, as well as third party manufacturer's products. In addition to China, performance in Europe and the Americas was also solid, except Japan where negative growth continued and net sales were ¥100,438 million (5.1% decrease year-on-year). Operating income was ¥3,975 million (12.4% decrease year-on-year) due to the impact of sales decrease.

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

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of the end of the third quarter of the fiscal year were ¥268,480 million, an increase of ¥3,795 million (+1.4%) compared to the previous year-end. This was mainly attributable to a decrease of ¥2,269 million (-5.0%) in property, plant and equipment, and a decrease of ¥872 million (-2.7%) in intangible assets, while current assets increased by ¥6,856 million (+3.9%) due to factors such as increases in cash and deposits, and merchandise and finished goods.

Total liabilities amounted to ¥46,959 million, a decrease of ¥6,094 million (-11.5%) compared to the previous year-end. This was mainly attributable to a decrease of ¥5,878 million (-14.5%) in current liabilities, due to factors such as decreases in notes and accounts payable – trade, accounts payable – other, and income taxes payable.

Total net assets amounted to ¥221,520 million, an increase of ¥9,889 million (+4.7%) compared to the previous year-end. This was primarily because shareholders' equity increased by ¥8,595 million (+4.0%) mainly due to an increase in retained earnings.

As a result, the equity ratio was 81.6%, compared to 79.2% at the end of the previous year.

2) Cash flows

At the end of the third quarter of the fiscal year, cash and cash equivalents amounted to ¥59,341 million, an increase of ¥14,902 million compared to the previous year-end.

Cash flows from operating activities amounted to a net cash inflow of ¥22,927 million (a net cash inflow of ¥20,160 million for the same period in the previous year). The breakdown of cash flows from operating activities is as follows. Income before income taxes was ¥16,091 million. Depreciation and amortization amounted to ¥11,218 million. The amount of a decrease in notes and accounts receivable – trade was ¥1,216 million. A decrease in inventories was ¥320 million. A decrease in notes and accounts payable – trade was ¥1,555 million. Income taxes paid was ¥6,494 million.

Cash flows from investing activities amounted to a net cash outflow of ¥3,716 million (a net cash outflow of ¥6,735 million for the same period in the previous year). The breakdown of cash flows from investing activities is as follows. The purchase of fixed assets was ¥10,912 million. Payments into time deposits was ¥1,533 million. Refund from time deposits was ¥8,349 million. Payments for lease and guarantee deposits was ¥244 million.

Cash flows from financing activities amounted to a net cash outflow of ¥5,132 million (a net cash outflow of ¥5,524 million for the same period in the previous year). The main item of cash flows from financing activities was dividends paid of ¥3,676 million.

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

The full year consolidated financial results forecast for the fiscal year ending March 31, 2021 is unchanged from the figures announced on July 30, 2020.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	51,646	59,539
Notes and accounts receivable - trade	63,178	63,113
Merchandise and finished goods	46,506	46,846
Work in process	2,391	2,277
Raw materials and supplies	6,280	6,038
Other	6,633	5,740
Allowance for doubtful accounts	(242)	(305)
Total current assets	176,395	183,251
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,469	14,194
Machinery, equipment and vehicles, net	15,344	16,035
Land	4,249	3,938
Other, net	13,440	9,065
Total property, plant and equipment	45,503	43,233
Intangible assets		
Software	25,734	25,302
Other	6,600	6,159
Total intangible assets	32,334	31,461
Investments and other assets		
Investment securities	6	6
Other	10,651	10,737
Allowance for doubtful accounts	(206)	(210)
Total investments and other assets	10,451	10,532
Total non-current assets	88,289	85,228
Total assets	264,684	268,480

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,448	16,302
Accounts payable - other	9,961	6,250
Income taxes payable	2,658	1,658
Provision for bonuses	2,463	1,855
Provision for directors' bonuses	30	18
Other	8,029	8,627
Total current liabilities	40,592	34,713
Long-term liabilities		
Liability for retirement benefits	6,008	6,541
Other	6,454	5,704
Total long-term liabilities	12,462	12,246
Total liabilities	53,054	46,959
Net assets		
Shareholders' equity		
Common stock	13,231	13,275
Capital surplus	23,586	23,631
Retained earnings	177,317	185,824
Treasury stock	(78)	(78)
Total shareholders' equity	214,057	222,653
Accumulated other comprehensive income		
Foreign currency translation adjustments	(4,455)	(3,611)
Defined retirement benefit plans	(88)	(75)
Total accumulated other comprehensive income	(4,543)	(3,686)
Stock acquisition rights	1,560	1,963
Non-controlling interests	555	590
Total net assets	211,630	221,520
Total liabilities and net assets	264,684	268,480

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
For the Nine Months Ended December 31, 2020 and 2019

(Millions of yen)

	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020
Net sales	235,786	223,014
Cost of sales	135,273	127,426
Gross profit	100,513	95,588
Selling, general and administrative expenses	82,404	78,054
Operating income	18,109	17,533
Non-operating income		
Interest income	202	220
Miscellaneous income	309	259
Total non-operating income	511	479
Non-operating expenses		
Sales discounts	55	55
Foreign exchange losses	684	220
Loss on retirement of non-current assets	89	115
Miscellaneous loss	144	161
Total non-operating expenses	972	553
Ordinary income	17,648	17,459
Extraordinary losses		
Impairment loss	—	1,132
Other	—	236
Total extraordinary losses	—	1,368
Income before income taxes	17,648	16,091
Income taxes	4,687	3,879
Net income	12,960	12,212
Net income attributable to non-controlling interests	41	28
Net income attributable to owners of parent	12,919	12,183

Quarterly Consolidated Statement of Comprehensive Income
For the Nine Months Ended December 31, 2020 and 2019

(Millions of yen)

	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020
Net income	12,960	12,212
Other comprehensive income (loss)		
Foreign currency translation adjustments	(2,177)	881
Defined retirement benefit plans	5	13
Share of other comprehensive income (loss) in associates	(9)	(0)
Total other comprehensive income (loss)	(2,180)	894
Comprehensive income	10,779	13,106
Comprehensive income attributable to		
Owners of parent	10,707	13,040
Non-controlling interests	72	66

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020
Cash flows from operating activities		
Income before income taxes	17,648	16,091
Depreciation and amortization	9,539	11,218
Impairment loss	—	1,132
Increase (decrease) in liability for retirement benefits	635	543
Increase (decrease) in provision for bonuses	(659)	(625)
Increase (decrease) in provision for directors' bonuses	(9)	(12)
Increase (decrease) in allowance for doubtful accounts	(2)	60
Interest and dividend income	(207)	(226)
Interest expenses	88	51
Share-based compensation expenses	507	490
Foreign exchange (gains) losses	(20)	(0)
Share of (profit) loss of entities accounted for using equity method	(43)	(22)
Loss on retirement of non-current assets	89	115
(Increase) decrease in notes and accounts receivable - trade	3,887	1,216
(Increase) decrease in inventories	(4,525)	320
(Increase) decrease in consumption taxes refund receivable	503	815
Increase (decrease) in notes and accounts payable - trade	(1,434)	(1,555)
Increase (decrease) in accounts payable - other	(934)	(1,514)
(Increase) decrease in other assets	404	193
Increase (decrease) in other liabilities	917	597
Subtotal	26,384	28,891
Interest and dividend income received	215	243
Interest expenses paid	(88)	(51)
Income taxes refund	6	339
Income taxes paid	(6,357)	(6,494)
Net cash provided by (used in) operating activities	20,160	22,927
Cash flows from investing activities		
Purchase of fixed assets	(15,067)	(10,912)
Proceeds from sales of fixed assets	49	75
Payments into time deposits	(1,058)	(1,533)
Refund from time deposits	9,795	8,349
Payments for lease and guarantee deposits	(678)	(244)
Proceeds from collection of lease and guarantee deposits	118	523
Other, net	105	24
Net cash provided by (used in) investing activities	(6,735)	(3,716)
Cash flows from financing activities		
Proceeds from issuance of stock	81	0
Dividends paid	(5,247)	(3,676)
Repayments of lease obligations	(359)	(1,454)
Other, net	0	(2)
Net cash provided by (used in) financing activities	(5,524)	(5,132)
Effect of exchange rate change on cash and cash equivalents	(769)	822
Net increase (decrease) in cash and cash equivalents	7,130	14,902
Cash and cash equivalents at beginning of period	41,753	44,439
Cash and cash equivalents at end of period	48,884	59,341

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Changes in accounting policies)

Not applicable

(Additional information)

(Application of tax effect accounting relating to the transition from the consolidated taxation system to the group tax sharing system)

Regarding items that have been transitioned to a group tax sharing system established under the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8 of 2020), and for which a revision of the non-consolidated taxation system has been carried out pursuant to this transition, the Company and its consolidated subsidiaries in Japan have not applied the provisions in paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), in accordance with the treatment prescribed in paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No.39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities for these items are based on taxation law as it was before the amendment.

(Accounting estimates in view of the spread of COVID-19)

The spread of COVID-19 is affecting capital investment demand in the manufacturing industry and customers' operations. Accounting estimates, including inventory valuation, impairment accounting for non-current assets, and recoverability of deferred tax assets, have been calculated based on assumptions that business condition of global manufacturing industries bottoms out in the first quarter and expects a gradual recovery toward the second half of the fiscal year. There are no significant changes in the assumptions of accounting estimates from the previous year-end.

These assumptions do not factor in further deterioration to the business environment from occurring, such as the further spread of COVID-19 infection and other significant factors which may have huge impact, such as the timing of when the spread of infections ends and so on. Future results based on actual amounts may therefore differ from these estimates and assumptions.

(Segment information)

[Segment information]

For the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

1. Net sales and segment income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	74,560	55,408	105,818	235,786	–	235,786
Internal sales to other segments	–	–	–	–	–	–
Total	74,560	55,408	105,818	235,786	–	235,786
Segment income	9,533	4,039	4,537	18,109	–	18,109
Segment income before amortization of goodwill*	9,533	4,494	4,537	18,564	–	18,564

*(Note) Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

2. Impairment loss on non-current assets or goodwill by reportable segment

Not applicable

For the nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

1. Net sales and segment income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	74,055	48,520	100,438	223,014	–	223,014
Internal sales to other segments	–	–	–	–	–	–
Total	74,055	48,520	100,438	223,014	–	223,014
Segment income	10,497	3,061	3,975	17,533	–	17,533
Segment income before amortization of goodwill*	10,497	3,502	3,975	17,975	–	17,975

*(Note) Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

2. Impairment loss on non-current assets or goodwill by reportable segment

Description is omitted due to immateriality.

[Supplementary information]

For the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
125,329	39,620	33,689	20,954	11,977	4,215	235,786

(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
17,024	8,194	8,052	4,129	8,903	46,304

For the nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
110,768	46,633	30,732	19,662	11,599	3,618	223,014

(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
16,655	7,354	6,637	4,574	8,012	43,233