

It's all about TIME

# MiSUMi

QUALITY

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COST

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TIME

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**MiSUMi**

ANNUAL REPORT 2011

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## Profile

Since its establishment in 1963, The MISUMI Group has been a powerful "behind-the-scenes" presence supporting the Japanese machine industry. One of The MISUMI Group's first achievements was the standardization of press die components by means of innovative catalog sales operations. We have continued to grow by providing the products customers require with high quality, low cost, and short delivery periods.

The MISUMI Group's innovation and foresight have led to a unique business model and organizational model that have earned high evaluations and are continuing to inspire other Japanese companies to undertake important innovations. In line with our slogan "a battle against time," we are making relentless efforts each day to achieve further increases in customer satisfaction and management efficiency. We are continually evolving our MISUMI QCT Model for concurrently optimizing quality (Q), cost (C), and time (T) factors as well as applying farsighted management strategies to provide powerful support for manufacturing industries in Japan and elsewhere throughout the world. That is our objective and our mission.

## Forward-Looking Statements

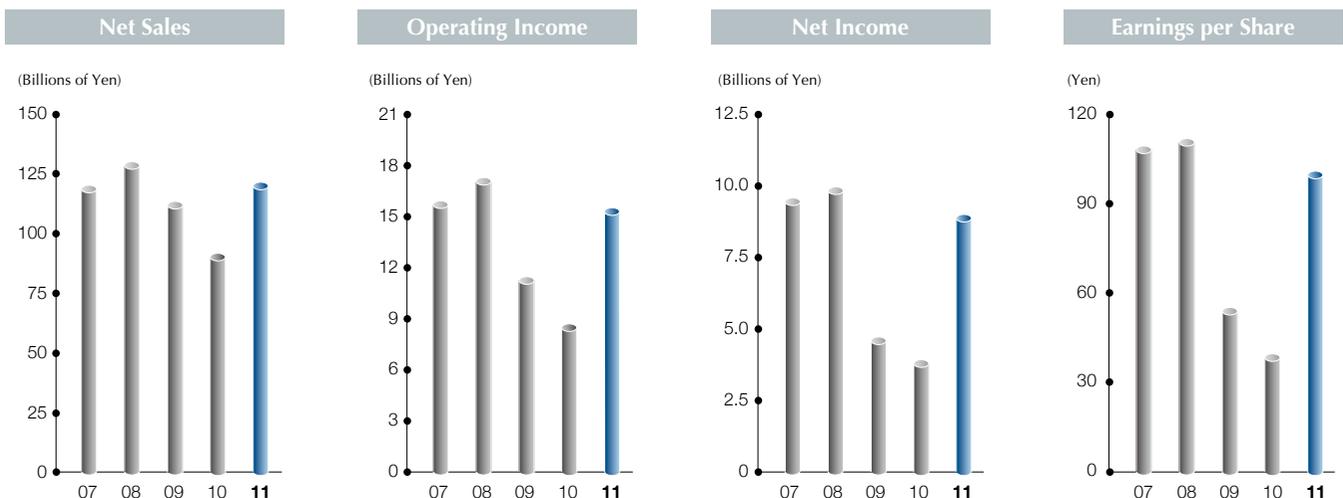
This annual report contains forward-looking statements regarding The MISUMI Group's business performance estimates and business environment forecasts. All forward-looking statements are based on judgments derived from information available to The MISUMI Group at the time of publication, and these forecasts include uncertainties. Certain risks and uncertainties could cause MISUMI's actual results to differ materially from any projections presented in this report. Please be advised that our actual business performance and the future business environment may differ substantially from the forecasts indicated in this document.

## Consolidated Financial Highlights

MISUMI Group Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2011 and 2010

	Millions of Yen		Change	Thousands of U.S. Dollars <sup>1</sup>
	2011	2010	2011/2010	2011
<b>For The Year:</b>				
Net sales .....	<b>¥121,203</b>	¥89,180	<b>35.9%</b>	<b>\$1,457,648</b>
Factory Automation (FA) Businesses <sup>2</sup> .....	<b>74,831</b>	51,445	<b>45.5%</b>	<b>899,951</b>
Die Components Businesses <sup>2</sup> .....	<b>26,622</b>	23,007	<b>15.7%</b>	<b>320,170</b>
Electronics Businesses <sup>2</sup> .....	<b>11,376</b>	8,081	<b>40.8%</b>	<b>136,818</b>
Diversified Businesses <sup>2</sup> .....	<b>9,114</b>	7,772	<b>17.3%</b>	<b>109,608</b>
Adjustments <sup>2</sup> .....	<b>(740)</b>	(1,125)	<b>-34.2%</b>	<b>(8,899)</b>
Operating income .....	<b>15,563</b>	8,408	<b>85.1%</b>	<b>187,163</b>
Income before income taxes and minority interests .....	<b>15,409</b>	7,778	<b>98.1%</b>	<b>185,318</b>
Net income .....	<b>9,007</b>	3,886	<b>131.8%</b>	<b>108,327</b>
<b>At Year-end:</b>				
Total assets .....	<b>¥107,552</b>	¥92,941	<b>15.7%</b>	<b>\$1,293,465</b>
Total equity .....	<b>83,815</b>	75,667	<b>10.8%</b>	<b>1,008,003</b>
Interest-bearing debt.....	<b>900</b>	1,200	<b>-25.0%</b>	<b>10,824</b>
<b>Per Share Data:</b>				
Net income .....	<b>¥101.16</b>	¥43.84	<b>130.7%</b>	<b>\$1.22</b>
Cash dividends .....	<b>20.20</b>	10.00	<b>102.0%</b>	<b>0.24</b>
Equity .....	<b>936.82</b>	853.70	<b>9.7%</b>	<b>11.27</b>

Notes: 1. U.S. Dollars converted at ¥83.15 per U.S. Dollar, the exchange rate effective March 31, 2011. Please see Note 1 in the Consolidated Financial Statements.  
2. Results from past years are disclosed in terms of new business segments.



# The MISUMI Group Continues to Boldly Take On Global Markets

Our International businesses have grown seven-fold over the nine years since we implemented aggressive growth measures in FY2002.

In FY2010, we set a new record high in international sales.

To achieve further growth,

we will evolve the MISUMI QCT Model and

strengthen our competitiveness in the global markets.



Tadashi Saegusa  
Representative Director,  
Chairman and CEO



Masayuki Takaya  
Representative Director,  
President

## Growth of The MISUMI Group



## Top Message

### FY2010 business performance

In FY2010 (the Fiscal Year Ended March 31, 2011), MISUMI Group Inc. sales were ¥121.2 billion (up 35.9% compared to the previous year). Operating income was ¥15.5 billion (up 85.1%) and net income was ¥9 billion (up 131.8%).

Earnings have nearly approached levels reached before the financial crisis, marking a rapid recovery in just one year. However, domestic orders declined temporarily due to the Great East Japan Earthquake. As a result, our performance fell slightly short of our forecasts.

Domestic sales increased 31% year-on-year on the back of a recovery in manufacturing. International sales grew substantially, up 51% year-on-year, or 59% on a local currency basis.

Looking at results by region, North America sales were up 34% year-on-year, Europe up 34% and Asia up 56%. In Asia including China, a region enjoying remarkable economic growth, our sales surpassed ¥25 billion for the first time, driving rapid growth in sales overseas. International sales contributed 27.3% of total sales, a record high that enabled MISUMI to make solid progress toward our goal of 30%.

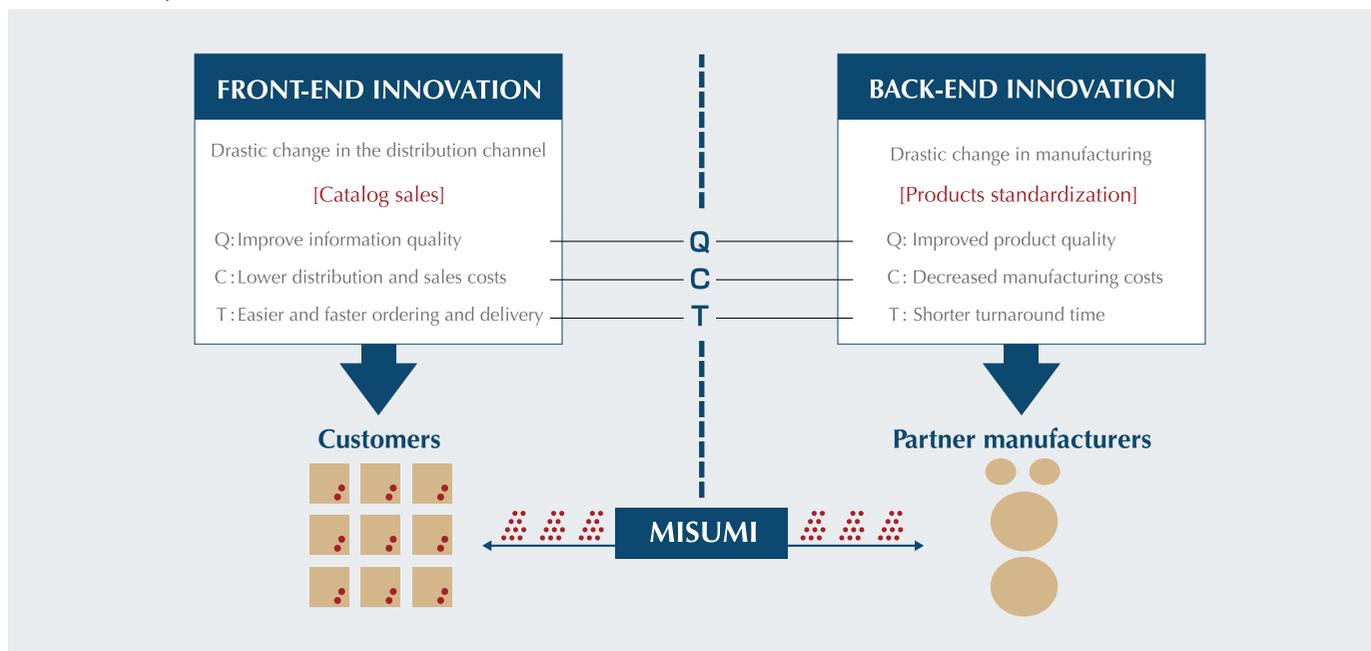
Operating income grew by ¥7.1 billion year-on-year. Despite proactive investments aimed at driving growth, including personnel and organizational expansion and the launch of MISUMI VONA, a new business venture, profits increased as a result of efforts to improve profitability at Suruga Production Platform, logistics centers and marketing centers, coupled with higher sales volumes.

We decided on year-end dividends of ¥10.50 per share. Including the interim dividend of ¥9.70 per share, the annual dividend totaled ¥20.20 per share.

### Driving international expansion

A mere six years after new management took over in 2002, sales from international operations hit ¥25 billion, an approximately six-fold increase. After a temporary downturn in the wake of the financial crisis, international sales hit a new record in FY2010 and continue to grow rapidly.

## MISUMI QCT Model



### International roll-out of the MISUMI QCT Model

Until now, precision mechanical industrial components such as die components and factory automation (FA) parts were manufactured according to individual orders, a business operation that was not only inefficient and costly, but also involved a lengthy wait for delivery. By changing to a business structure based on catalog sales of standardized products and piece-by-piece orders with short delivery times, where even an order for a single quantity ships in three days, MISUMI brought into fruition the MISUMI QCT Model rooted in high quality, low cost and short delivery times. To further advance the MISUMI QCT Model, we have implemented reforms including internalization of domestic logistics center operations and the consolidation of 13 call-center locations into 2 in-house call centers. Meanwhile, we achieved front-end (sales and distribution channels) innovations through the introduction of an e-catalog and web ordering system. Back-end (manufacturing) innovation involved the integration of Suruga Seiki; the establishment of MISUMI Industrial Park, which attracted partner manufacturers; and the acquisition of SP Parts.

Since new management took over in FY2002, the MISUMI Group has been building out front-end and back-end

operations in each of the countries in which it operates, with the aim of achieving a complete QCT Model in each country. By FY2010, 23 sales offices, 9 logistics centers and 7 manufacturing sites had been established in major markets overseas. Without missing a beat, we ramped up our international expansion in FY2010 with the establishment of a local subsidiary in Malaysia; sales offices in Milan (Italy), Chennai (India) and Ningbo (China); and an inventory center in Singapore.

We also expanded our roll-out of local-language catalogs. Now, 29 versions of catalogs are available outside Japan. In FY2010, we published a new FA catalog in India.

The amount of time required to progress from estimate to order placement has been reduced dramatically, enhancing customer convenience, by the introduction of e-catalogs and our web ordering system.

### Market penetration challenges

As international operations transition from the set-up phase to the penetration phase, measures to achieve cost reduction and short delivery times will be key to rapid advancement in the future.

## International Business Expansion

	Front-end										Back-end	
	Local language / local currency catalogs*										Manufacturing plants	
	FA		Press	Mold	Tools	Electronics	e-catalog Web ordering	Logistics centers				
China	2004		2003	2004	2004		2008	2003 Shanghai	2005 Guangzhou	2002 Shanghai	2005 Guangzhou	
Korea	2001		2000	2002		2006	2008	2006		2007		
Taiwan	2003		2005	2006			2008	2006 outsourced				
Singapore	2006		2006	2006			2009	2010				
Malaysia	2011						e-Catalog only 2011					
Thailand	2006		2005	2007			2009	2005		2005		
Europe	2004 UK	2006 Germany					2008	2006		2007		
	2009 France	2009 Italy	2009 Czech Republic									
North America	2002	2004 inches		2002	2003		2006	2004		1998	2005 expansion	
India	2010		2009				2009	2009				
Vietnam										1995	2005 Plant No 2	
	29 versions					9 centers		9 centers		7 plants (not including expansions to existing sites)		

\* ■ Published after new management took over in FY2002.

In Japan, the MISUMI QCT Model delivers strong cost competitiveness through the scale merits of mass production of half-finished products. Overseas, however, there is much work to be done in pursuit of the benefits of mass production.

Further, while short delivery times have been accomplished overseas for some products based on Japan's proven short-delivery-time system, still few products are available with three-day standard or one-day expedited shipping as in Japan. To bolster our competitiveness locally, we must increase the number of products that can be delivered quickly.

We will work to overcome these challenges to bolster the competitiveness of the MISUMI QCT Model in international markets and to accelerate its penetration in markets throughout the world.

### Back-end innovations

Back-end innovations include boosting the proportion of

in-house manufacturing at Suruga Production Platform, a MISUMI Group company, and promoting local procurement overseas.

Looked at by business segment, while FY2010 sales in the die components businesses did not reach the peak of FY2007, the proportion of in-house product manufacturing did rise. We will pursue further in-house manufacturing as we seek to reap the benefits of mass production and achieve factory work floor improvements. Suruga Production Platform has already instituted activities for improvement which are beginning to deliver steady results.

FA businesses sales set a new record in FY2010, and while the proportion of in-house manufacturing is steadily increasing, it is still low in comparison with the die components businesses. Semi-finished goods in the production process play an important role in the MISUMI Group business model. In order to realize fully the benefits of mass production, the manufacturing facility in Vietnam will be expanded to



■ MISUMI local-language catalogs

## International Net Sales



allow concentration of production items.

We are increasing the number of our overseas manufacturing partners to advance local procurement and building a mechanism for global procurement of the lowest-cost and most quickly-delivered products.

### Front-end innovations

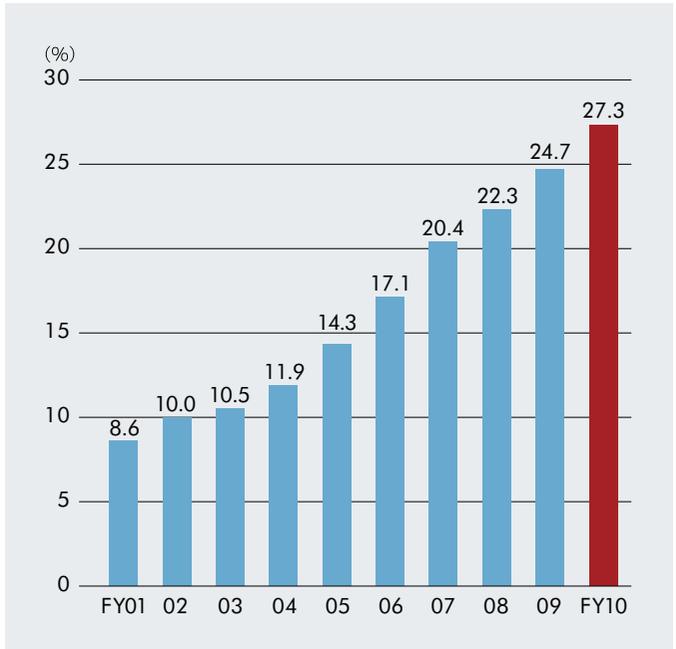
Front-end innovations encompass the enlargement of logistics centers, enhancements to our e-catalog and web ordering system and strengthening of organizations' international functions.

Increasing the number of products that can be delivered quickly overseas requires the advancement of local procurement overseas and an expansion of local inventories. A new inventory center was completed in Singapore in FY2010, and logistics centers in Asia and the United States are scheduled to be enlarged and expanded.

Introduction of our e-catalog and web ordering system sparks a steep rise in the proportion of online orders overseas.

MISUMI Group's uniquely robust web-system function will continue to be upgraded to further enhance customer convenience.

## International Sales Ratio



### Outlook for FY2011

Though the disasters in Japan cast a pall of uncertainty on the prospects for FY2011, we forecast top- and bottom-line growth.

This year we will continue proactive measures to drive growth in the future, such as upfront investments in Asia and the new MISUMI VONA business. Meanwhile, the benefits of increased sales and higher profits, and improved profitability of the manufacturing and infrastructure divisions, will ensure continued high profitability.

We thank our stakeholders for their continued support.

Representative Director,  
Chairman and CEO  
Tadashi Saegusa

Representative Director,  
President  
Masayuki Takaya

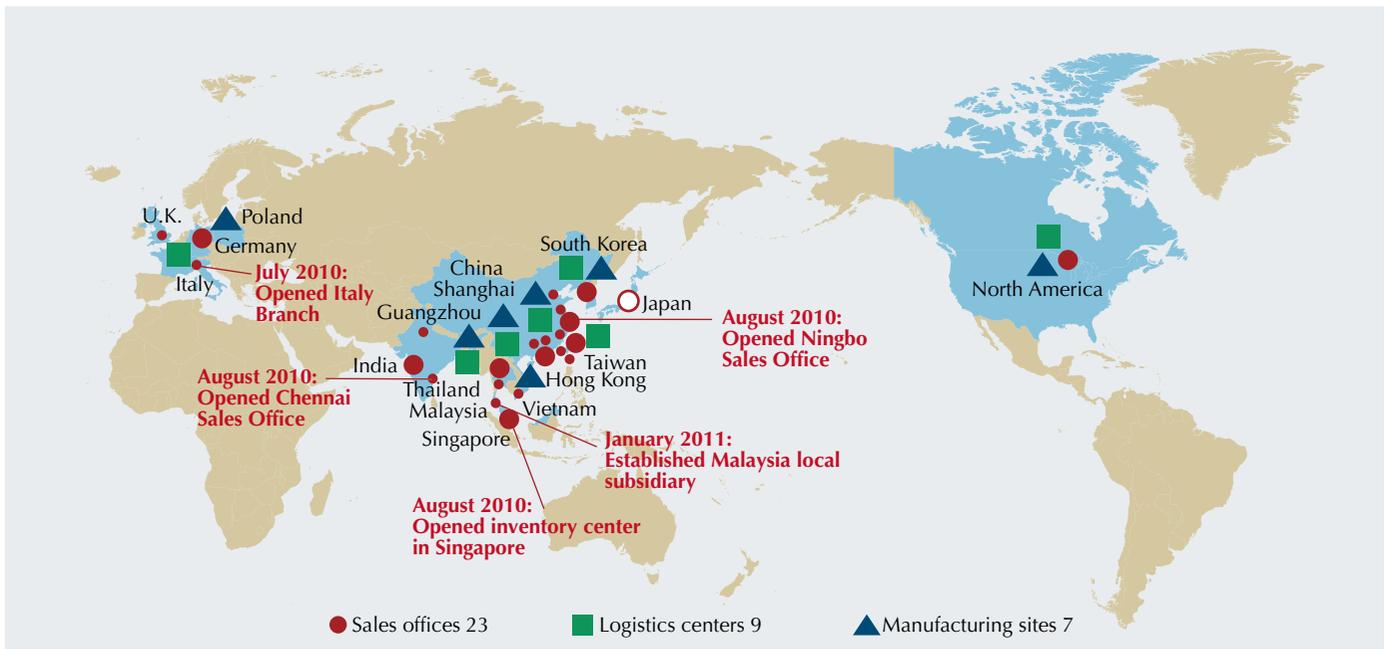
## Special Feature MISUMI Business Topics

A look back at MISUMI's track record in implementing management innovations confirms that the tireless steps taken to drive change have fueled our growth.

In the following pages we will introduce our overseas presence, manufacturing footprint and new business, as well as other major initiatives implemented in FY2010.

### Special Feature 1

## Added sales offices in Italy, India and China Established a subsidiary in Malaysia and an inventory center in Singapore



The MISUMI Group does business overseas and continues to grow in each overseas market leveraging the competitive advantage realized by the MISUMI QCT Model, which aims to deliver high quality (Q) at low cost (C) with short delivery times (T). Over the past year, we continued to expand our sales office presence in Italy, India and China.

### Established branch office in Italy to launch full sales activities there

Since establishing a local subsidiary in Germany in FY2003, we have grown the European market by publishing a German-language FA Mechanical Standard Components Catalog and establishing a marketing center. To grow the market further, in December 2009 we published catalogs in

local languages in Italy, France and the Czech Republic.

In July 2010 we established a branch office in Italy. Compared to France and the Czech Republic, Italy has the largest market scale, the most diversified industrial base and the greatest promise for expanding customer segments. To acquire new customers, we are aggressively advertising and participating in exhibitions.

As we continue to expand our business in German-speaking markets, we will accelerate growth by tapping new markets.

■ Italy Branch Office



## Opened a sales office in Chennai, gate ay to southern India

In March 2009 we established a local subsidiary in Pune, India. In November of the same year, we began ramping up sales activities—we published a local-language catalog of Standard Components for Press Dies and opened a sales office in Gurgaon. Since then, we have published a local-language catalog of FA Mechanical Standard Components in July 2010 and opened a sales office in Chennai the following month.

India's strong economic growth is one reason we place high priority on developing the Indian market. India is forecasted to achieve relatively high economic growth. As of June 2011, the IMF forecasts India's real GDP to grow 8.2% in 2011 and 7.8% in 2012. Entries into the Indian market by automotive and other manufacturing sectors are propelling that growth. We are bolstering sales activities to capture growth in demand for our standard components.

## Opened sales office in Ningbo, Zhejiang Province's second largest city

Since establishing a local subsidiary in Shanghai in FY2003, we have launched the MISUMI Production Park in Shanghai and Wuxi, which house partner manufacturers, and made other enhancements to our manufacturing sites and logistics centers. At the same time, we opened sales offices in Guangzhou and Shenzhen. In August 2010, we established a sales office in Ningbo, located in Zhejiang Province.

Ningbo is one of China's major cities, known for its concentration of industries involved in plastics forming, molding and casting, as well as apparel. Ningbo boasts more than a 50% share of plastic molding equipment made in China, making Ningbo a promising market for MISUMI. In the past, we had serviced Ningbo from our base in

Shanghai. With the opening of our local sales office, we plan to grow our market share.

### ■Ningbo Sales Office



## Upgraded representative office in Malaysia to local subsidiary to step up sales activities

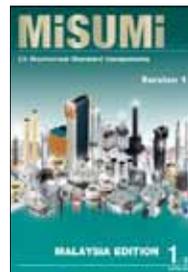
We expect Southeast Asia to play an important role in our company's future business expansion. We see great potential to

### ■Malaysia local subsidiary office



grow our market in Malaysia, in particular. In January 2011, we upgraded the Kuala Lumpur representative office we had opened in FY2006 to a local subsidiary to ramp up sales activities. In April 2011, we published a local-version

catalog of FA Mechanical Standard Components. We also launched e-catalogs of standard components for FA Mechanical, Press Dies and Plastic Molds. We are rapidly building out front-end functions, including the launch of our e-catalog, which offers product search capabilities and CAD data downloads. We will drive market penetration through initiatives including participation in exhibitions to enhance awareness of MISUMI among local customers.



Left: FA Mechanical Standard Components Catalog: Malaysian Version  
Right: Malaysia Exhibition Booth

## Opened inventory center in Singapore, enabling direct shipment to all parts of Southeast Asia

To enjoy a competitive edge in the Southeast Asian market, we need to further bolster a MISUMI strength—our ability to deliver on short lead times. To that end, in August 2010 we opened an inventory center in Singapore, covering all parts of Southeast Asia. We will leverage the inventory center to shrink delivery lead times in the Southeast Asian market and reduce distribution costs.

With the expansions described above, the MISUMI Group now has 23 sales offices, nine logistics centers and seven manufacturing sites overseas. In FY2011, we will significantly expand our sales office presence in China and other parts of Asia and tap into new markets. We will enhance the MISUMI QCT Model in the markets we serve across the globe and strive to achieve further growth in our international businesses.

## Special Feature 2

### Full scale operations begin at SURUGA Production Platform's new Shimizu Plant

\*Effective January 2011, SURUGA SEIKI CO., LTD. changed its name to SURUGA Production Platform Co., Ltd.



SURUGA Production Platform Shimizu Plant

In April 2005, the MISUMI Group integrated management with SURUGA SEIKI CO., LTD. Introducing in-house production capabilities made it possible to build a seamlessly integrated regime from product development to manufacturing and selling. The integration gave birth to other benefits, such as accelerated international growth and expanded product development categories. As part of the MISUMI Group, SURUGA Production Platform Co., Ltd. invested about ¥2.7 billion over two years (cumulative total capital expenditure for FY2009 and FY2010) to build a new plant named the Shimizu Plant. The Shimizu Plant houses about 18,000 m<sup>2</sup> in total floor area on a 9,000 m<sup>2</sup> plot and is located in Shizuoka City in Shizuoka Prefecture. Operations began December 2010 and are aimed at strengthening the MISUMI Group's production capabilities. The new plant will house manufacturing and inventory functions that had been dispersed across ten different sites in the vicinity, achieving

rationalization benefits. At the same time, the greater floor area and ability to complete production processes on one shop floor will help support future business expansion.

#### Consolidating dispersed operations achieves enhanced rationalization

The new Shimizu Plant replaces the former headquarters plant, which had been built in Shizuoka City in 1993. Subsequent business expansion led to growth to nine manufacturing sites and one warehouse located within a radius of 2.5 kilometers. The decentralized production footprint gave birth to inefficiencies—in some cases product needed to be moved from plant to plant to complete all necessary production processes. Consolidating dispersed operations into one new plant will significantly reduce such losses, rationalization worth a projected several hundred million yen annualized.

#### Building structure of our new plant hedges against risks from natural disasters

The Shimizu Plant stands above one-meter-diameter concrete piles driven 40 meters below the earth's surface. On top of the concrete piles sits a seismically isolating pool-type tank. Above the seismically isolating tank, there are 60 seismically isolating devices (comprising laminated rubber and lead springs), each having a diameter of about 1.2

meters and a thickness of about 500 millimeters. Moreover, above the seismically isolating devices, concrete through-pillars stand four stories high. The plant floor stands about 1.5 meters above ground level to protect against a variety of natural disasters.



## Supporting future business expansion

To support future business expansion, the new plant possesses twice the floor space as the former nine plants and one warehouse in total. Productivity will be improved by consolidating each production process into the same work site. Additionally, we have taken advantage of the greater floor space to put in place production methods capable of supporting change.

To strengthen ties with the business divisions, the production space has been organized into individual business units (e.g., FA, Die Components). Within each business unit, we have built independent production lines for each product category.

## Seeking further stabilization of production

Under the MISUMI QCT Model, unwavering reliability in delivering products to our customers is one of our most basic and important missions. For that reason, we consider it important to anticipate risks that may inhibit stable production activities and strive to hedge against those risks.

The old plants had a variety of issues such as insufficient protections against earthquakes and flooding that would have made them less viable over the long term. The new plant features a seismically isolated structure and raised floors. The increased safety measures are designed to enhance stability in supplying our customers.

## Special Feature 3

### New MISUMI VONA business commenced operations

#### Taking steps to achieve further growth

In November 2010, the MISUMI Group launched its new business MISUMI VONA, which sells third-party products. Traditionally FA components and other mechanical parts were distributed to end users by way of a complex web of players comprising multiple tiers of distributors and countless manufacturers. The MISUMI Group grew by introducing a revolutionary business model, where we sold original standard products direct to the customer. Customers are free from minimum quantity requirements—an order for even one piece can be accepted and delivered within a short lead time. On top of that, we introduced our Web Ordering System, which shortened the time customer buyers spend placing orders, and resolved a variety of other issues faced by our customers. There were, however, some issues left unresolved, such as the cumbersome process of selecting products from multiple competing manufacturers' catalogs, the difficulty of comparing competing products, and the complexity of managing orders to numerous vendors.

Our new business model MISUMI VONA offers third-party products over MISUMI's unique distribution model to resolve all of the challenges faced by customer designers and buyers.

#### Japan's largest collection of manufacturers

When MISUMI VONA was launched in November 2010, we carried 47 manufacturers. That number has now grown to about 170 makers. Having covered nearly all parts needed to design automated processes in the mechanical and electronic fields, in April 2011 we added tools and consumables to our lineup.



A screen grab from the MISUMI *Shunsaku-kun* search engine. Currently available only in Japan.

#### We will actively strive to answer customer needs

Leveraging our *Shunsaku-kun* e-catalog search engine, within seconds users can select the part they need from a massive offering encompassing 170 manufacturers, receive a quote, place an order and download CAD data, leading to significant time savings.

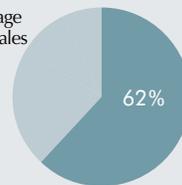
We believe the market has a strong need for the MISUMI VONA business model. Moving forward, we will continue to expand product offerings and bolster service to further enhance customer convenience.

# Review of Operations of The MISUMI Group

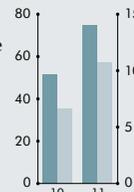
## Factory Automation Businesses

Our Factory Automation (FA) Businesses develop and supply standard components for automated machinery used in rationalized and laborsaving production systems, including factory automation equipment. Factory Automation Businesses are the backbone of the MISUMI Group's operations, with the greatest sales of any division.

Percentage of Net Sales



Net Sales and Operating Income (Billions of Yen)



## FA Mechanical Standard Components



FA Mechanical Standard Components cover about 650,000 standard products used in FA automated machinery. Our e-catalog MISUMI VONA *Shunsaku-kun* allows customers to search product offerings from about 60 makers including MISUMI, compare competing products, get estimates, download CAD data and more.

FA Mechanical Standard Components Catalog



URL : <http://fa.misumi.jp>

### Major Products

Shafts, linear guides, single axis actuators, heaters, aluminum frames, casters.

MISUMI VONA *Shunsaku-kun*



URL : <http://jp.misumi-vona.com/mech/>

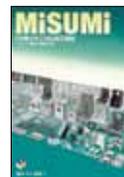
## FA Mechanical Machined Components



FA Mechanical Machined Components cover about 39,000 product types of machined components in categories ranging from sheet metal, milling cutters, welding and lathes to resins and rubbers.

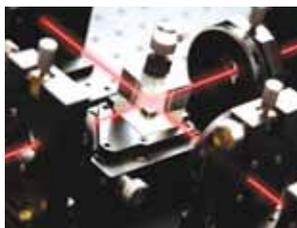
### Major Products

Mounting plates and brackets, holders, small parts for slide guides, connector parts, locator and jig parts, small metal plates and covers and more.



URL : <http://cp.misumi.jp/>

## OST Businesses



OST Businesses leverage micron-level precision locating technology to develop, manufacture and sell manual and automatic locating stages and locator units for use in industrial manufacturing equipment in the electrical, electronics, telecommunications and other industries. Locating modules and units embody both stage and control technologies.

### Major Products

Manual and automatic locating stages (X, Y, Z and theta), laser inspection devices, centering units, mirrors, lenses, holders and more.

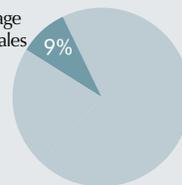


URL : <http://jpn.surugaost.jp/>

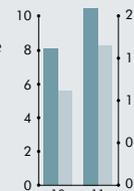
## Electronics Businesses

Our Electronic Businesses develop and supply connection harnesses, cables, connectors, and terminal blocks used to connect various types of FA equipment. We also develop and supply breakers, switching power supplies, switches and other control device parts, PC bodies and peripheral components suited to FA and industrial applications.

Percentage of Net Sales



Net Sales and Operating Income (Billions of Yen)



## Electronics



Wiring connection components cover about 730,000 products including components for wiring connections for use in various automated equipment, inspection and measurement devices and other factory automation equipment. Other products include PC components, as well as components for image processing applications. We provide original products finished in ways that reduce work ordinarily done by our customers. Additionally, we have begun our e-catalog service VONA *Shunsaku-kun*, which allows customers to search and compare competing products, get estimates, download CAD data and more.



URL : <http://jp.misumi-ec.com/el/>

Wiring Connection Components Catalog

### Major Products

Harnesses, boxes, electrical wires, terminal blocks, connectors, AC outlets, breakers, switching power supplies, relays, switches, fans, tools, wiring accessories and more.

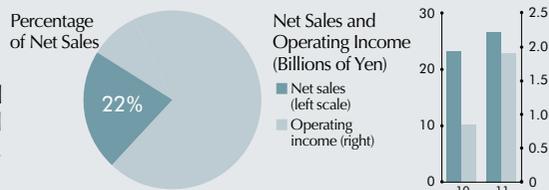


MISUMI VONA *Shunsaku-kun*

URL : <http://jp.misumi-vona.com/el/>

## Die Components Businesses

Our Die Components Businesses develop and supply standardized components used in metal press and injection molding dies and components used in precision dies mainly to the automotive, electronics and electrical machinery industries.



### Standard Components for Press Dies



Standard components for press dies cover about 300,000 products. Some components are used in press dies required in the mass production of automobiles, home appliances and precision equipment. Others include punches and dies used to punch holes in steel sheets and guides used to assist the vertical movement of dies.

**Major Products** Punches, button dies, stripper guide pins, coil springs and more.



URL: <http://jp.misumi-ec.com/press/>

### Standard Components for Plastic Molds



Standard components for plastic molds cover about 150,000 products including ejector pins, core pins and guides used in plastic molds for manufacturing plastic products. Here we leverage precision processing technology including cutting, grinding and polishing developed over the years and optimized to various materials.

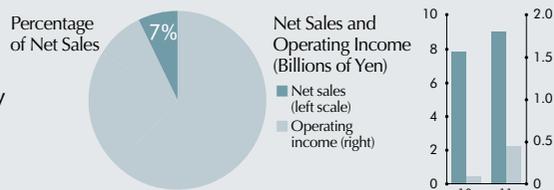
**Major Products** Ejector pins, sprue bushings, locators, mold-opening control parts and more.



URL: <http://jp.misumi-ec.com/mold/>

## Diversified Businesses

Our Diversified Businesses supply machining tools as well as veterinary and medical supplies.



### Tools and Consumables



Tools and consumables cover about 90,000 products used in manufacturing settings—from cutting tools to cleaning agents. These include the recent addition of about 35,000 new third-party and MISUMI brand products. Additionally, we are reducing or otherwise revising prices on about 1,000 MISUMI brand products.



URL: <http://jp.misumi-ec.com/tool/>

Tools and Consumables Catalog

**Major Products**

End mills, drills, lathe-turning tools, machining jigs, electric discharge tools, cutting tools, work tools, consumables, regrinding services and more.



URL: <http://jp.misumi-vona.com/vona/fs/>

MISUMI VONA  
Shunsaku-kun

### Medical Supplies for Veterinary Hospitals and Medical Practitioners (PROMICLOS Corporation)



We supply more than 9,000 products to veterinary hospitals and medical practitioners—from medical supplies such as injection needles, sutures and catheters to general medical consumables such as gauze and gloves. Aside from medical supplies we also provide veterinary hospitals with pharmaceuticals and prescription foods.

\*Products are available in Japan.



URL: <http://vet.promiclos.co.jp/>

Comprehensive Catalog for Veterinarians  
PROMICLOS VET 2011

**Major Products**

PROMICLOS original veterinary supplies, injection needles, infusion sets, catheters, orthopedic supplies, trimming supplies and more.



URL: <http://www.promiclos.co.jp/>

Comprehensive Catalog of Medical Supplies for Practitioners  
Promiclos MEDICAL SUPPLY 2009

**Major Products**

Injection needles, suture needles, syringes, infusion sets, gauzes, sterilized surgical gloves, cast materials, bandages, fixation support belts, x-ray films and more.

# Global Network



## Domestic Network



### MISUMI Group Inc. / MISUMI Corporation

4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458

Tel: +81-3-3647-7112 (Representative)

Fax: +81-3-3647-7458

URL:<http://www.misumi.co.jp/>

#### Marketing Centers

##### MISUMI QCT Center

Tel: 0120-343-066\* Fax: 0570-034-355\*

##### (Tokyo)

Toyo Central Bldg.

1-13, Toyo 4-chome, Koto-ku, Tokyo 135-0016

##### (Kumamoto)

2F, Asahi Seimei Kouyaimamachi Bldg.

9-6, Kouyaimamachi, Kumamoto City,

Kumamoto 860-0012

#### Distribution Network

##### West Japan Distribution Center

Sanda Kogyodanchi, 501-53, Fukushima-aza Miyanomae,

Sanda City, Hyogo 669-1313

##### East Japan Distribution Center

1-1-1, Anzen-cho, Tsurumi-ku, Yokohama City,

Kanagawa 230-0035



### SURUGA Production Platform Co., Ltd.

505, Nanatsushinya, Shimizu-ku, Shizuoka City,  
Shizuoka 424-8566

Tel: +81-54-344-0311 Fax: +81-54-346-1053

URL:<http://www.suruga-g.co.jp/>

#### •Kansai Plant

Misumi Production Park

2-3-2, Akamatsudai, Kita-ku, Kobe City, Hyogo 651-1516

Tel: +81-78-940-0281 Fax: +81-78-986-6590

#### •Iwaki Plant

8-1, Yoshima Kogyodanchi, Iwaki City,

Fukushima 970-1144

Tel: +81-246-36-6000 Fax: +81-246-36-6676

### SURUGA SEIKI CO., LTD.

505, Nanatsushinya, Shimizu-ku, Shizuoka City,  
Shizuoka 424-8566

Tel: +81-54-344-0332 Fax: +81-54-346-1196

#### •Tokyo Sales office

3F, Konan YK Bldg.

2-4-12, Konan, Minato-ku, Tokyo 108-0075

Minato Minami YK Building, 3F

Tel: +81-3-6711-5011 Fax: +81-3-6711-5018

#### •Kansai Sales office

4F, FJY Bldg.

1-5-25 Johokucho, Takatsuki City, Osaka 569-0071

Tel: +81-72-661-3500 Fax: +81-72-661-3622

### PROMICLOS Corporation (Promiclos Service Center)

9F, CN-2 Bldg., 2-8-3 Kiba, Koto-ku, Tokyo 135-8458

Tel: 0120-343155\* Fax: 0120-343019\*

For veterinary hospitals

URL:<http://vet.promiclos.co.jp/>

For general practitioners and medical hospitals

URL:<http://www.promiclos.co.jp/>

### MISHIMA SEIKI CO., LTD.

580-49, Tokura, Shimizu-cho, Sunto-gun, Shizuoka 411-0917

Tel: +81-55-931-1249 Fax: +81-55-931-2496

### SP PARTS CO., LTD.

3-2, Hoshinosato, Amimachi, Inashiki-gun, Ibaraki 300-0326

Tel: +81-29-833-6700 Fax: +81-29-833-6701

#### •Kansai Plant

Misumi Production Park

2-3-2, Akamatsudai, Kita-ku, Kobe City, Hyogo 651-1516

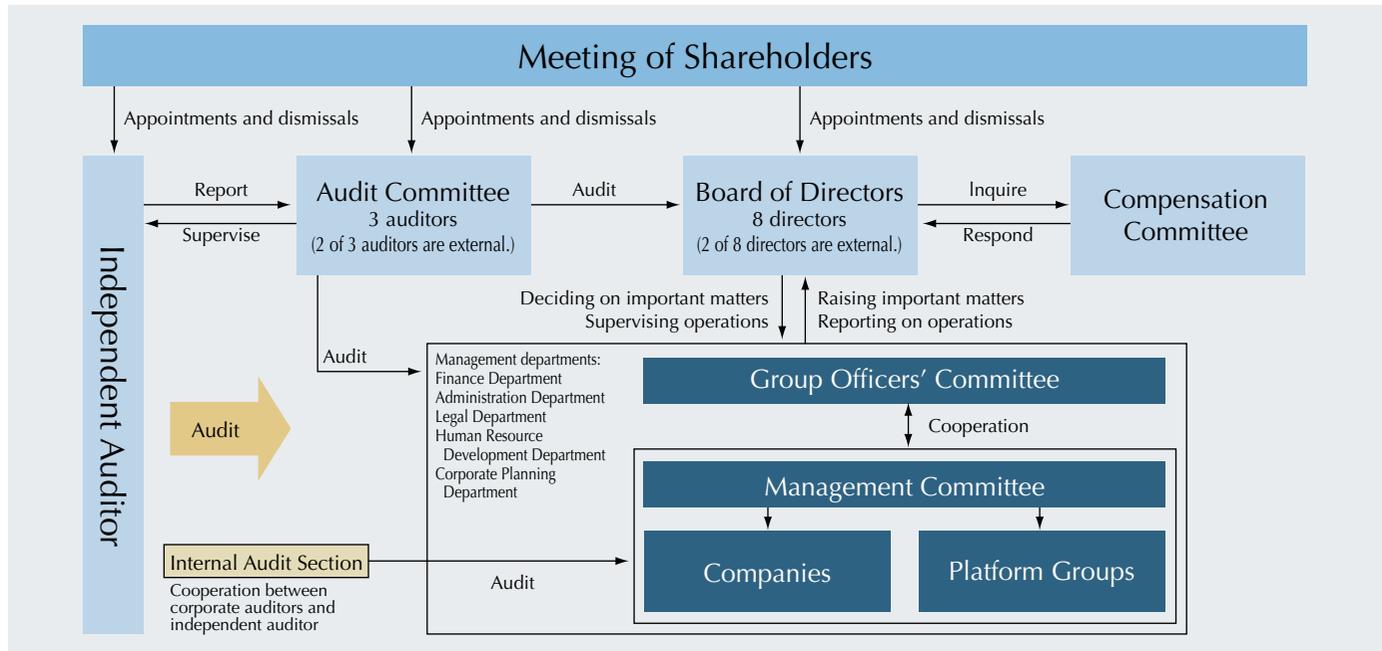
Tel: +81-78-940-0113 Fax: +81-78-940-0114

## Overseas Network

 <p><b>1 MISUMI USA, Inc.</b> 1717 Penny Lane, Suite 200 Schaumburg, Illinois 60173, U.S.A. Tel: +1-847-843-9105 Fax: +1-847-843-9107 URL: <a href="http://us.misumi-ec.com/">http://us.misumi-ec.com/</a></p>	 <p><b>8 MISUMI SOUTH EAST ASIA PTE. LTD.</b> 331 North Bridge Road, #05-03 Odeon Towers, Singapore 188720 Tel: +65-6733-7211 Fax: +65-6733-0211 URL: <a href="http://sg.misumi-ec.com/">http://sg.misumi-ec.com/</a> ● Vietnam Office (Ho Chi Minh City) Tel: +84-8-5449-9555 Fax: +84-8-5449-9559</p>
 <p><b>2 MISUMI EUROPA GmbH</b> Katharina-Paulus-Strasse 6, 65824 Schwalbach, Germany Tel: +49-6196-7746-0 Fax: +49-6196-7746-360 URL: <a href="http://www.misumi-europe.com/">http://www.misumi-europe.com/</a> ● U.K. Office Tel: +44-20-3051-4809 ● Rappresentanza Italiana Office Tel: +39-02-6203-3100</p>	 <p><b>9 MISUMI MALAYSIA SDN. BHD.</b> Unit 1206, 12th Floor Menara Amcorp No.18, Jalan Persiaran Barat 46050 Petaling Jaya, Selangor, Malaysia Tel: +60-3-7960-8499 Fax: +60-3-7960-7499 URL: <a href="http://my.misumi-ec.com/">http://my.misumi-ec.com/</a></p>
 <p><b>3 MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD.</b> 16th Floor, Jinling Hai Xin Bldg., No. 666 Fuzhou Rd., Shanghai 200001, PRC Tel: +86-21-6391-7080 Fax: +86-21-6391-7085 URL: <a href="http://cn.misumi-ec.com/">http://cn.misumi-ec.com/</a> ● Guangzhou Office Tel: +86-20-8527-1038 Fax: +86-20-8527-1686 ● Tianjin Office Tel: +86-22-2302-9228 Fax: +86-22-2302-9350 ● Wuxi Office Tel: +86-510-8521-9793 Fax: +86-510-8521-9651 ● Shenzhen Office Tel: +86-755-8287-2416 Fax: +86-755-8287-2096 ● Ningbo Office Tel: +86-574-8706-6835 Fax: +86-574-8706-6839 ● Wuhan Office Tel: +86-27-6878-8699 Fax: +86-27-6878-8600 ● Suzhou Office Tel: +86-512-6900-0766 Fax: +86-512-6790-3668 ● Dongguan Office Tel: +86-769-8162-8680 Fax: +86-769-8162-8690 ● Beijing Office Tel: +86-10-5791-8380 Fax: +86-10-5791-8381 ● Dalian Office Tel: +86-411-3924-2286 Fax: +86-411-3924-2285</p>	 <p><b>10 MISUMI INDIA Pvt. Ltd.</b> 3rd Floor, Onyx Building, North Main Road, Koregaon Park, Pune-411001 Maharashtra, India Tel: +91-20-6647-0000 Fax: +91-20-6647-0050 URL: <a href="http://in.misumi-ec.com/">http://in.misumi-ec.com/</a> ● Gurgaon Office Tel: +91-124-424-1662 ● Chennai Office Tel: +91-20-6647-0000 Fax: +91-20-6647-0050 ● Bangalore Office Tel: +91-20-6647-0000</p>
<p><b>4 MISUMI E.A. HK LTD.</b> 3/F, Malaysia Building, 50 Gloucester Road, Wanchai, Hong Kong Tel: +852-8303-2781 Fax: +852-8303-2782</p>	 <p><b>11 SAIGON PRECISION CO., LTD.</b> Linh Trung Factory 1 Lot Nos. 15, 17, 19a, Road No.2, Saigon-Linh Trung EPZ, Linh Trung Ward, Thu Duc District, Ho Chi Minh City, Viet Nam Tel: +84-8-3897-4387 Fax: +84-8-3897-4613 Linh Trung Factory 2 Lot Nos. 84, 85 Road A, Linh Trung II EPZ, Binh Chieu Ward, Thu Duc District, Ho Chi Minh City, Viet Nam Tel: +84-8-3729-5533 Fax: +84-8-3729-5532</p>
 <p><b>5 MISUMI KOREA CORP.</b> 3804 World Trade Center, 511, Yeongdong-daero, Kangnam-Gu, Seoul 135-729, Korea Tel: +82-2-551-3611 Fax: +82-2-551-4811 URL: <a href="http://kr.misumi-ec.com/">http://kr.misumi-ec.com/</a> ● Daegu Office Tel: +82-53-600-8611 Fax: +82-53-600-8615</p>	 <p><b>12 SURUGA USA CORP.</b> 40S. Addison Rd., Suite 300, Addison, IL60101, U.S.A. Tel: +1-630-628-4000 Fax: +1-630-628-4005</p>
 <p><b>6 MISUMI TAIWAN CORP.</b> 9F-1, No. 126 Nanjing East Road, Sec. 4, Taipei 10595 Taiwan Tel: +886-2-2570-3766 Fax: +886-2-2570-3767 URL: <a href="http://tw.misumi-ec.com/">http://tw.misumi-ec.com/</a> ● Taichung Office Tel: +886-4-2381-4027 / +886-4-2381-8908 Fax: +886-4-2381-6346 ● Kaohsiung Office Tel: +886-7-390-9171 / +886-7-390-9382 Fax: +886-7-390-9972</p>	 <p><b>13 SURUGA SEIKI (SHANGHAI) CO., LTD.</b> A 19, No. 5399, Wai Qing Song Rd., Qing Pu District, Shanghai, China, P.C. 201707 Tel: +86-21-6921-2188 Fax: +86-21-6921-2355</p>
 <p><b>7 MISUMI (THAILAND) CO., LTD.</b> 300/24 Moo 1, Eastern Seaboard Industrial Estate, Soi 5, Tambol Tasith, Amphur Pluakdaeng, Rayong Province 21140, Thailand Tel: +66-38-959-200 Fax: +66-38-959202 URL: <a href="http://th.misumi-ec.com/">http://th.misumi-ec.com/</a> ● Bangkok Office Tel: +66-2-675-5682</p>	 <p><b>14 SURUGA SEIKI (GUANGZHOU) CO., LTD.</b> B, No. 9, American Industrial Park, 48, Hongmian Avenue, Huadu District, Guangzhou, China, P.C. 510800 Tel: +86-20-3687-2889 Fax: +86-20-3687-2255</p>
	 <p><b>15 SURUGA (THAILAND) CO., LTD.</b> 300/23 Moo 1, Eastern Seaboard Industrial Estate, Tambol Tasith, Amphur Pluakdaeng, Rayong Province 21140, Thailand Tel: +66-38-954935 Fax: +66-38-954939</p>
	 <p><b>16 SURUGA POLSKA Sp. z o.o.</b> Slowackiego Street, 199A 80-298 Gdansk, Poland Tel: +48-58-340-6800 Fax: +48-58-340-6801</p>
	 <p><b>17 SURUGA KOREA CO., LTD.</b> 3 Ma 621 Sihwa Industrial Complex #2099-5, Jeongwang-Dong, Siheung-Shi, Gyeonggi-Do 429-935, Korea Tel: +82-31-434-8357 Fax: +82-31-434-8359</p>

## Reinforcing Corporate Governance and Maintaining Transparency

The MISUMI Group aims to make a broad range of economic and social contributions in Japan and worldwide and maximize its long-term corporate value by achieving business growth while cultivating managers. Accordingly, it is giving high priority to measures aimed at further strengthening corporate governance.



The MISUMI Group employs its Board of Directors, Group Officers' Committee, Management Committee, and Audit Committee to perform the supervision and auditing of operational execution. Our Board of Directors comprised eight people, including two external members. In principle, the Board meets once per month to make decisions on important business matters. The Group Officers' Committee comprised officers with Senior Corporate Officer or higher rank and aims to strengthen both supervision and operational execution. In June 2008, The MISUMI Group implemented organizational reforms, reorganizing machine industry businesses into Companies and business support and infrastructure functions into Platform Groups. The aim is to bring together MISUMI's business divisions, which include sales organizations, with SURUGA Production Platform's manufacturing divisions to integrate the management of manufacturing and sales and speed up decision-making. Each Company and Platform Group holds its own management committee to clarify the decision-making process. The Group Officers' Committee and the Management Committee provide reports on their deliberations to the Board of Directors, and also conduct preliminary deliberations with the Board of Directors. The Audit Committee has three members, including two from outside the Group, and oversees the execution of responsibilities by directors of the Board. The Audit Committee works in close cooperation with the Independent Auditor and the Internal Audit Section (established in April 2008) with the goal of increasing the effectiveness and efficiency

of audit activities. The Compensation Committee is a discretionary consultative body for the Board of Directors tasked with deliberating and deciding appropriate levels of compensation.

Regarding risk management systems, in April 2008 we instituted the MISUMI Group Code of Conduct to serve as conduct guidelines, and we have worked to ensure comprehensive awareness of the code throughout the MISUMI Group. In December 2007, we established an internal reporting system for compliance issues. To ensure compliance with the Japanese equivalent of the U.S. Sarbanes-Oxley Act (J-SOX), efforts to confirm document management processes, evaluate the effectiveness of internal controls, identify related problems and tasks, and otherwise strive to further strengthen our internal control systems take place under the direction of an Internal Audit Section. In April 2008, we instituted our Information Security Basic Principles, which declare our fundamental stance regarding information security, and our Confidentiality Preservation Rules, which stipulate fundamental rules regarding information security. These documents—along with an Information Security Guidelines pamphlet that specifies detailed rules—have been distributed throughout the Group, and measures are being taken to ensure comprehensive awareness of the rules throughout the MISUMI Group. Regarding legal affairs, compliance issues, and other important management issues, MISUMI seeks advice as needed from outside legal counsel, accountants, tax accountants and other specialists who are independent of MISUMI's in-house organizations.

## The MISUMI Group's Top Management

### ■ Directors



Chairman and  
Chief Executive Officer  
**Tadashi Saegusa\***



President  
**Masayuki Takaya\***



Executive Vice President  
**Masahiko Eguchi\***

\*Representative Director



Director of the Board and  
Senior Corporate Officer  
**Ryusei Ohno**



Director of the Board and  
Senior Corporate Officer  
**Tokuya Ikeguchi**



Director of the Board and  
Senior Corporate Officer and  
Chief Financial Officer  
**Yoshiyuki Sanada**



Outside  
Director of the Board  
**Hiroshi Fukino**



Outside  
Director of the Board  
**Tsuyoshi Numagami**

### ■ Auditors

Corporate Auditor **Hiroshi Miyamoto**

Outside Corporate Auditor **Kouichi Takemata**

Outside Corporate Auditor **Juichi Nozue**

### ■ Corporate Officers

Corporate Officer **Masanori Suzuki**

Corporate Officer **Yasuyuki Matsumoto**

Corporate Officer **Hiroshi Nitta**

Corporate Officer **Masayuki Maeda**

Corporate Officer **Shigehito Nakamura**

Corporate Officer **Shigetaka Shimizu**

## Contributing to Socioeconomic Progress

The MISUMI Group continues to be active in contributing to society through student manufacturing support, environmental management activities and cooperation with cultural activities.



Tokyo Denki University F-SAE vehicle

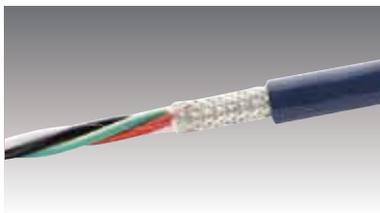
### Student Manufacturing Support Activities

The MISUMI Group supports student groups that participate in contests with self-made automobiles or robots. We cast a wide net for interested participants—from universities to community colleges, technical schools and industrial vocational high schools—and provide MISUMI parts based on the motivation expressed by student groups interested in manufacturing and contests. In FY2010, we provided support to more than 100 student groups. The students flip through the pages of MISUMI catalogs, which offer an abundance of product lineups, and can experience placing an order using our WOS (Web Order System), just as a designer would.

The MISUMI Group abides by the corporate philosophy of being a behind-the-scenes supporter of the world's manufacturing activities and would like to be actively involved in helping students who will grow to be important talent working in the manufacturing industry.



Uniaxial actuator (FA Businesses)



Flexible power cable (Electronics Businesses)

### Environmental Management Activities

#### <Managing Environmental Chemical Substances>

The European Union's July 2006 implementation of its Restriction of Hazardous Substances (RoHS) directive and China's March 2007 launch of a local equivalent are among several regulations in recent years that have tightened controls over environmental chemical substances. The MISUMI Group recognizes that compliance is an important factor in a customer's product selection and is responding accordingly in the marketplace. As such, the MISUMI Group discloses RoHS directive compliance in our catalogs and on our website.

#### <Green Procurement Guidelines>

MISUMI and SURUGA Production Platform formulated Green Procurement Guidelines in September 2006 to ensure adherence to environmental chemical substances legislation and other requirements.

#### <ISO Environmental Activities>

In April 2003, the MISUMI Group Inc. and PROMICLOS received certification under the ISO 14001 standard for environmental management systems. SURUGA Production Platform and SURUGA SEIKI were certified in January 2001.



Exhibit at Museum of Contemporary Art Tokyo (2002)

### Supporting Exhibitions with the MISUMI Art Collection

Over the past few years, MISUMI has lent works from the MISUMI Art Collection 16 times under special arrangements with galleries holding contemporary American art exhibitions. This acclaimed and highly distinctive collection focuses on contemporary American art, whose proponents eschewed European influences after World War II to break new stylistic ground. That spirit coincides with the MISUMI Group's corporate philosophy of constantly pursuing innovation.

In June 2011, we lent pieces of art from the MISUMI Art Collection to the Kawaguchiko Museum of Art located at the foot of Mount Fuji. Moving forward, we plan to continue to circulate art works on loan in response to demand from museums in other areas as well.



"Bonsai Girl" 1993,  
by Yoshitomo Nara  
(2004 Yoshitomo Nara)

## Six-Year Summary (Consolidated)

MISUMI Group Inc. and Consolidated Subsidiaries Years Ended March 31, 2011, 2010, 2009, 2008, 2007 and 2006	Millions of Yen					
	2011	2010	2009	2008	2007	2006
<b>For the Year:</b>						
Net sales.....	<b>121,203</b>	89,180	110,041	126,665	118,139	105,408
Factory Automation (FA) Businesses <sup>6</sup> .....	<b>74,831</b>	51,445	62,030	69,205	60,510	50,993
Die Components Businesses <sup>6</sup> .....	<b>26,622</b>	23,007	28,139	34,652	33,066	31,623
Electronics Businesses <sup>6</sup> .....	<b>11,376</b>	8,081	10,262	12,313	12,449	10,084
Diversified Businesses <sup>6</sup> .....	<b>9,114</b>	7,772	8,853	9,792	8,922	6,904
Adjustments <sup>6</sup> .....	<b>(740)</b>	(1,125)	757	703	3,192	5,804
Operating income .....	<b>15,563</b>	8,408	11,017	16,317	15,643	13,035
Income before income taxes (and minority interests) .....	<b>15,409</b>	7,778	9,640	16,296	15,999	13,424
Net income .....	<b>9,007</b>	3,886	4,687	9,698	9,447	7,619
<b>At Year-End:</b>						
Total assets .....	<b>107,552</b>	92,941	86,080	92,596	84,244	78,177
Total equity <sup>1</sup> .....	<b>83,815</b>	75,667	71,696	71,302	63,751	54,077
Interest-bearing debt <sup>2</sup> .....	<b>900</b>	1,200	1,862	2,164	1,717	3,092
<b>Per Share Data:</b>						
Net income per share <sup>3</sup> (yen) .....	<b>101.16</b>	43.84	52.89	109.72	108.42	84.95
Cash dividends per share <sup>3</sup> (yen).....	<b>20.20</b>	10.00	13.00	23.00	22.00	18.00
Equity per share <sup>1,3</sup> (yen) .....	<b>936.82</b>	853.70	808.90	805.33	725.44	619.93
Cash flow per share <sup>3</sup> (yen) .....	<b>131.16</b>	72.36	140.04	127.00	81.20	77.70
<b>Stock Price:</b>						
High (yen) .....	<b>2,143</b>	1,969	2,095	2,435	2,765	5,580
Low (yen).....	<b>1,530</b>	1,187	960	1,540	1,812	3,090
Close(year ended March 31) (yen) .....	<b>2,065</b>	1,918	1,187	1,766	2,110	5,210
Number of outstanding shares (thousands) .....	<b>89,853</b>	89,018	89,018	88,921	88,259	43,592
Market capitalization (billions of yen).....	<b>184.8</b>	170.0	105.2	156.4	185.4	226.1
<b>Stock Valuations:</b>						
Price/Earnings ratio – PER (times) .....	<b>20.4</b>	43.7	22.4	16.1	19.5	30.7
Price/Cash flow ratio – PCFR (times).....	<b>15.7</b>	26.5	8.5	13.9	26.0	33.5
Price/Book value ratio – PBR (times).....	<b>2.2</b>	2.2	1.5	2.2	2.9	4.2
EBITDA (millions of yen).....	<b>17,851</b>	10,416	12,246	18,322	17,792	15,339
<b>Return Indicators:</b>						
Return on equity <sup>4</sup> (%).....	<b>11.3</b>	5.3	6.6	14.4	16.0	16.4
Return on assets <sup>4</sup> (%) .....	<b>15.4</b>	8.7	10.8	18.4	19.7	20.7
<b>Liquidity Ratios:</b>						
Current ratio (%) .....	<b>398.7</b>	463.6	529.2	351.5	351.4	278.5
Interest coverage ratio <sup>5</sup> (times).....	<b>854.1</b>	362.1	499.1	815.3	110.0	156.6
<b>Number of Customers:</b>						
Domestic .....	<b>71,102</b>	70,209	71,620	80,167	93,830	99,638
Overseas .....	<b>61,993</b>	52,375	47,990	41,230	33,057	22,770
<b>Number of Employees</b> .....	<b>4,831</b>	3,581	4,049	3,813	3,382	2,887

Notes: 1. The Company presents total equity instead of shareholders' equity in keeping with the implementation of the Company Law on May 1, 2006.

2. Interest-bearing debt = Long-term and short-term debt + bonds + warrant bonds + discount on notes

3. Adjusted for stock splits up to March 31, 2007

4. ROE = Net income / equity

ROA = Income before income taxes (and minority interests) / total assets

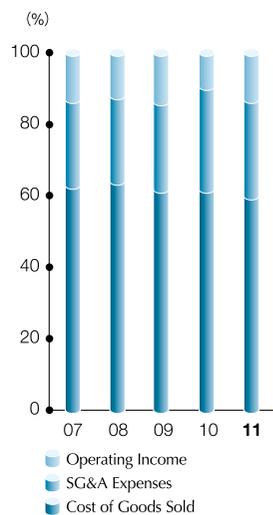
5. Interest coverage ratio = Net cash provided by operating activities / Interest payment

6. Results from past years are disclosed in terms of new business segments.

## Management's Discussion & Analysis

The MISUMI Group comprises the MISUMI Group Inc. (our company), 23 consolidated subsidiaries and three non-consolidated subsidiaries. We categorize our business into four segments: Factory Automation; Die Components; Electronics; and Diversified businesses.

Ratio of Cost of Goods Sold, SG&A Expenses, and Operating Income to Net Sales



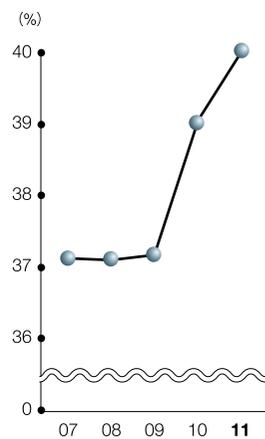
### Results Overview

In FY2010 (April 1, 2010, through March 31, 2011), the global economy continued a phase of general recovery and expansion. Western economies managed to sustain a moderate recovery despite the conclusion of fiscal stimulus policies and the credit concerns in Europe. Meanwhile, China and other Asian economies continued to experience growth. The Japanese economy enjoyed a recovery phase in the first half driven by stimulus measures, but that momentum stalled as the effects of stimulus measures dissipated and the yen strengthened. Moreover, the Great East Japan Earthquake that struck on March 11 and subsequent concerns about electric power supply clouded Japan's economic outlook.

The machinery manufacturing and other customer industries benefited from capital expenditures by Japanese exporters and strong appetites for investment in Asia. The MISUMI Group achieved strong growth in sales by strengthening our sales capabilities in terms of price and service alike. We continued to win orders on the back of our short delivery times and strong on-time delivery track record. At the same time, we answered latent customer needs by eliminating the hassle involved in creating designs and placing orders, leveraging the launch of our websites' customer design support functionality and our e-catalogs and web ordering systems, which had been rolled out to all overseas subsidiaries in the previous fiscal year. As the Asian economies grew, we experienced significant topline growth overseas as we bolstered our sales force in Asia and other markets overseas and realized progress in establishing local production and procurement aimed at optimized sourcing.

As a result, consolidated net sales were ¥121,203 million (up ¥32,023 million, or 35.9%, compared to the previous year). Profits increased, too. Operating income was ¥15,563 million (up ¥7,155 million, or 85.1%), ordinary income was ¥15,230 million (up ¥7,148 million, or 88.4%) and net income was ¥9,007 million (up ¥5,121 million, or 131.8%).

Gross Profit Margin



### Net Sales

Customers in the machinery manufacturing industry benefited from capital expenditures by Japanese exporters and strong appetites for investment in Asia. The MISUMI Group achieved strong growth in sales by strengthening our sales capabilities in terms of price and service alike. We continued to win orders on the back of our short delivery times and strong on-time delivery track record. At the same time, we answered latent customer needs by eliminating the hassle involved in creating designs and placing orders, leveraging the launch of our websites' customer design support functionality and our e-catalogs and web ordering systems, which had been rolled out to all overseas subsidiaries in the previous fiscal year.

As a result, consolidated net sales were ¥121,203 million (up ¥32,023 million, or 35.9%).

### Cost of Goods Sold and Sales, General & Administrative Expenses

The cost of goods sold (COGS) was ¥72,264 million (up ¥18,023 million, or 33.2%, compared to the previous year). Gross profit was ¥48,939 million (up ¥14,000 million, or 40.1%). Gross margin was 40.4%, an improvement from 39.2% last year. Sales, general & administrative (SG&A) expenses were ¥33,376 million (up ¥6,845 million, or 25.8%). SG&A expenses amounted to 27.5% of sales, an improvement compared to 29.7% in the previous year.

As a result, operating income was ¥15,563 million (up ¥7,155 million, or 85.1%). Operating margin was 12.8%, an improvement over the 9.4% achieved in the previous year.

### Other Profits and Losses

Non-operating losses exceeded non-operating profits by ¥332 million. As a result, ordinary income was ¥15,230 million (up ¥7,148 million, or 88.4%). Ordinary margin improved to 12.6% from 9.1% last year. Pretax income was ¥15,409 million (up ¥7,631 million, or 98.1%) as a result of subsidiary income booked as extraordinary gains.

### Net Income

Net income was ¥9,007 million (up ¥5,121 million, or 131.8% compared to the previous year). Net income as a percentage of sales was 7.4%, an improvement from the 4.4% marked last year. Earnings per share increased to ¥101.16 from ¥43.84 in the previous year.

## Shareholder Return Policy

### Dividend Policy

At the MISUMI Group, returning profits to our shareholders is one of the most important orders of business. We aim to pay out 20% of net income in the form of dividends.

Generally, the MISUMI Group pays out dividends from retained earnings twice a year, after the first half and after the end of the year.

According to our articles of incorporation, interim dividend distributions are decided at a meeting of board members and year-end dividend distributions at our Annual General Meeting of Shareholders.

### Cash Dividends per Share

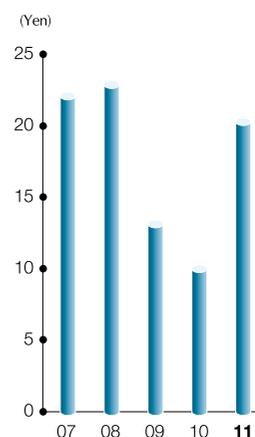
In consideration of the policies described above, annual dividends were set to ¥20.2 per share in light of business performance in FY2010 and the future outlook. That comprises the sum of a ¥10.5 per share year-end dividend approved at our Annual General Meeting of Shareholders held June 17, 2011, and a ¥9.7 per share interim dividend decided by our Board of Directors on November 5, 2010.

As a result, dividend distributions equaled 20.0% of consolidated net income and 2.3% of net assets.

Retained earnings will be used to strengthen our financial standing and enhance products and services and reorganize our purchasing and sales regimes inside and outside of Japan so as to establish a solid management base for the long term.

Please note that our articles of incorporation permit the company to distribute interim dividends.

Cash Dividends per Share



## Business Performance by Business Segment

### Factory Automation Businesses

The automotive industry—a major customer segment—continued to benefit from economic stimulus measures such as eco-car subsidies in the first half. Similarly in the first half, the LCD and semiconductor industries invested actively in capital equipment as a recovery and expansion phase continued. In the second half, the effects of economic stimulus measures dissipated and Japan's recovery lost steam. On the whole, however, the recovery and expansion phase continued due to sustained momentum in Europe and Asia. As a result, sales were ¥74,831 million (up ¥23,386 million, or 45.5%, compared to the previous year). Operating income was ¥11,278 million (up ¥4,461 million, or 65.4%), thanks to increased sales and the effects of profitability improvement measures implemented in the previous year.

### Die Components Businesses

The domestic automotive industry—a major customer segment of the Die Components Businesses—continued to experience a recovery in the first half of FY2010. That recovery stalled in the second half. Europe and Asia, however, sustained momentum, and the light electrical appliance and other industries enjoyed strength. On the whole, the economy showed resilience.

As a result, sales were ¥26,622 million (up ¥3,615 million, or 15.7%, compared to the previous year). Operating income was ¥1,911 million (up ¥1,091 million, or 133.1%), thanks to manufacturing process improvements and other cost reductions.

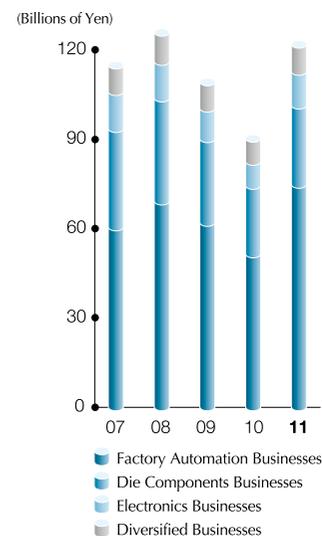
### Electronics Businesses

In the Electronics Businesses, active capital investment in semiconductor manufacturing processes contributed to sales of ¥11,376 million (up ¥3,296 million, or 40.8%, compared to the previous year). Operating income was ¥1,673 million (up ¥633 million, or 60.9%).

### Diversified Businesses

Our diversified businesses comprise our machining tools and consumables business (operated by our Factory Supply Division) and our veterinary medical consumables business (operated by PROMICLOS Corporation). In our factory supply business, our core product, cemented carbide end mills, drove a recovery in sales. The Diversified Businesses as a whole achieved sales of ¥9,114 million (up ¥1,342 million, or 17.3%, compared to the previous year). Operating income was ¥432 million (up ¥352 million).

Net Sales by Segment



## Liquidity and Capital Resources

### Financial Policy

While pursuing strong growth, the MISUMI Group also strives to maintain ample liquidity and a sound balance sheet. To achieve steady growth over the medium- to long-term, it is essential we sustain efforts to raise the bar of MISUMI Excellence on both the front-end (sales and distribution channels) and the back-end (manufacturing). As financial measures, we plan to continue to operate with substantially no debt, rein in the accumulation of assets, target efficient management and enhance profitability and growth potential.

### Cash Flows

As of the end of FY2010, consolidated cash and cash equivalents amounted to ¥18,763 million, an increase of ¥7,854 million compared to the beginning of the year.

Cash flows from operating activities were a positive ¥11,734 million, up ¥5,321 million compared to the previous year. Pretax income was ¥15,409 million and depreciation and amortization costs were ¥2,243 million. Trade accounts receivable increased ¥3,473 million, inventories increased ¥2,277 million and trade accounts payable increased ¥1,087 million. Corporate income tax payments were ¥3,876 million.

Cash flows from investment activities were a negative ¥2,965 million as net outlays decreased ¥14,197 million compared to the previous year. Outlays for the acquisition of marketable securities were ¥3,502 million. Income from the sale and redemption of marketable securities was ¥6,050 million. Outlays from the acquisition of fixed assets were ¥5,312 million. Outlays for deposits into time deposit accounts were ¥21,894 million and income from withdrawals from time deposit accounts was ¥21,475 million.

Cash flows from financing activities were a negative ¥560 million, as net outlays decreased ¥545 million compared to the previous year. Outlays due to a reduction of short-term borrowings were ¥300 million. Income from the issuance of shares was ¥1,314 million. Payments of dividends amounted to ¥1,573 million.

### Assets

Total assets as of the end of FY2010 were ¥107,552 million (up ¥14,611 million, or 15.7%, compared to the previous year-end). Current assets were ¥81,985 million (up ¥14,631 million, or 21.7%). This is mainly due to an increase in cash and deposits.

Fixed assets were ¥25,566 million (down ¥21 million, or 0.1%). Tangible fixed assets were ¥15,073 million (up ¥1,337 million, or 9.7%). Intangible fixed assets were ¥4,919 million (up ¥1,269 million, or 34.8%). This is mainly due to the acquisition of software. Investments and other assets were ¥5,573 million (down ¥2,627 million, or 32.0%). This is mainly due to a decrease in investment marketable securities.

### Liabilities

Total liabilities were ¥23,276 million (up ¥6,282 million, or 37.0%, compared to the previous year-end). Current liabilities were ¥20,562 million (up ¥6,032 million, or 41.5%). This is mainly due to an increase in accrued corporate tax payments and increases in notes payable and trade accounts payable. Fixed liabilities were ¥2,714 million (up ¥250 million, or 10.2%).

As a result, current ratio was 4.0 times, as we continued to maintain a solid financial footing.

### Equity

Total net assets, the sum of shareholders equity, other comprehensive income and stock options, were ¥84,276 million. This is mainly due to an increase in retained earnings resulting from the increase in net income.

As a result of the above, the equity ratio was 77.9%.

### Capital Expenditure

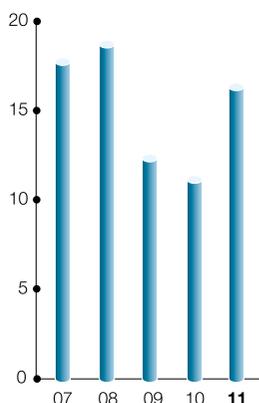
The MISUMI Group (MISUMI Group Inc. and our consolidated subsidiaries) spent a total of ¥5,362 million for capital investments during FY2010.

Of that amount, ¥1,108 million was spent on acquiring SURUGA Production Platform's headquarters plant, which was completed in July 2010.

As a matter of internal controls, the MISUMI Group does not allocate assets to reporting business segments. Therefore, an overview of capital investments by reporting business segment is not available.

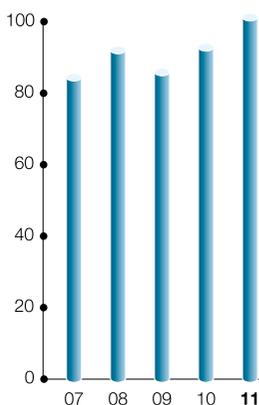
EBITDA

(Billions of Yen)



Total Assets

(Billions of Yen)



## Research and Development Expenditures

The MISUMI Group is involved in research and development efforts focused on manufacturing technology possessed by SURUGA Production Platform Co., Ltd. At the same time, we are careful to balance our pursuit of research and development with a commitment to maintaining a solid financial base.

Total research and development expenditures during FY2010 were ¥321 million. The relevant business units handle short-term research and development activities related to day-to-day business activities. Other projects are handled by our Engineering Development Division.

The Factory Automation Businesses spent ¥310 million to develop new products and enhance productivity. The Die Components Businesses spent ¥11 million to expand the high-precision and high-value-added products business and to enhance productivity.

## Business and Other Risks

The following factors related to the MISUMI Group's business and financial situations may influence investor decisions.

Please note that forward-looking statements provided are based on judgments made at the end of FY2010 by the MISUMI Group.

### Effect of Trends in Certain Markets on Business Results

The MISUMI Group primarily sells factory automation components and die components. Our main customers reside in the automotive and electrical machinery (including liquid crystal panels and semiconductors) industries. Thus, production and capital investment trends in these industries may impact the business performance of the MISUMI Group.

### Overseas Business

The MISUMI Group actively pursues business expansion overseas. Several key factors, including the establishment of organizational regimes at local subsidiaries overseas, progress in local production and procurement plans, the degree of recognition of the MISUMI Group in local markets, fluctuations in foreign currency exchange rates, and changes in local political and economic circumstances, may have a significant impact on business operations. If business conditions do not progress according to plan, delays in the recovery of expenses and up-front investments in capital may adversely affect the business performance and financial situation of the MISUMI Group.

### Safety Management

Given the fields in which some of the MISUMI Group's businesses operate, product defects or other problems (including problems regarding the harmfulness of constituent materials in products) could lead to economic losses resulting from sales suspensions and compensation to injured parties or impediments to business operations due to rumors or misinformation.

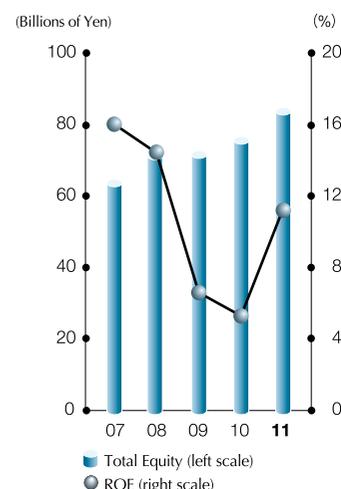
### Customer Information Management

The MISUMI Group business model uses catalog sales—a form of database marketing—and handles a considerable amount of customer information. Any information leaks due to ineffective information management or other reasons, such as computer viruses or hackers, could greatly impair trust in and cause economic losses for the MISUMI Group.

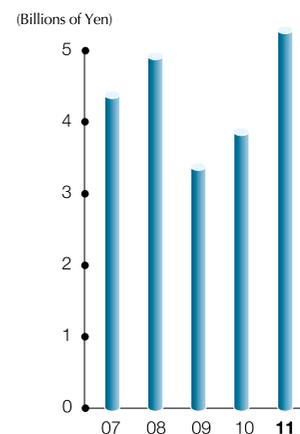
### Natural Disasters

Large earthquakes or other natural disasters could disrupt product and merchandise logistics and harm the MISUMI Group's performance and financial position.

Total Equity and ROE



Capital Expenditure



## Consolidated Balance Sheets

MISUMI Group Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2011, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 13).....	¥18,763	¥10,909	\$225,657
Time deposits (Note 13).....	17,355	17,050	208,716
Marketable securities (Notes 3 and 13).....	4,512	5,048	54,261
Receivables:			
Trade notes (Note 13).....	4,766	3,906	57,322
Trade accounts (Note 13).....	21,199	18,165	254,944
Other.....	551	248	6,631
Allowance for doubtful receivables.....	(326)	(76)	(3,926)
Inventories (Note 4).....	12,539	10,615	150,801
Deferred tax assets (Note 10).....	1,596	804	19,194
Other.....	1,031	685	12,393
<b>Total current assets.....</b>	<b>81,986</b>	<b>67,354</b>	<b>985,993</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Note 19):</b>			
Land.....	3,890	3,914	46,782
Buildings and structures.....	11,469	8,721	137,932
Machinery and vehicles.....	5,912	5,577	71,102
Other.....	3,078	4,383	37,017
<b>Total.....</b>	<b>24,349</b>	<b>22,595</b>	<b>292,833</b>
Accumulated depreciation and impairment loss.....	(9,276)	(8,859)	(111,557)
<b>Net property, plant and equipment.....</b>	<b>15,073</b>	<b>13,736</b>	<b>181,276</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 3 and 13).....	3,030	5,159	36,445
Investments in unconsolidated subsidiaries and associated companies (Note 13)	199	503	2,393
Software.....	4,184	2,876	50,313
Goodwill.....	488	670	5,874
Refundable insurance premium.....	232	220	2,792
Deferred tax assets (Note 10).....	1,283	1,592	15,426
Other assets.....	1,077	831	12,953
<b>Total investments and other assets.....</b>	<b>10,493</b>	<b>11,851</b>	<b>126,196</b>
<b>TOTAL.....</b>	<b>¥107,552</b>	<b>¥ 92,941</b>	<b>\$1,293,465</b>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Note 6).....	¥ 900	¥ 1,200	\$10,824
Payables:			
Trade notes and accounts (Note 13) .....	8,568	7,198	103,042
Accounts payable—other .....	3,195	2,422	38,430
Income taxes payable (Note 10) .....	4,908	1,600	59,026
Accrued bonuses (Note 2.m) .....	612	1,173	7,361
Other .....	2,379	937	28,605
Total current liabilities .....	20,562	14,530	247,288
<b>LONG-TERM LIABILITIES:</b>			
Liability for retirement benefits (Note 7) .....	2,451	2,434	29,474
Other .....	263	30	3,164
Total long-term liabilities .....	2,714	2,464	32,638
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 14)</b>			
<b>EQUITY (Notes 8, 9, 16,17 and 18):</b>			
Common stock—authorized, 340,000,000 shares in 2011 and 2010; issued, 89,853,084 shares in 2011 and 89,018,684 shares in 2010 .....	5,341	4,682	64,225
Capital surplus .....	15,112	14,453	181,745
Stock acquisition rights.....	460	280	5,536
Retained earnings.....	66,236	58,802	796,581
Treasury stock—at cost, 385,333 shares in 2011 and 384,904 shares in 2010.....	(652)	(651)	(7,834)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities.....	31	63	373
Foreign currency translation adjustments.....	(2,252)	(1,682)	(27,087)
Total equity.....	84,276	75,947	1,013,539
<b>TOTAL</b> .....	<b>¥107,552</b>	<b>¥ 92,941</b>	<b>\$1,293,465</b>

## Consolidated Statements of Income

MISUMI Group Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011	2010	2009	2011
<b>NET SALES</b> (Note 19).....	<b>¥121,203</b>	¥89,180	¥110,041	<b>\$1,457,648</b>
<b>COST OF SALES</b> .....	<b>72,264</b>	54,241	69,075	<b>869,080</b>
Gross profit .....	<b>48,939</b>	34,939	40,966	<b>588,568</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 12)	<b>33,376</b>	26,531	29,949	<b>401,405</b>
<b>Operating income</b> (Note 19) .....	<b>15,563</b>	8,408	11,017	<b>187,163</b>
<b>OTHER INCOME (EXPENSES):</b>				
Interest and dividend income .....	<b>199</b>	193	251	<b>2,396</b>
Interest expense .....	<b>(17)</b>	(22)	(34)	<b>(207)</b>
Exchange loss—net.....	<b>(554)</b>	(531)	(665)	<b>(6,661)</b>
Impairment loss (Notes 5 and 19).....	<b>(14)</b>	(317)	(542)	<b>(173)</b>
Other—net (Note 2.n).....	<b>232</b>	47	(387)	<b>2,800</b>
Other expenses—net.....	<b>(154)</b>	(630)	(1,377)	<b>(1,845)</b>
<b>INCOME BEFORE INCOME TAXES</b> .....	<b>15,409</b>	7,778	9,640	<b>185,318</b>
<b>INCOME TAXES</b> (Note 10):				
Current.....	<b>6,868</b>	4,000	4,982	<b>82,600</b>
Deferred.....	<b>(466)</b>	(108)	(29)	<b>(5,609)</b>
Total income taxes .....	<b>6,402</b>	3,892	4,953	<b>76,991</b>
<b>NET INCOME BEFORE MINORITY INTERESTS</b> .....	<b>9,007</b>	3,886	4,687	<b>108,327</b>
<b>NET INCOME</b> .....	<b>¥9,007</b>	¥ 3,886	¥4,687	<b>\$108,327</b>
		Yen		U.S. Dollars
<b>PER SHARE OF COMMON STOCK</b> (Notes 2.u, 8, 16 and 18):				
Net income .....	<b>¥101.16</b>	¥43.84	¥52.89	<b>\$1.22</b>
Diluted net income .....	<b>100.93</b>	43.80	52.86	<b>1.21</b>
Cash dividends applicable to the year .....	<b>20.20</b>	10.00	13.00	<b>0.24</b>

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Consolidated Subsidiaries  
Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
<b>NET INCOME BEFORE MINORITY INTERESTS</b> .....	<b>¥ 9,007</b>	<b>\$ 108,327</b>
<b>OTHER COMPREHENSIVE INCOME</b> (Note15):		
Unrealized gain (loss) on available-for-sale securities .....	<b>(32)</b>	<b>(388)</b>
Foreign currency translation adjustments.....	<b>(621)</b>	<b>(7,463)</b>
Share of other comprehensive income in associates .....	<b>51</b>	<b>609</b>
Total other comprehensive income.....	<b>(602)</b>	<b>(7,242)</b>
<b>COMPREHENSIVE INCOME</b> (Note15).....	<b>¥ 8,405</b>	<b>\$ 101,085</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b> (Note15):		
Owners of the parent .....	<b>¥ 8,405</b>	<b>\$ 101,085</b>

See notes to consolidated financial statements.

## Consolidated Statements of Changes in Equity

MISUMI Group Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2011, 2010 and 2009

	Thousands	Millions of Yen							Total Equity
		Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated other comprehensive income		
	Issued Number of Shares of Common Stock Outstanding						Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	
<b>BALANCE, MARCH 31, 2008</b> .....	88,921	¥4,596	¥14,368	¥121	¥52,629	¥ (649)	¥200	¥158	¥71,423
Net income.....					4,687				4,687
Cash dividends, ¥22.00 per share.....					(1,948)				(1,948)
Increase in treasury stock (782 shares)						(1)			(1)
Disposal of treasury stock (192 shares)					(0)	0			0
Exercise of stock acquisition rights (Note 9).....	98	86	85						171
Change in scope of consolidation.....					(4)				(4)
Net change in the year.....				36			(200)	(2,311)	(2,475)
<b>BALANCE, MARCH 31, 2009</b> .....	89,019	4,682	14,453	157	55,364	(650)	0	(2,153)	71,853
Net income.....					3,886				3,886
Cash dividends, ¥5.00 per share.....					(443)				(443)
Increase in treasury stock (682 shares)						(1)			(1)
Disposal of treasury stock (144 shares)					(0)	0			0
Change in scope of consolidation.....					(5)				(5)
Net change in the year.....				123			63	471	657
<b>BALANCE, MARCH 31, 2010</b> .....	89,019	4,682	14,453	280	58,802	(651)	63	(1,682)	75,947
Net income.....					9,007				9,007
Cash dividends, ¥17.58 per share.....					(1,573)				(1,573)
Increase in treasury stock (637 shares)						(1)			(1)
Disposal of treasury stock (208 shares)					0	0			0
Exercise of stock acquisition rights (Notes 9 and 17).....	834	659	659						1,318
Net change in the year.....				180			(32)	(570)	(422)
<b>BALANCE, MARCH 31, 2011</b> .....	89,853	¥5,341	¥15,112	¥460	¥66,236	¥(652)	¥31	¥ (2,252)	¥84,276

	Thousands	Thousands of U.S.Dollars (Note 1)							Total Equity
		Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated other comprehensive income		
	Issued Number of Shares of Common Stock Outstanding						Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	
<b>BALANCE, MARCH 31, 2010</b> .....		\$56,303	\$173,828	\$3,365	\$707,172	\$(7,824)	\$761	\$(20,233)	\$913,372
Net income.....					108,327				108,327
Cash dividends, \$ 0.21 per share.....					(18,919)				(18,919)
Increase in treasury stock (637 shares).....						(14)			(14)
Disposal of treasury stock (208 shares).....					1	4			5
Exercise of stock acquisition rights (Notes 9 and 17).....		7,922	7,917						15,839
Net change in the year.....				2,171			(388)	(6,854)	(5,071)
<b>BALANCE, MARCH 31, 2011</b> .....		\$64,225	\$181,745	\$5,536	\$796,581	\$(7,834)	\$373	\$(27,087)	\$1,013,539

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

MISUMI Group Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011	2010	2009	2011
<b>OPERATING ACTIVITIES:</b>				
Income before income taxes .....	¥15,409	¥7,778	¥9,640	\$185,318
Adjustments for:				
Income taxes paid.....	(3,876)	(4,586)	(7,423)	(46,614)
Income taxes refund.....	216	611	481	2,593
Depreciation and amortization .....	2,243	1,878	1,834	26,980
Amortization of goodwill .....	182	738	738	2,185
Exchange loss .....	431	54	955	5,179
Impairment loss .....	14	317	542	173
Changes in assets and liabilities:				
(Increase) Decrease in receivables .....	(3,473)	(5,061)	10,404	(41,767)
(Increase) Decrease in inventories.....	(2,277)	761	(1,025)	(27,384)
Increase (Decrease) in payables .....	1,087	2,599	(3,200)	13,067
Increase (Decrease) in other current liabilities.....	908	694	(801)	10,925
Other—net .....	870	630	268	10,471
Total adjustments .....	(3,675)	(1,365)	2,773	(44,192)
Net cash provided by operating activities.....	11,734	6,413	12,413	141,126
<b>INVESTING ACTIVITIES:</b>				
Proceeds from sales and redemption of marketable securities .....	6,050	11,005	9,602	72,763
Purchase of marketable and investment securities .....	(3,502)	(10,008)	(9,507)	(42,113)
Purchase of property, plant and equipment .....	(5,312)	(3,823)	(3,994)	(63,890)
Proceeds from sales of stocks of subsidiaries and affiliates..	307			3,687
Refund from time deposits.....	21,475	9,602	364	258,272
Payment into time deposits.....	(21,894)	(23,949)	(646)	(263,302)
Other—net .....	(89)	11	(1)	(1,079)
Net cash used in investing activities.....	(2,965)	(17,162)	(4,182)	(35,662)
<b>FINANCING ACTIVITIES:</b>				
Decrease in short-term bank loans—net .....	(300)	(100)	(173)	(3,607)
Repayments of long-term debt.....		(561)	(131)	
Proceeds from issuance of stock .....	1,314		160	15,805
Acquisition of treasury stock.....	(1)	(1)	(1)	(14)
Proceeds from disposal of treasury stock .....	0	0		5
Dividends paid.....	(1,573)	(443)	(1,948)	(18,919)
Net cash used in financing activities .....	(560)	(1,105)	(2,093)	(6,730)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS .....	(355)	128	(1,094)	(4,271)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	7,854	(11,726)	5,044	94,463
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	10,909	22,671	17,637	131,194
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION .....		(36)	(10)	
<b>CASH AND CASH EQUIVALENTS, END OF YEAR .....</b>	<b>¥18,763</b>	<b>¥10,909</b>	<b>¥22,671</b>	<b>\$225,657</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

MISUMI Group Inc. and Consolidated Subsidiaries

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statements of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 15. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 and 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MISUMI Group Inc. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation**—The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 23 (21 as of March 31, 2010) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in two associated companies are accounted for by the equity method.

Three subsidiaries, PARTS KOREA CO., LTD., WUXI PARTS SEIKO PRECISION IND CO., LTD., and SURUGA SEIKI (GUANZHOU) CO., LTD., are not consolidated in 2011 because they would have an immaterial effect on the accompanying consolidated financial statements. Investments in the three unconsolidated subsidiaries are accounted for on the cost basis.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries at acquisition are recorded as goodwill included in investments and other assets and are being amortized on a straight-line basis over five years.

All significant intercompany balances and transactions have been eliminated in consolidation.

All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

For consolidated subsidiaries or associated companies whose closing dates are different from that of the Company, certain adjustments necessary to consolidate have been made.

**b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements".

PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; (e) recording the prior years' effects of changes in

accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if included.

**c. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to an insignificant risk of changes in value. Cash equivalents include time deposits and money management funds similar to money market mutual funds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

**d. Inventories**—Merchandise and material are principally stated at cost (lower than book value due to decline in profitability) determined by the moving-average method. Finished goods, work in process and supplies are principally stated at cost (lower than book value due to decline in profitability) by the periodic average method, except catalogues that are stated at cost by the last purchase method.

**e. Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

**f. Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

**g. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment held by domestic consolidated subsidiaries is computed principally by the declining-balance method. However, buildings acquired on and after April 1, 1998 are computed by the straight-line method, except for building accompanying facilities. The straight-line method is applied to property, plant and equipment held by consolidated foreign subsidiaries.

The range of useful lives is principally as follows:

Buildings and structures	3 to 50	years
Machineries and vehicles	2 to 15	years

**h. Long-lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**i. Other Assets**—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method over five years.

**j. Research and Development Costs**—Research and development costs are charged to income as incurred.

**k. Stock Issue Costs**—Stock issue costs are charged to income as incurred.

**l. Retirement Plan**—The Company and consolidated subsidiaries have a termination allowance plan and an employees' pension fund plan. Certain subsidiaries have a termination allowance plan, qualified retirement pension plan and employees' pension fund. The Group provided for the liability for employees' retirement benefits based on the projected benefit obligation and plan assets at the balance sheet date. Actuarial gains and losses are charged to income as incurred, whereas they are amortized over ten years for those incurred in certain consolidated subsidiaries.

The annual provisions for retirement payments to directors and corporate auditors are calculated to present the liability at the amount that would be required if all of the Company's eligible directors and corporate auditors who are covered by the retirement payment plan retired at each balance sheet date.

**m. Accrued Bonuses**—The Company and certain consolidated subsidiaries provide accrued bonuses for employees, directors and corporate auditors based on future projections for the current fiscal year.

**n. Asset Retirement Obligations**—In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

This standard was effective for fiscal years beginning on or after April 1, 2010.

The Company has applied this standard effective April 1, 2010. Although the effects on the operating income and income before income taxes and minority interests were immaterial, the Company recorded ¥68 million (\$828 thousand) as other expenses for the year ended March 31, 2011 as a result.

- o. Stock Options**—On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options", and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company has applied this accounting standard for stock options to those granted on and after May 1, 2006.

- p. Leases**—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993.

The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company has applied the revised accounting standard effective from the year ended March 31, 2009. In addition, the Company has accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

- q. Derivative Financial Instruments**—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign currency forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes. All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income.

- r. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

- s. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

- t. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the consolidated balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" as a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into yen at the average exchange rate.

**u. Per Share Information**—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if stock option rights were exercised. Diluted net income per share of common stock assumes full exercise of dilutive outstanding stock option rights.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of year.

**v. New Accounting Pronouncements**

**Accounting Changes and Error Corrections**—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections", and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied with a revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

**3. MARKETABLE AND INVESTMENT SECURITIES**

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
<b>Current:</b>			
Corporate and public bonds .....	¥4,512	¥5,000	\$54,261
Trust fund investments .....		48	
<b>Total .....</b>	<b>¥4,512</b>	<b>¥5,048</b>	<b>\$54,261</b>
<b>Non current:</b>			
Equity securities .....	¥78	¥133	\$943
Corporate and public bonds .....	1,015	4,062	12,211
Trust fund investments .....	1,937	964	23,291
<b>Total .....</b>	<b>¥3,030</b>	<b>¥5,159</b>	<b>\$36,445</b>

The costs and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Securities classified as available-for-sale:</b>				
Equity securities .....	¥71	¥7	¥6	¥72
Debt securities .....	5,522	9	4	5,527
Trust fund investments .....	1,899	89	51	1,937

	Millions of Yen			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Securities classified as available-for-sale:</b>				
Equity securities .....	¥109	¥18	¥0	¥127
Debt securities .....	9,043	32	14	9,061
Trust fund investments.....	1,305	111	49	1,367
	Thousands of U.S. Dollars			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Securities classified as available-for-sale:</b>				
Equity securities .....	<b>\$849</b>	<b>\$92</b>	<b>\$75</b>	<b>\$866</b>
Debt securities .....	<b>66,410</b>	<b>108</b>	<b>46</b>	<b>66,472</b>
Trust fund investments.....	<b>22,839</b>	<b>1,062</b>	<b>610</b>	<b>23,291</b>

Available-for-sale securities were not sold for the year ended March 31, 2011. Proceeds from sales of available-for-sale securities for the year ended March 31, 2010 were ¥5 million. Gross realized gains on these sales, computed on the moving average cost basis were ¥1 million and no loss was incurred for the year ended March 31, 2010.

The redemption amounts of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2011 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Available for Sale	Available for Sale
Due in one year or less.....	<b>¥4,511</b>	<b>\$54,262</b>
Due after one year through five years .....	<b>2,040</b>	<b>24,534</b>
Due after five years through ten years.....	<b>16</b>	<b>187</b>
Due after ten years .....	<b>59</b>	<b>706</b>
Total .....	<b>¥6,626</b>	<b>\$79,689</b>

#### 4. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Merchandise.....	<b>¥8,771</b>	¥7,315	<b>\$105,478</b>
Finished goods .....	<b>312</b>	218	<b>3,750</b>
Materials .....	<b>1,944</b>	1,706	<b>23,376</b>
Supplies .....	<b>606</b>	517	<b>7,290</b>
Work in process and other.....	<b>906</b>	859	<b>10,907</b>
Total .....	<b>¥12,539</b>	¥10,615	<b>\$150,801</b>

#### 5. LONG-LIVED ASSETS

For the year ended March 31, 2011, the Group recognized an impairment loss of ¥14 million (\$173 thousand) as other expense for the unused land of Iwaki, which is decided to be sold and the carrying amount for the assets group was reduced to the recoverable amount.

For the year ended March 31, 2010, the Group recognized an impairment loss of ¥317 million as other expense for the unused land of Iwaki, due to a fall in market price and the carrying amount of the land was written down to the recoverable amount by valuations made in accordance with real estate appraisal standards.

#### 6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The annual interest rates applicable to the short-term bank loans ranged from 0.80% to 1.04% and from 0.57% to 1.19% at March 31, 2011 and 2010, respectively.

There was no long-term debt outstanding at March 31, 2011 and 2010.

## 7. RETIREMENT PLAN

Under most circumstances, terminated employees are entitled to retirement payments based on their rate of pay at the time of termination, years of service and certain other factors.

The Company and consolidated subsidiaries have a termination allowance plan and an employees' pension fund plan. Certain subsidiaries have a termination allowance plan, qualified retirement pension plan and employee's pension fund.

The Company and certain subsidiaries have applied Accounting Standard for Retirement Benefits Note 12 (Business Accounting Deliberation Council, June 16, 1998).

Since the Company and certain subsidiaries join the multi-employer type of employees' pension fund plans (including the contracted-out portion), it is difficult to reasonably calculate the Group's portion of the plan assets corresponding to its contributions. The Group recorded the contributions to the plan assets as periodic benefit costs.

The Company and a portion of consolidated subsidiaries have joined the Social Welfare Pension Fund of Nippon Sheet Metal Presswork and a portion of domestic consolidated subsidiaries are the members of Shizuoka Midland Machine Industry Pension Fund.

### a. Funding status of the Social Welfare Pension Fund of Nippon Sheet Metal Presswork

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Plan assets .....	¥64,279	¥55,533	\$773,049
Liability based on pension benefit calculation .....	79,316	77,701	953,891
Difference .....	¥ (15,037)	¥ (22,168)	\$(180,842)
Percentage of the Group's contributions to the total plan .....	5.89%		

As of March 31, 2010, difference for the Social Welfare Pension Fund of Nippon Sheet Metal Presswork (the "Fund") is due to a past service liability from the pension benefit calculation (¥13,530 million) and carry forward deficit (¥1,507 million). The past service liability is amortized on a straight-line basis over a period of 18 years.

As of March 31, 2009, difference for the Fund is due to a past service liability from the pension benefit calculation (22,168 million yen) and it is amortized on a straight-line basis over a period of 19 years.

### b. Funding status of Shizuoka Midland Machine Industry Pension Fund

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Plan assets .....	¥17,614	¥16,297	\$211,833
Liability based on pension benefit calculation .....	23,265	26,978	279,794
Difference .....	¥(5,651)	¥ (10,681)	\$(67,961)
Percentage of the Group's contributions to the total plan .....	13.14%		

As of March 31, 2010, difference for the Shizuoka Midland Machine Industry Pension Fund (the "Fund") is caused primarily by a past service liability from the pension benefit calculation (¥1,841 million) and carry forward deficit (¥8,759 million). The past service liability is amortized on a straight-line basis over 19 years.

As of March 31, 2009, difference for the Fund is caused primarily by a past service liability from the pension benefit calculation (¥2,210 million), current year's deficit (¥5,719 million) and carry forward deficit (¥3,461 million). The past service liability is amortized on a straight-line basis over 20 years.

The liability for retirement benefits at March 31, 2011 and 2010 for the directors and corporate auditors is ¥424 million (\$5,101 thousand) and ¥705 million, respectively. The amounts payable to directors and corporate auditors upon retirement is subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following (the amount of the liability for retirement benefits for the directors and corporate auditors is not included):

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation .....	¥2,688	¥2,337	\$32,330
Fair value of plan assets .....	(584)	(521)	(7,019)
Unrecognized actuarial loss .....	(77)	(87)	(938)
Net liability .....	¥2,027	¥1,729	\$24,373

The components of net periodic benefit costs for the year ended March 31, 2011 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Service cost .....	¥360	\$4,327
Interest cost .....	31	371
Expected return on plan assets.....	(5)	(56)
Recognized actuarial loss .....	100	1,207
Contribution to the Pension .....	227	2,726
Net periodic benefit costs .....	¥713	\$8,575

Assumptions used in determining the retirement benefit obligations for the year ended March 31, 2011 are set forth as follows:

	2011
Discount rate.....	1.2%-1.9%
Expected rate of return on plan assets.....	1.0%

Actuarial gains and losses are charged to income as incurred, while they are amortized over ten years for those incurred in certain consolidated subsidiaries.

## 8.EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### a.Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as an earned legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of the earned legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and earned legal reserve may be reversed without limitation. The Companies Act also provides that common stock, earned legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders that is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 9. STOCK OPTION

Information of the stock options for the year ended March 31, 2011 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option (1)	1 director	450,000 shares	2003.7.1	¥1,394 (\$16.76)	From August 1, 2005 to July 31, 2010
2003 Stock Option (2)	4 directors 119 employees 1 employee of the Group	600,000 shares	2003.12.1	¥1,742 (\$20.95)	From August 1, 2005 to July 31, 2010
2004 Stock Option (1)	2 directors 3 employees	552,000 shares	2004.7.1	¥1,795 (\$21.59)	From August 1, 2006 to July 31, 2011
2004 Stock Option (2)	4 directors 139 employees	497,200 shares	2005.3.15	¥1,735 (\$20.87)	From August 1, 2006 to July 31, 2011
2005 Stock Option (1)	2 directors 1 employee	489,000 shares	2005.7.1	¥1,785 (\$21.47)	From August 1, 2007 to July 31, 2012
2005 Stock Option (2)	2 directors 166 employees	708,400 shares	2006.3.1	¥2,534 (\$30.48)	From August 1, 2007 to July 31, 2012
2007 Stock Option (1)	6 directors	280,000 shares	2007.7.12	¥2,219 (\$26.69)	From August 1, 2009 to July 31, 2014
2007 Stock Option (2)	15 employees of the Group	60,000 shares	2008.1.11	¥2,027 (\$24.38)	From February 1, 2010 to January 31, 2015
2008 Stock Option (1)	8 directors	440,000 shares	2008.7.11	¥2,073 (\$24.93)	From August 1, 2010 to July 31, 2015
2008 Stock Option (2)	21 employees of the Group	104,000 shares	2008.12.8	¥1,576 (\$18.95)	From January 1, 2011 to December 31, 2016
2009 Stock Option (1)	7 directors	486,000 shares	2009.7.10	¥1,432 (\$17.22)	From August 1, 2011 to July 31, 2016
2009 Stock Option (2)	31 employees of the Group	143,000 shares	2009.8.10	¥1,600 (\$19.24)	From September 1, 2011 to August 31, 2016
2010 Stock Option (1)	6 directors	520,000 shares	2010.7.2	¥1,827 (\$21.97)	From August 1, 2012 to July 31, 2018
2010 Stock Option (2)	38 employees of the Group	155,000 shares	2010.7.2	¥1,827 (\$21.97)	From August 1, 2012 to July 31, 2018

The stock option activity is as follows:

	2003 Stock Option (1)	2003 Stock Option (2)	2004 Stock Option (1)	2004 Stock Option (2)	2005 Stock Option (1)	2005 Stock Option (2)	2007 Stock Option (1)	2007 Stock Option (2)
	(Shares)							
<b>For the Year Ended March 31, 2010</b>								
Non-vested:								
March 31, 2009—outstanding ...								46,000
Granted.....								
Canceled.....								11,000
Vested.....								35,000
March 31, 2010—outstanding ...								
Vested:								
March 31, 2009—outstanding ...	441,600	246,900	503,600	307,400	489,000	643,000	280,000	
Vested.....								35,000
Exercised.....								
Canceled.....		41,700	23,600	87,000		139,000		
March 31, 2010—outstanding ...	441,600	205,200	480,000	220,400	489,000	504,000	280,000	35,000
<b>For the Year Ended March 31, 2011</b>								
Non-vested:								
March 31, 2010—outstanding ...								
Granted.....								
Canceled.....								
Vested.....								
March 31, 2011—outstanding ...								
Vested:								
March 31, 2010—outstanding ...	441,600	205,200	480,000	220,400	489,000	504,000	280,000	35,000
Vested.....								
Exercised.....	441,600		336,200	53,600				
Canceled.....		205,200		8,800	24,000	58,000		
March 31, 2011—outstanding ...			143,800	158,000	465,000	446,000	280,000	35,000
Yen (U.S. Dollars)								
Exercise price .....	¥1,394 (\$16.76)	¥1,742 (\$20.95)	¥1,795 (\$21.59)	¥1,735 (\$20.87)	¥1,785 (\$21.47)	¥2,534 (\$30.48)	¥2,219 (\$26.69)	¥2,027 (\$24.38)
Fair value price at grant date.....							¥384 (\$4.62)	¥305 (\$3.67)

The stock option activity is as follows:

	2008 Stock Option (1)	2008 Stock Option (2)	2009 Stock Option (1)	2009 Stock Option (2)	2010 Stock Option (1)	2010 Stock Option (2)
(Shares)						
<b>For the Year Ended March 31, 2010</b>						
<b>Non-vested:</b>						
March 31, 2009—outstanding ...	440,000	104,000				
Granted.....			486,000	143,000		
Canceled.....	40,000	27,000		23,000		
Vested .....						
March 31, 2010—outstanding ...	400,000	77,000	486,000	120,000		
<b>Vested:</b>						
March 31, 2009—outstanding ...						
Vested .....						
Exercised.....						
Canceled.....						
March 31, 2010—outstanding ...						
<b>For the Year Ended March 31, 2011</b>						
<b>Non-vested:</b>						
March 31, 2010—outstanding ...	400,000	77,000	486,000	120,000		
Granted.....					520,000	155,000
Canceled.....		6,000		9,000		9,000
Vested .....	400,000	71,000				
March 31, 2011—outstanding ...			486,000	111,000	520,000	146,000
<b>Vested:</b>						
March 31, 2010—outstanding ...						
Vested .....	400,000	71,000				
Exercised.....		3,000				
Canceled.....						
March 31, 2011—outstanding ...	400,000	68,000				
Yen (U.S. Dollars)						
Exercise price .....	¥2,073 (\$24.93)	¥1,576 (\$18.95)	¥1,432 (\$17.22)	¥1,600 (\$19.24)	¥1,827 (\$21.97)	¥1,827 (\$21.97)
Fair value price at grant date.....	¥286 (\$3.44)	¥87 (\$1.05)	¥272 (\$3.27)	¥356 (\$4.28)	¥330 (\$3.97)	¥330 (\$3.97)

**The Assumptions Used to Measure Fair Value of Stock Options Granted for the Year Ended March 31, 2011 were:**

Granted on July 2, 2010 (2010 Stock Option (1))  
 Estimate method: Black-Scholes option pricing model  
 Volatility of stock price: 28.86%  
 Estimated remaining outstanding period: 5.08 years  
 Estimated dividend: ¥10 per share  
 Interest rate with risk free: 0.34%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from May 2005 to June 2010.  
 2. Estimated remaining outstanding period is determined based on the assumption that all options would be exercised on the middle date of the exercise period.  
 3. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2010.  
 4. For the risk free interest rate, the Company uses the yield of Japanese treasury bonds applicable to the estimated remaining outstanding period of options.

Granted on July 2, 2010 (2010 Stock Option (2))  
 Estimate method: Black-Scholes option pricing model  
 Volatility of stock price: 28.86%  
 Estimated remaining outstanding period: 5.08 years  
 Estimated dividend: ¥10 per share  
 Interest rate with risk free: 0.34%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from December 2004 to July 2009.  
 2. Estimated remaining outstanding period is determined based on the assumption that all options would be exercised on the middle date of the exercise period.  
 3. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2010.  
 4. For the risk free interest rate, the Company uses the yield of Japanese treasury bonds applicable to the estimated remaining outstanding period of options.

**The Assumptions Used to Measure the Number of Vested Stock Options**

The Company uses only the actual cancellations due to the difficulty in determining the reasonable assumption to measure the number of future cancellations.

## 10. INCOME TAXES

The Company is subject to Japanese national and local income taxes, which in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended March 31, 2011, 2010 and 2009.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current deferred tax assets:			
Devaluation of inventories .....	¥ 399	¥ 338	\$4,797
Accrued enterprise tax .....	368	131	4,426
Accrued bonuses.....	675	383	8,122
Unrealized income .....	135	58	1,621
Tax losses carried forward .....		15	
Allowance for doubtful receivables .....	92	16	1,110
Other—net .....	115	93	1,375
Subtotal .....	1,784	1,034	21,451
Valuation allowance.....	(151)	(223)	(1,814)
Current deferred tax assets.....	1,633	811	19,637
Current deferred tax liabilities:			
Valuation on available-for-sale securities .....	(0)	(6)	(6)
Other—net .....	(37)	(1)	(437)
Current deferred tax liabilities.....	(37)	(7)	(443)
Net current deferred tax assets.....	¥ 1,596	¥804	\$19,194
Non-current deferred tax assets:			
Liabilities for retirement benefits for employees.....	¥ 828	¥ 684	\$9,954
Valuation loss on investment securities.....		3	
Depreciation .....	414	420	4,978
Tax losses carried forward .....	1,357	1,320	16,319
Allowance for doubtful receivables .....	32	36	383
Unrealized income .....	35	42	421
Other—net .....	152	129	1,837
Subtotal .....	2,818	2,634	33,892
Valuation allowance.....	(1,328)	(982)	(15,972)
Non-current deferred tax assets .....	1,490	1,652	17,920
Non-current deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment.....	(123)		(1,477)
Valuation on available-for-sale securities .....	(17)	(32)	(205)
Other—net .....	(67)	(28)	(812)
Non-current deferred tax liabilities .....	(207)	(60)	(2,494)
Net non-current deferred tax assets.....	¥ 1,283	¥ 1,592	\$15,426

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 are as follows:

	2010	2009
Normal effective statutory tax rate	40.7%	40.7%
Non-deductible bonuses to directors and corporate auditors .....	0.9	0.8
Increase in temporary differences not scheduled for income tax purposes .....	5.5	8.6
Amortization of goodwill.....	3.9	3.1
Equity in earnings of affiliates .....	0.4	(2.0)
Other.....	(1.4)	0.2
Actual effective tax rate .....	50.0%	51.4%

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2011 was not presented because the differences between them were not material.

**11.LEASES**

The Group leases certain machinery, computer and telecommunication equipment, office space and other assets.

Total rental expense for the years ended March 31, 2011, 2010 and 2009 was ¥1,291 million (\$15,527 thousand), ¥1,132 million and ¥1,236 million, respectively.

**Pro forma information of leased property whose lease inception was before March 31, 2008**

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Group applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2011 and 2010 was as follows:

	Millions of Yen		
	2011		
	Machineries and Vehicles	Other	Total
Acquisition cost.....	¥ 728	¥ 35	¥ 763
Accumulated depreciation.....	(563)	(26)	(589)
Net leased property .....	¥ 165	¥ 9	¥ 174

	Millions of Yen		
	2010		
	Machineries and Vehicles	Other	Total
Acquisition cost.....	¥927	¥108	¥1,035
Accumulated depreciation.....	(633)	(90)	(723)
Net leased property .....	¥294	¥18	¥312

	Thousands of U.S. Dollars		
	2011		
	Machineries and Vehicles	Other	Total
Acquisition cost.....	\$8,751	\$422	\$9,173
Accumulated depreciation.....	(6,768)	(313)	(7,081)
Net leased property .....	\$1,983	\$109	\$2,092

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year.....	¥85	¥142	\$1,025
Due after one year.....	93	178	1,116
Total .....	¥178	¥320	\$2,141

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Depreciation expense.....	¥137	¥213	\$1,646
Interest expense.....	3	6	36
Total .....	¥140	¥219	\$1,682
Lease payments .....	¥142	¥224	\$1,710

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year.....	¥151		\$1,817
Due after one year.....	129		1,547
Total .....	¥280		\$3,364

## 12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥322 million (\$3,872 thousand), ¥275 million and ¥606 million for the years ended March 31, 2011, 2010 and 2009, respectively.

## 13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Group applied "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and "Guidance on Disclosure about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 10, 2008) effective from the year ended March 31, 2010.

### (1) Group policy for financial instruments

The Group has planning and selling in its parts business, consisting of "Factory Automation", "Die Components", "Electronics" and "Diversified." Capital investment plan for the ongoing business is principally financed by our own funds. Temporary excess funds are operated by the highly rated financial institutions and it is our policy not to enter into derivative transactions for speculative purpose. Derivative transactions are only utilized to hedge foreign currency fluctuation risk.

### (2) Nature and extent of risks arising from financial instruments

Operating receivables such as trade notes and trade accounts are exposed to credit risk. Operating payables such as trade notes and accounts are due within one year. The Group operates its business globally and has operating receivables and payables denominated in foreign currencies that are exposed to foreign currency fluctuation risk. The Group utilizes foreign currency forward contracts to hedge foreign currency fluctuation risk of the netting amount of operating receivables and operating payables denominated in foreign currencies. Marketable securities and investment securities operations mainly consist of governmental bonds and are exposed to market fluctuation risk. The Group follows a stable operation policy and does not have any speculative transactions.

### (3) Risk management for financial instruments

#### 1. Credit risk (risk of default by the counter parties) management

The Group follows sales management rules and the sales management department monitors the customers' credit conditions periodically and manages the due date and balance per each customer. The Group keeps track of the adverse financial conditions of our customers in the early stage to mitigate bad debts. Marketable securities and investment securities have little credit risk as they follow the fund operating rules and mainly consist of highly rated bonds.

The Group enters into derivative transactions only with highly rated financial institutions to mitigate the credit risk and the Group evaluated that there is no material credit risk. The maximum credit risk for the year ended March 31, 2011 is presented as financial instruments, which are exposed to credit risk on the balance sheets.

#### 2. Market risk (risk of foreign currency fluctuations and interest) management

Regarding the operating receivables and operating payables denominated in foreign currencies, the Group principally utilizes foreign currency forward contracts to hedge foreign currency fluctuation risk, which are monitored by each currency monthly. Regarding marketable securities and investment securities, the Group regularly reviews the fair value and issuers' financial condition and readjusts the Group's portfolio on an ongoing basis. For derivative transactions, the Group currently deals with foreign currency forward contract only. The purpose of derivative transactions is limited to hedge actual demand of receivables and payables denominated in foreign currencies. The Group manages derivative risk by mutual supervision and review within finance department.

#### 3. Liquidity risk (risk of default in payment at the due dates) management

The finance department prepares and updates the cash management plan periodically based on the reports from each department and calculates the necessary amount on hand. The Group manages the liquidity risk by maintaining the amount calculated by the finance department.

### (4) Fair value of financial instruments

Fair values of financial instruments are based on the market price and the value fluctuates according to the market. The contract amount regarding derivative transactions described in Note 14. DERIVATIVES does not indicate market risk related to derivative transactions.

#### (a) Fair value of financial instruments

Carrying amount on the consolidated balance sheet, fair value and difference of financial instruments as of March 31, 2011 and 2010 are as follows:

	Millions of Yen		
	2011		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents.....	¥ 18,763	¥ 18,763	
Time deposits .....	17,355	17,355	
Marketable securities.....	4,512	4,512	
Trade notes receivable.....	4,766	4,766	
Trade accounts receivable .....	21,199	21,199	
Investment securities .....	3,030	3,030	
Trade notes payable and accounts payable .....	(8,568)	(8,568)	
Derivatives, net.....	(136)	(136)	

	Millions of Yen		
	2010		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents.....	¥10,909	¥10,909	
Time deposits .....	17,050	17,050	
Marketable securities.....	5,048	5,048	
Trade notes receivable.....	3,906	3,906	
Trade accounts receivable .....	18,165	18,165	
Investment securities .....	5,159	5,159	
Trade notes payable and accounts payable.....	(7,198)	(7,198)	
Derivatives, net.....	(196)	(196)	

	Thousands of U.S. dollars		
	2011		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents.....	\$ 225,657	\$ 225,657	
Time deposits .....	208,716	208,716	
Marketable securities.....	54,261	54,261	
Trade notes receivable.....	57,322	57,322	
Trade accounts receivable .....	254,944	254,944	
Investment securities .....	36,445	36,445	
Trade notes payable and accounts payable.....	(103,042)	(103,042)	
Derivatives, net.....	(1,641)	(1,641)	

The financial instruments that are extremely difficult to determine the fair value are excluded from the chart above.

Valuation method of the fair value of financial instruments and information of marketable securities and derivative are as follows:

**Cash and cash equivalents, and time deposits**

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

**Trade notes receivable and trade accounts receivable**

The carrying values of trade notes receivable and trade accounts receivable approximate fair value because of their short maturities.

**Marketable and investment securities**

Fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price at bond markets, or the price presented by the counter party financial institutions. Please see Note 3. MARKETABLE AND INVESTMENT SECURITIES for the notes regarding the securities by classification.

**Trade notes payable and accounts payable**

The carrying values of trade notes payable and trade accounts payable approximate fair value because of their short maturities.

**Derivatives**

Please refer to Note 14. DERIVATIVES.

**(b) Financial instruments whose fair value cannot be reliably determined as of March 31, 2011 and 2010**

	Carrying Amount		
	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
	2011	2010	2011
Unlisted securities .....	¥204	¥509	\$2,470

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2011 and 2010

	Millions of Yen			
	2011			
	Due in One Year or Less	Due after One Year Through Five Years	Due after Five Years Through Ten Years	Due after Ten Years
Cash and cash equivalents.....	¥ 18,763			
Time deposits .....	17,355			
Trade notes receivable.....	4,766			
Trade accounts receivable .....	21,199			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds .....	2,013	¥1,015		
Corporate bonds .....	2,498	991		
Other .....		34	¥ 16	¥ 59
<b>Total .....</b>	<b>¥ 66,594</b>	<b>¥ 2,040</b>	<b>¥ 16</b>	<b>¥ 59</b>

	Millions of Yen			
	2010			
	Due in One Year or Less	Due after One Year Through Five Years	Due after Five Years Through Ten Years	Due after Ten Years
Cash and cash equivalents.....	¥10,909			
Time deposits .....	17,050			
Trade notes receivable.....	3,906			
Trade accounts receivable .....	18,165			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds .....	2,010	¥3,061		
Corporate bonds .....	2,991			
Other .....	48	38		¥ 56
<b>Total .....</b>	<b>¥ 55,079</b>	<b>¥ 3,099</b>		<b>¥ 56</b>

	Thousands of U.S. dollars			
	2011			
	Due in One Year or Less	Due after One Year Through Five Years	Due after Five Years Through Ten Years	Due after Ten Years
Cash and cash equivalents.....	\$225,657			
Time deposits .....	208,716			
Trade notes receivable.....	57,322			
Trade accounts receivable .....	254,944			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds .....	24,211	\$12,207		
Corporate bonds .....	30,051	11,913		
Other .....		414	\$ 187	\$ 706
<b>Total .....</b>	<b>\$ 800,901</b>	<b>\$ 24,534</b>	<b>\$ 187</b>	<b>\$ 706</b>

**14.DERIVATIVES**

Derivative transactions to which hedge accounting is not applied at March 31, 2011 and 2010 are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2011				2011			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:								
Buying.....	¥ 1,496		¥ (27)	¥ (27)	\$ 17,988		\$(325)	\$(325)
Selling .....	5,925		(109)	(109)	71,261		(1,316)	(1,316)

	Millions of Yen			
	2010			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying.....	¥1,149		¥ (75)	¥ (75)
Selling .....	3,276		(121)	(121)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

**15.COMPREHENSIVE INCOME**

Total comprehensive income for the year ended March 31, 2010 is as follows:

	Millions of Yen
	2010
Total comprehensive income attributable to:	
Owners of the parent .....	¥ 4,420
Total comprehensive income.....	¥ 4,420

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities .....	¥ 63
Foreign currency translation adjustments .....	455
Share of other comprehensive income in associates .....	16
Total other comprehensive income .....	¥534

**16. NET INCOME PER SHARE**

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the years ended March 31, 2011, 2010 and 2009 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2011				
Basic EPS—Net income available to common shareholders .	¥ 9,007	89,042	¥ 101.16	\$ 1.22
Effect of dilutive securities—Stock options .....		205		
Diluted EPS—Net income for computation .....	¥ 9,007	89,247	¥ 100.93	\$ 1.21
Year Ended March 31, 2010 .....				
Basic EPS—Net income available to common shareholders ....	¥ 3,886	88,634	¥ 43.84	
Effect of dilutive securities—Stock options .....		94		
Diluted EPS—Net income for computation .....	¥ 3,886	88,728	¥ 43.80	
Year Ended March 31, 2009				
Basic EPS—Net income available to common shareholders ....	¥ 4,687	88,611	¥ 52.89	
Effect of dilutive securities—Stock options .....		62		
Diluted EPS—Net income for computation .....	¥ 4,687	88,673	¥ 52.86	

**17. RELATED PARTY TRANSACTIONS**

Related party transactions between the Company and related parties for the year ended March 31, 2011 are as follows:

2011						
Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount	
					Millions of Yen	Thousands of U.S. Dollars
Board member	Tadashi Saegusa	Director of the Company	(Owned) Direct 0.61	Exercise of stock option	¥1,219	\$14,661
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.04	Exercise of stock option	35	417

There were no related party transactions for the year ended March 31, 2010 and 2009.

**18. SUBSEQUENT EVENT**

The following appropriations of retained earnings at March 31, 2011 were approved at the shareholders meeting held on June 17, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year end cash dividends, ¥ 10.50 (\$0.13) per share .....	¥939	\$11,298

## 19.SEGMENT INFORMATION

The Group has applied "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) effective from the year ended March 31, 2011. The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

### (1)Description of reportable segments

Reportable segments are part 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 by each product or service in MISUMI Corporation. Each operational headquarter plans overall strategies for both domestic and overseas and conducts business of its own products or services. Accordingly, the Group comprises segments by products or services based on the operational headquarters and there are 4 reportable segments; "Factory Automation Business", "Die Components Business", "Electronics Business" and "Diversified Business".

"Factory Automation 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 module for high-precision production equipment. Various optics research and experimental equipment and components for production equipment, which changes 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.

"Electronics Business" develops and provides cables to connect factory Automation equipment and inspecting and measurement instruments, harnesses, and connectors, as well as equipment itself, and peripherals for the field of inspecting, measurement and control.

"Diversified Business" develops and provides machine tools, veterinary and medical supplies.

### (2)Method of measurement for the amounts of sales and profit (loss) for each reportable segment

Accounting policies of the reportable segments are almost the same as the ones mentioned in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES except for the adjustments due to the different closing date. Income by reportable segments is based on operating income.

### (3)Information of Net sales and Segment profit by reportable segment

	Millions of Yen							
	2011							
	Reportable Segments					Total	Adjustments	Consolidated
Factory Automation Business	Die Components Business	Electronics Business	Diversified Business					
Net sales:								
Sales to customers .....	¥74,831	¥26,622	¥11,376	¥9,114	¥121,943	¥(740)	¥121,203	
Total .....	74,831	26,622	11,376	9,114	121,943	(740)	121,203	
Segment profit .....	¥11,278	¥1,911	¥1,673	¥432	¥15,294	¥269	¥15,563	

	Millions of Yen							
	2010							
	Reportable Segments					Total	Adjustments	Consolidated
Factory Automation Business	Die Components Business	Electronics Business	Diversified Business					
Net sales:								
Sales to customers .....	¥51,445	¥23,007	¥8,081	¥7,772	¥90,305	¥(1,125)	¥89,180	
Total .....	51,445	23,007	8,081	7,772	90,305	(1,125)	89,180	
Segment profit .....	¥6,817	¥820	¥1,040	¥80	¥8,757	¥(349)	¥8,408	

	Thousands of U.S. Dollars							
	2011							
	Reportable Segments					Total	Adjustments	Consolidated
Factory Automation Business	Die Components Business	Electronics Business	Diversified Business					
Net sales:								
Sales to customers .....	\$899,951	\$320,170	\$136,818	\$109,608	\$1,466,547	\$(8,899)	\$1,457,648	
Total .....	899,951	320,170	136,818	109,608	1,466,547	(8,899)	1,457,648	
Segment profit ....	\$135,634	\$22,979	\$20,118	\$5,199	\$183,930	\$3,233	\$187,163	

## (4)Details of adjustments

	Net sales		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Total of reportable segment .....	¥121,943	¥90,305	\$1,466,547
Adjustments due to the different closing date of consolidated subsidiary .....	(654)	(1,125)	(7,863)
Other.....	(86)		(1,036)
Net sales in consolidated statements of income.....	¥121,203	¥89,180	\$1,457,648

	Operating income		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Total of reportable segment .....	¥15,294	¥8,757	\$183,930
Adjustments due to the different closing date of consolidated subsidiary .....	161	(591)	1,933
Other.....	108	242	1,300
Operating income in consolidated statements of income.....	¥15,563	¥8,408	\$187,163

## (5)Information by region

	Millions of Yen				
	2011				
	Japan	Asia	North and South America	Europe	Total
Net sales.....	¥88,103	¥25,549	¥4,563	¥2,988	¥121,203

	Thousands of U.S. Dollars				
	2011				
	Japan	Asia	North and South America	Europe	Total
Net sales.....	\$1,059,573	\$307,262	\$54,883	\$35,930	\$1,457,648

	Millions of Yen			
	2011			
	Japan	Vietnam	Others	Total
Property, plant and equipment.....	¥11,557	¥1,938	¥1,578	¥15,073

	Millions of Yen			
	2011			
	Japan	Vietnam	Others	Total
Property, plant and equipment.....	\$138,994	\$23,305	\$18,977	\$181,276

## (6)Information of Impairment loss by reportable segment

	Millions of Yen						
	2011						
	Reportable Segment					Adjustments (Note)	Total
Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total			
Impairment loss						¥14	¥14

	Thousands of U.S. Dollars						
	2011						
	Reportable Segment					Adjustments (Note)	Total
Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total			
Impairment loss						\$173	\$173

Note: Adjustments are related to the unused assets.

**(7) Information of Goodwill by reportable segment**

Millions of Yen					
2011					
Reportable Segment					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total
Amortization for the year ended March 31, 2011 ...	¥217	¥ (38)		¥3	¥182
Balance as of March 31, 2011 .....	¥491	¥ (3)			¥488

Thousands of U.S. Dollars					
2011					
Reportable Segment					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total
Amortization for the year ended March 31, 2011 ...	\$2,609	\$ (456)		\$32	\$2,185
Balance as of March 31, 2011 .....	\$5,906	\$ (32)			\$5,874

Information about operations in different industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2010 and 2009, which is based on the previous standard, is as follows:

**(1) Industry Segments**

The Group has classified the businesses considering the line of the merchandises and the similarity of the markets. From the year ended March 31, 2010, the Group changed the method of classification from five segments to four segments. The whole business that used to be included in "Optics Business" is now classified as "Factory Automation Business."

This change was made to reflect the actual management structure such as increasing similarity of customers and merchandises in "Optics Business" and "Factory Automation Business" in recent years, significant decreasing of sales in "Optics Business" in recent years and reclassification of segmentation for management to include "Optics Business" into "Factory Automation Business" from the year ended March 31, 2010.

The following segment information for the year ended March 31, 2009 is reclassified according to the segmentation for the year ended March 31, 2010.

**a. Sales and Operating Income**

Millions of Yen						
2010						
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
Sales to customers .....	¥50,667	¥22,761	¥8,079	¥7,673		¥89,180
Intersegment sales .....						
Total sales.....	50,667	22,761	8,079	7,673		89,180
Operating expenses .....	43,929	22,014	6,954	7,382	¥493	80,772
Operating income .....	¥6,738	¥747	¥1,125	¥291	¥ (493)	¥8,408

Millions of Yen						
2009						
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
Sales to customers .....	¥62,376	¥28,424	¥10,282	¥8,959		¥110,041
Intersegment sales .....						
Total sales.....	62,376	28,424	10,282	8,959		110,041
Operating expenses .....	53,638	27,070	9,156	8,668	¥492	99,024
Operating income .....	¥8,738	¥1,354	¥1,126	¥291	¥ (492)	¥11,017

**b.Assets, Depreciation, Impairment Loss and Capital Expenditures**

	Millions of Yen					
	2010					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
Assets .....	¥36,287	¥18,426	¥3,012	¥3,213	¥32,003	¥92,941
Depreciation .....	1,104	568	95	111		1,878
Impairment loss .....		317				317
Capital expenditures.....	2,139	1,276	113	294		3,822

	Millions of Yen					
	2009					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
Assets .....	¥32,209	¥16,070	¥2,620	¥3,137	¥32,044	¥86,080
Depreciation .....	1,080	573	98	83		1,834
Impairment loss .....		542				542
Capital expenditures.....	2,552	1,147	186	174		4,059

**(2)Geographical Segments**

The geographical segments of the Group for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen					
	2010					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers .....	¥68,174	¥15,389	¥3,381	¥2,236		¥89,180
Inter-area transfer.....	13,135	2,620	4	0	¥(15,759)	
Total sales .....	81,309	18,009	3,385	2,236	(15,759)	89,180
Operating expenses .....	71,822	18,089	3,727	2,513	(15,379)	80,772
Operating income (loss).....	¥9,487	¥(80)	¥(342)	¥(277)	¥(380)	¥8,408
Assets .....	¥49,745	¥17,086	¥1,223	¥1,545	¥23,342	¥92,941

	Millions of Yen					
	2009					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers .....	¥87,825	¥16,015	¥3,690	¥2,511		¥110,041
Inter-area transfer.....	14,431	4,463	2	8	¥(18,904)	
Total sales .....	102,256	20,478	3,692	2,519	(18,904)	110,041
Operating expenses .....	90,566	20,022	4,086	2,838	(18,488)	99,024
Operating income (loss).....	¥11,690	¥456	¥(394)	¥(319)	¥(416)	¥11,017
Assets .....	¥43,782	¥15,854	¥1,252	¥1,118	¥24,074	¥86,080

**(3)Sales to Foreign Customers**

Sales to foreign customers for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen			
	2010			
	Asia	North and South America	Europe	Total
Sales to foreign customers .....	¥16,337	¥3,414	¥2,237	¥21,988

	Millions of Yen			
	2009			
	Asia	North and South America	Europe	Total
Sales to foreign customers .....	¥17,791	¥4,049	¥2,664	¥24,504

## Independent Auditors' Report

# Deloitte.

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To the Board of Directors of  
MISUMI Group Inc.:

We have audited the accompanying consolidated balance sheets of MISUMI Group Inc. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for each of the three years in the period ended March 31, 2011, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for each of the three years in the period ended March 31, 2011, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MISUMI Group Inc. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 14, 2011

# Company Profile and Stock Information



(As of March, 2011)

## Corporate Profile

<b>Corporate Name</b>	MISUMI Group Inc.
<b>Established</b>	February 23, 1963
<b>Head Office</b>	4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458
<b>Paid-in Capital</b>	5,341 Millions of Yen
<b>Stock Listing</b>	Tokyo Stock Exchange (Ticker code: 9962)
<b>Fiscal Year</b>	From April 1 through March 31 of the following calendar year
<b>General Shareholders' Meeting</b>	Generally held in June
<b>Description of Business</b>	Development of Group management strategies, administration, and all functions related to Group management
<b>URL</b>	<a href="http://www.misumi.co.jp/">http://www.misumi.co.jp/</a>

## Stock Information

<b>Authorized Number of Shares</b>	340,000,000
<b>Issued Number of Shares</b>	89,853,084
<b>Number of Shareholders</b>	4,755

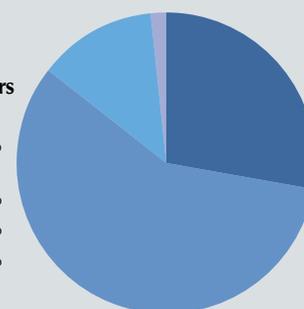
## Major Shareholders

Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Shares Outstanding (%)
State Street Bank and Trust Company, Ltd.	18,270	20.33
The Master Trust Bank of Japan, Ltd.	9,318	10.37
Japan Trustee Services Bank, Ltd.	6,260	6.97
Goldman Sachs and Company Regular Account	5,657	6.30
Hiroshi Taguchi	5,528	6.15
Mizuho Trust & Banking Co., Ltd. (Retirement Benefits Trust, Mizuho Bank, Ltd., Account)	3,559	3.96
RBC Dexia Investor Services Trust, London Lending Account	2,726	3.03
The Chase Manhattan Bank ,N.A. London S.L. Omnibus Account	2,708	3.01
The Nomura Trust and Banking Co., Ltd.	2,211	2.46
SAJAP	1,574	1.75

Percentage of shares outstanding rounded off after two decimal points.

## Composition of Shareholders

Banks and Other Financial Institutions	27.87%
Foreign Corporations and Other Foreign Investors	57.94%
Individuals and Other	12.78%
Other Companies	1.41%



## Stock Splits

Month	Year	Ratio	Direction	Factor
May	1994	1	➡	1.2
May	1995	1	➡	1.1
May	1996	1	➡	1.1
November	1997	1	➡	1.1
May	2000	1	➡	1.1
August	2001	1	➡	1.1
May	2004	1	➡	1.5
April	2006	1	➡	2.0

## Monthly Share Price Range/Trading Volume

