It's all about TIME

MiSUMi

MISUMI Group Inc. ANNUAL REPORT 2014

ANNUAL REPORT 2014

MISUMI Group Inc.

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.

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Forward-Looking Statement

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.

Ten-Year Summary (Consolidated)

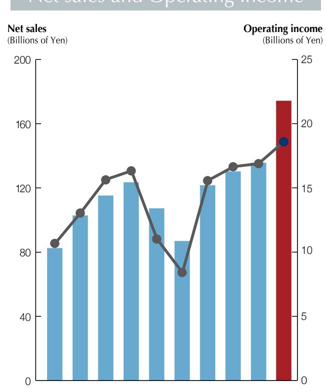
MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005

Millions of Yen

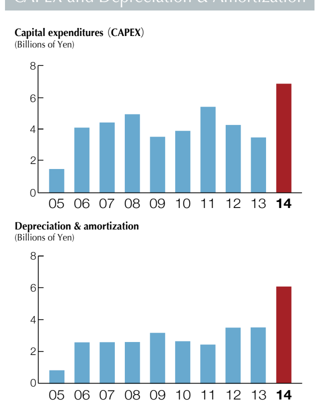
	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
For the Year:										
Net sales	81,509	105,408	118,139	126,665	110,041	89,180	121,203	130,213	134,844	**173,904**
Factory Automation (FA) Businesses[5]	35,476	50,993	60,510	69,205	62,030	51,445	74,831	80,724	84,299	**98,843**
Die Components Businesses[5]	26,875	31,623	33,066	34,652	28,139	23,007	26,622	27,686	37,020	**56,310**
Electronics Businesses[5]	8,901	10,084	12,449	12,313	10,262	8,081	11,376	12,401	12,381	**13,801**
Other Businesses[5,6]	3,136	4,352	6,044	6,684	5,555	4,353	5,798	6,415	6,747	**7,654**
Adjustments[5]	7,121	8,356	6,070	3,811	4,055	2,294	2,576	2,987	-5,603	**-2,704**
FA Businesses										**82,377**
Die Components Businesses										**56,309**
VONA Business										**37,921**
Adjustments										**-2,703**
Operating income	10,649	13,035	15,643	16,317	11,017	8,408	15,563	16,646	16,809	**18,989**
Income before income taxes (and minority interests)	10,739	13,424	15,999	16,296	9,640	7,778	15,409	17,022	15,890	**18,964**
Net income	6,507	7,619	9,447	9,698	4,687	3,886	9,007	9,414	9,881	**11,679**
At Year-End:										
Total assets	51,733	78,177	84,244	92,596	86,080	92,941	107,552	115,721	136,303	**163,202**
Total equity[1]	38,645	54,077	63,751	71,302	71,696	75,667	83,815	90,824	103,014	**115,966**
Interest-bearing debt	800	3,092	1,717	2,164	1,862	1,200	900	1,000	1,000	**900**
CAPEX and Depreciation & Amortization										
Capital expenditures (CAPEX)	1,484	4,063	4,383	4,898	3,493	3,863	5,362	4,231	3,451	**6,989**
Depreciation & amortization	834	2,593	2,605	2,614	3,192	2,664	2,453	3,521	3,560	**6,249**
Major Indicators:										
Return on equity[3] (%)	18.4	16.4	16.0	14.4	6.6	5.3	11.3	10.8	10.2	**10.7**
Return on assets[3] (%)	22.4	20.7	19.7	18.4	10.8	8.7	15.4	15.2	12.6	**12.7**
Current ratio (%)	383.7	278.5	351.4	351.5	529.2	463.6	398.7	408.4	349.5	**397.5**
Interest coverage ratio[4] (times)	1,171.1	156.6	110.0	815.3	499.1	362.1	854.1	1,150.6	2,095.6	**1,691.2**
Per Share Data:										
Net income per share[2] (yen)	78.27	84.95	108.42	109.72	52.89	43.84	101.16	105.14	110.28	**128.82**
Cash dividends per share[2] (yen)	15.50	18.00	22.00	23.00	13.00	10.00	20.20	23.20	27.45	**32.16**
Equity per share[1,2] (yen)	475.82	619.93	725.44	805.33	808.90	853.70	936.82	1,017.12	1,139.93	**1,275.17**
Cash flow per share[2] (yen)	64.70	77.70	81.20	127.00	140.04	72.36	131.16	87.18	127.89	**170.27**
Stock Valuations:										
Price/Earnings ratio – PER (times)	21.5	30.7	19.5	16.1	22.4	43.7	20.4	19.1	23.5	**22.2**
Price/Cash flow ratio – PCFR (times)	26.0	33.5	26.0	13.9	8.5	26.5	15.7	23.1	20.3	**16.8**
Price/Book value ratio – PBR (times)	3.5	4.2	2.9	2.2	1.5	2.2	2.2	2.0	2.3	**2.2**
Number of Customers (Companies)										
In Japan (Machinery-related only[7])	55,105	58,336	60,172	61,069	61,430	59,779	60,936	61,648	63,007	**64,955**
Overseas	15,705	22,770	33,057	41,230	47,990	52,375	61,993	67,608	91,817	**100,481**
Total number of customer companies	70,810	81,106	93,229	102,299	109,420	112,154	122,929	129,256	154,824	**165,436**
Number of Employees	690	2,887	3,382	3,813	4,049	3,581	4,831	5,615	7,238	**8,038**

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. Adjusted for stock splits up to March 31, 2007 3. ROE = Net income / equity ROA = Income before income taxes (and minority interests) / total assets
4. Interest coverage ratio = Net cash provided by operating activities / Interest payment 5.Results from past years are disclosed in terms of new business segments.
6. Effective April 2012, the Diversified Businesses segment is now called Other Businesses. 7. Exclude customers of Promiclos.

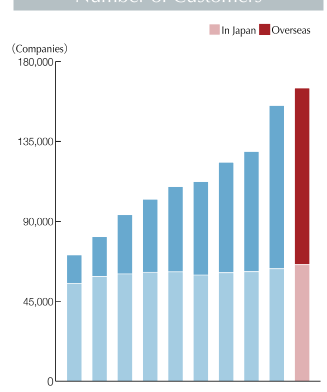
Net sales and Operating income



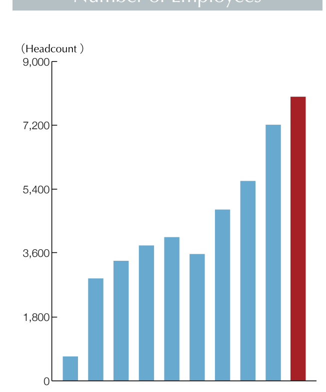
CAPEX and Depreciation & Amortization



Number of Customers



Number of Employees



Making further progress in building out a global supply regime capable of delivering on short lead times and bolstering competitiveness based on the quality of Japan, cost and delivery times

As the manufacturing industry undergoes a structural shift on a global scale, we are shoring up the MISUMI QCT Model by quickly responding to the global changes in customer needs and accelerating comprehensive reforms to our global supply chain that encompass everything from taking orders to production and distribution.

Ryusei Ono
Representative Director,
President and CEO

Top Message

■Growth of The MISUMI Group

Note: FY89 has been omitted because of a change in the fiscal term.

Reflecting on FY2013

Let us look back at the operating environment for the MISUMI Group during FY2013 (April 1, 2013, through March 31, 2014). In Japan, the government's economic policies and substantial monetary easing by the Bank of Japan sustained a weaker yen and higher stock prices. Earnings at exporters and other large corporations improved, and capital investments recovered. The United States enjoyed a moderate recovery driven primarily by capital investments and personal consumption. The European economy also maintained positive growth as signs of an economic recovery have emerged. Meanwhile, Asian nations—which had until recently led the global economy—saw production activity continue to slow due to the decelerating Chinese economy, among other factors.

Under these circumstances, MISUMI maintained high on-time delivery rates while we pursued high quality (Quality), low costs (Cost) and short delivery times (Time). Amid this environment, MISUMI deployed its e-catalogs and web ordering systems to all subsidiaries overseas. In addition, we continued efforts to improve pricing and enhance customer convenience by addressing customers' latent needs to reduce the time and effort required to design and order parts.

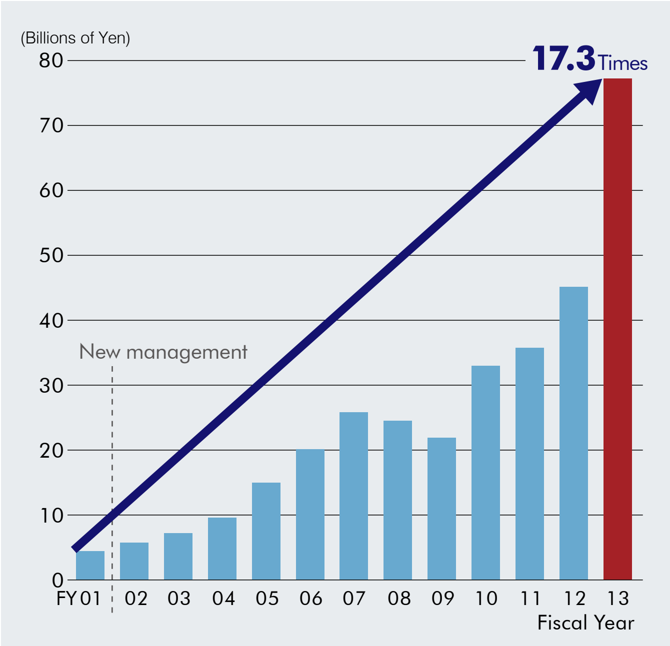
As a result, MISUMI sales in FY2013 reached ¥173.9 billion (up 29.0% compared to the previous year), setting a new record-high for a third consecutive year.

Operating income was ¥18.9 billion (up 13.0%) and net income was ¥11.6 billion (up 18.2%). We thus achieved record highs in both sales and profits. The performance in profits was made possible by increased sales overseas, sustained yen weakness and advances in promoting optimal sourcing through both local production and procurement.

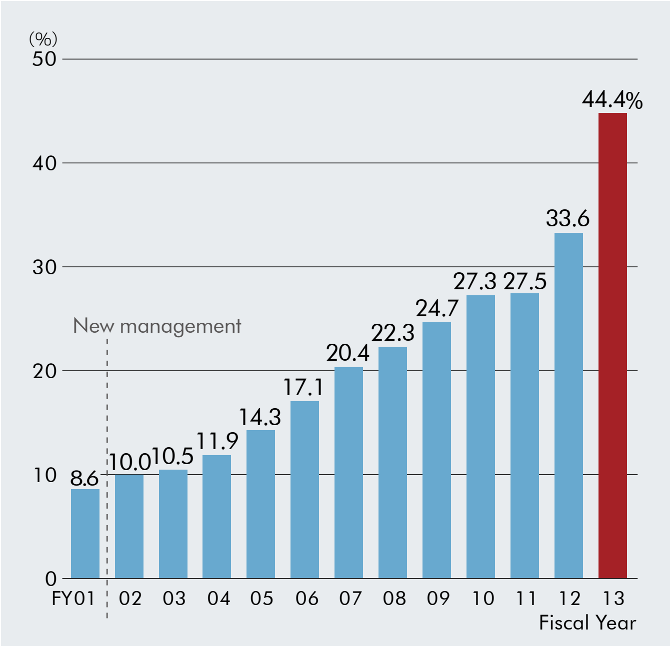
As for dividends, effective beginning with the FY2011 year-end dividend, we have increased our dividend payout ratio to 25% from 20%. We have decided to maintain the 25% payout ratio this year as well.

Therefore, the year-end dividend was ¥15.48 per share. As a result, annual dividends per share were ¥32.16 (up ¥4.71 compared to the previous year), including the interim dividend of ¥16.68 per share paid out already.

International Net Sales



International Sales Ratio



Accelerating Global Growth

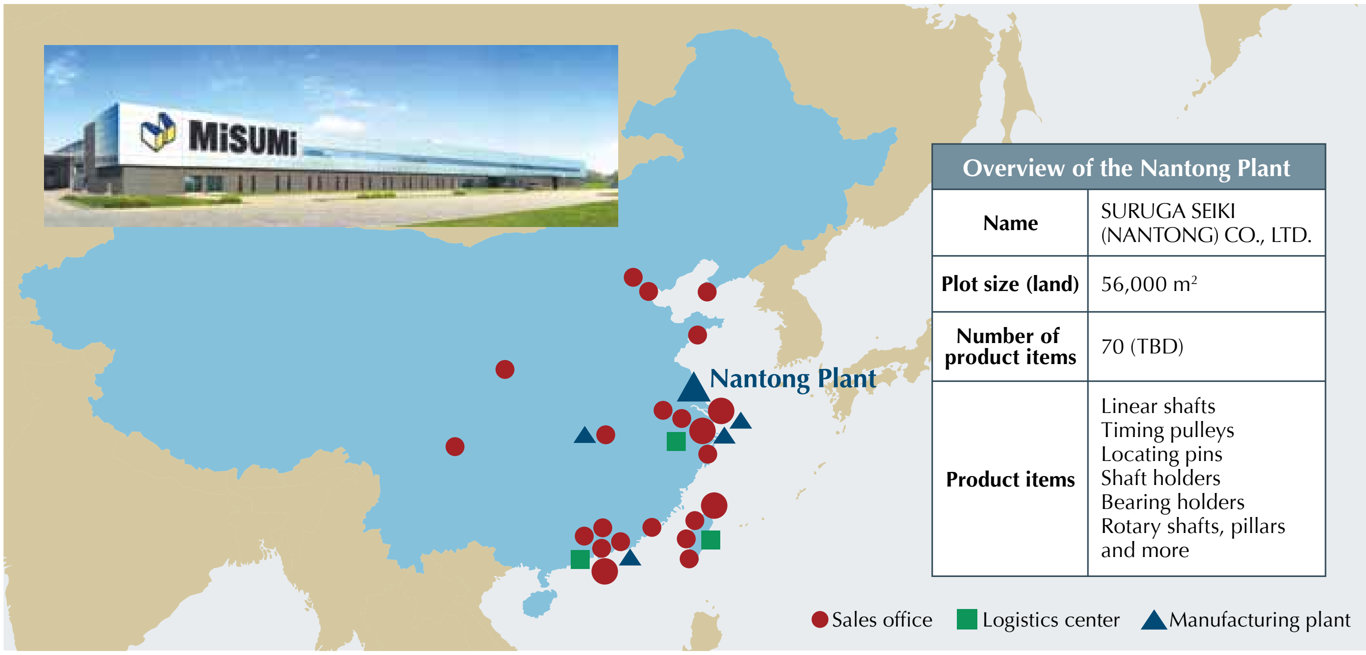
The MISUMI Group's growth driver is our international businesses. In FY2013, international sales were ¥77.2 billion (up 70.6%). MISUMI's international sales ratio (international sales as a percentage of total consolidated sales) rose to 44.4% (up 10.8 percentage points). Compared to FY2001, before new management took over, when the international sales ratio was below 10%, FY2013 international sales have grown 17.3 times.

MISUMI reformed the process of parts procurement, which had been plagued by inefficiencies, high costs and long lead times, and standardized high-precision components. By doing so, we established in Japan the MISUMI QCT Model--a model capable of delivering to customers high quality (Q) at low cost (C) on short delivery times (T), all with no minimum order quantity requirements. Based on the belief this MISUMI QCT Model could succeed overseas as well, since new management took over in FY2002 the company has focused on growing its international businesses. That began a new challenge for the MISUMI Group, which was evolving into a behind-the-scenes support player in the global manufacturing industry.

In FY2004, we acquired our largest partner maker, SURUGA SEIKI (currently SURUGA Production Platform). The deal ended MISUMI's 40-year history as a dedicated trading company. By bringing manufacturing capabilities in-house, MISUMI established a vertically integrated model encompassing product development, production and selling. To complete the MISUMI QCT Model in countries into which we make inroads, we have implemented initiatives aimed at building out the front end (sales and distribution channels) and back end (manufacturing). These efforts have accelerated growth overseas.

In FY2013, we expanded sales offices and strengthened sales capabilities primarily in Asia—for example, our newly established Indonesian subsidiary began sales operations in September 2013. At the same time, we have made solid progress in promoting optimal sourcing through both local production and procurement. In Europe and the US, in addition to continued progress in selling MISUMI-branded products, sales grew significantly with the addition of new customer segments from Dayton Lamina Corporation, which we acquired in November 2012.

Nantong Plant (China)



Overview of the Nantong Plant

Name	SURUGA SEIKI (NANTONG) CO., LTD.
Plot size (land)	56,000 m^2
Number of product items	70 (TBD)
Product items	Linear shafts Timing pulleys Locating pins Shaft holders Bearing holders Rotary shafts, pillars and more

Launching the China Nantong Plant

At MISUMI, we position the China market as most important among our international businesses. Since FY2002, we have striven to grow the market there by establishing local sales offices, logistics centers and production sites. To further enhance our competitiveness in the China market, it is essential we boost our cost competitiveness by developing products that meet local customers' needs, bolstering back-end (manufacturing) capabilities and promoting local sourcing—including both local in-house production and local procurement. At the same time, we must increase the number of products offered on short delivery times.

To that end, in January 2013 we newly established SURUGA SEIKI (NANTONG) CO., LTD. in Nantong, China, as a manufacturing site for factory automation (FA) products. Subsequent preparations led to the plant's full-scale launch in March 2014.

As the Chinese economy grows, labor costs there are expected to rise sharply over the medium- to long-term. Similar to the experiences of Japan, Europe and the US, those trends should drive an acceleration in factory automation in China's manufacturing industry. That is expected to increase demand for FA components. To solidly capture that demand growth, the Nantong Plant will sit on a site with an area of 56,000 m^2, making it MISUMI's largest vertically integrated FA plant. We plan to initially manufacture 70 product items there. Through future expansions to its production menu, however, the plant will grow into a role as a major production center for FA components supplied to all of China.

Meanwhile, as China has bolstered its environmental regulations, tighter restrictions have been placed on plants using surface treatment processes. This has caused delays at some local parts makers who use surface treatment processes to manufacture parts, impeding their ability to achieve a stable supply of parts on short delivery times. As a company establishing a plant locally, the situation represents an unresolved challenge. At the same time, it represents a business opportunity.

Our new Nantong Plant has adopted wastewater treatment technology that recirculates and reuses wastewater generated during surface treatment processes. As a result, the plant achieves a supply regime in China capable of a stable supply of parts on short lead times, leveraging a vertically integrated production regime including downstream processes such as machining, heat treatment and surface treatment.

QCT Cost Competitiveness of the Nantong Plant

Migration of the MISUMI production system is the source of competitive differentiation

MISUMI production system
- Made to order on short lead times with no minimum order quantity requirements (production improvements)
- Integrated production from machining to surface treatment

Local production in China
- Production costs (materials, equipment, labor)
- Logistics costs (Int'l shipping costs) and lead times

Economies of scale
- Concentrated production serving China + overseas markets
- Consolidated production of 70 product items (250,000 models)

Q: Quality of Japan

C : Cost of Chinese market

T : Reliable delivery on short lead times

Deploy the MISUMI production system to China and maximize economies of scale

Deploying the MISUMI Production System in the Nantong Plant

Nantong Plant's competitive differentiation vis-a-vis local makers is rooted in its ability to maximize economies of scale through the introduction of the MISUMI production system.

In China, the FA market is made up of high-precision components of high quality as well as middle-grade precision components of middle-grade quality. Customers differentiate between high-grade and middle-grade components depending on the application. The growing market for high-quality, high-precision standardized components is where the strength of made-to-order products under the MISUMI QCT Model is best exhibited.

The MISUMI Group stocks works-in-progress referred to as "blanks." Those blanks are finished into the final product once the customer order is received. This model delivers the advantage of economies of scale from mass production and sourcing from globally optimized production locations. At the same time, it enables finishing plants in the markets of consumption to finish the manufacturing process in small lots on short lead times with minimal inventories. The coupling of these methods makes it possible to deliver Japanese quality on short lead times with no minimum order quantity requirements.

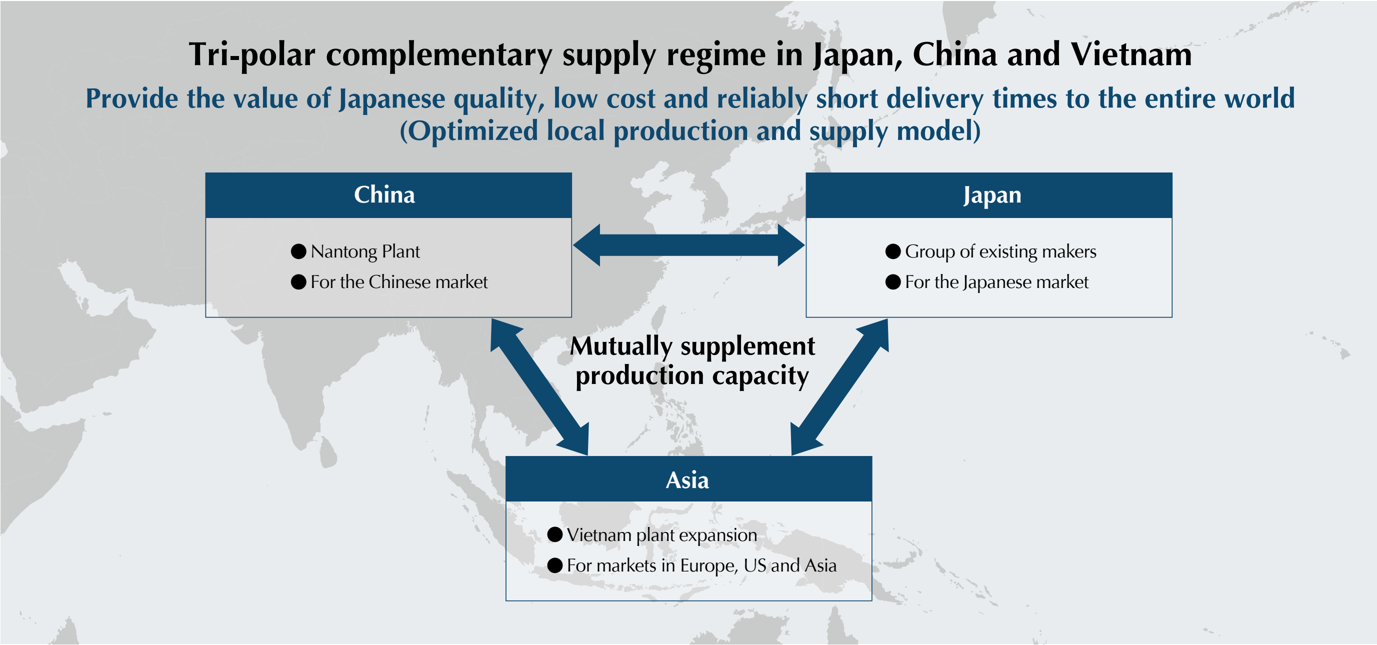
The MISUMI production system is the result of years of tireless efforts at incremental improvements and cannot be copied overnight.

We are currently working to export the MISUMI production system overseas. To date, we have launched the system in our Vietnam and Shanghai plants. At the Nantong Plant we have deployed MISUMI's cutting-edge production technology and a quality management regime designed to meet Japan's uncompromising standards on an even greater scale. Moreover, the scope will cover a vertically integrated production process from machining downstream to surface treatment.

Furthermore, by manufacturing locally at the Nantong Plant, we can reduce production costs (e.g., materials, equipment and labor) and distribution costs (e.g., international shipping costs) at the same time that we shorten lead times significantly. Thus, we can achieve both the cost structure of the Chinese market and reliable delivery on short lead times.

Moreover, we maximize economies of scale and lower costs by concentrating production for the Chinese market and consolidating 250,000 models into 70 production items. With these factors working in concert, we can differentiate based on Japanese standards for quality at the same time we become competitive in terms of cost and lead-time with local makers in China and the rest of Asia.

■Global Supply Chain



Building Out a Global Supply Chain Capable of Delivering on Short Lead Times

To enhance MISUMI's competitiveness in global markets, it is essential we maintain Japanese quality standards as we bolster our competitiveness in terms of cost and lead times by pursuing globally optimized sourcing, including both production and procurement.

In particular, we are focused on achieving the stable supply of products on a global basis at low cost and on short lead times in our FA Businesses, which account for about half of consolidated net sales. Specifically, we are building out a tri-polar complementary supply regime in Japan, China and Vietnam as a model for achieving a global supply chain capable of delivering on short lead times.

In Japan, where the manufacturing industry's earnings have improved and capital investments have indicated a recovery trend, we will meet the increase in demand by strengthening ties between our domestic in-house manufacturing capabilities at SURUGA Production Platform and the network of partner makers we have built over many years.

In China, where as described above a substantial increase in demand for FA components is expected as automation takes root in the manufacturing industry there over the medium- to long-term, the launch of the Nantong Plant has fundamentally strengthened a supply regime capable of delivering on short lead times.

Finally in serving markets in the rest of Asia, Europe and the US, our manufacturing capabilities in Vietnam are central to augment our global supply chain capable of delivering on short lead times. Since FY1995, when what was then SURUGA SEIKI's local subsidiary launched its first plant in Vietnam as an overseas manufacturing site, the MISUMI Group has expanded manufacturing capabilities there, launching the second plant in 2005 and the third in 2011. The wave of automation facing China's manufacturing industry is expected to spread to the rest of Asia at the same time. We plan to meet the rise in demand by making further additions to our plants in Vietnam.

As the three centers of manufacturing capabilities in Japan, China and Vietnam described above supplement each other's production capacities, we will deliver to the world the value of Quality meeting Japan's standards, low Cost and reliably short delivery Times.

Indonesia Local Subsidiary

Launching a Local Subsidiary in Indonesia

Demand continues to grow within Indonesia, home to the fourth largest population in the world and the largest economy in Southeast Asia. Its GDP has grown at a rate north of 6% over the past three years. One of the country's core industries--the automotive industry--exceeded annual production volumes of one million vehicles in 2012. That number is expected to reach 1.6 million in 2016.

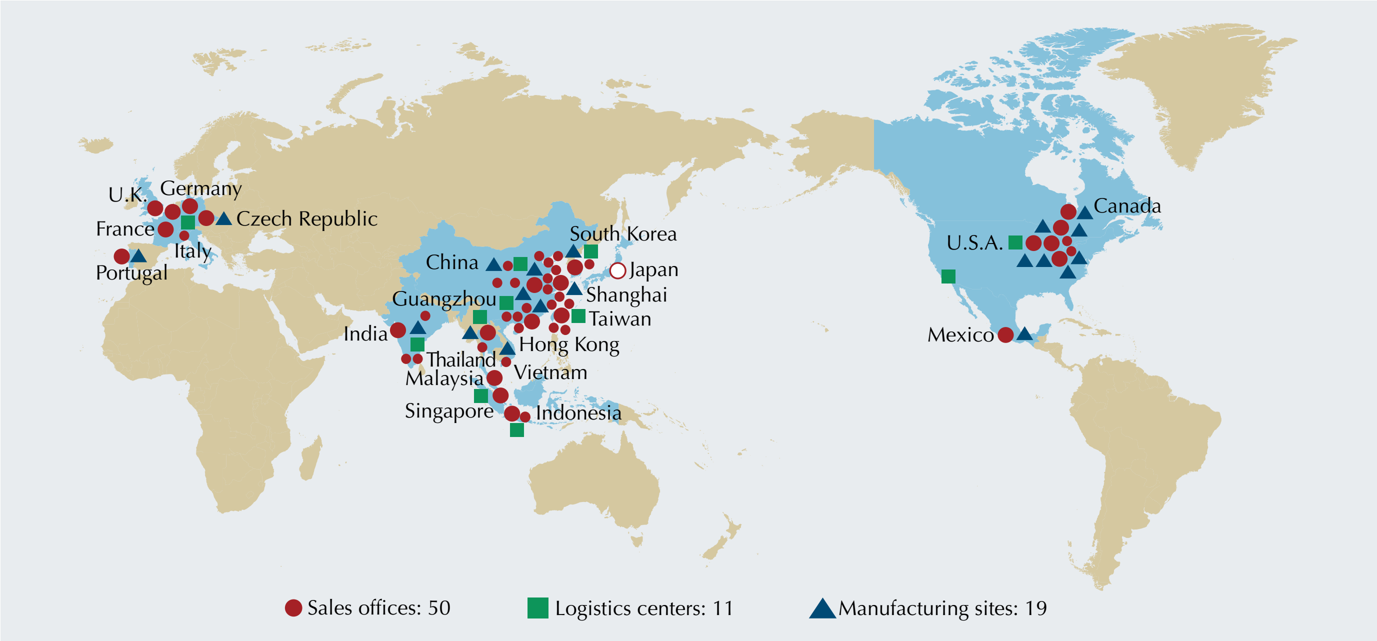
Motorcycles account for a large proportion of the automotive industry, and Japanese brands take the lion's share of the market. The high level of trust MISUMI has earned over the years in Japan is a significant source of strength for MISUMI in Indonesia. At the same time, some makers are beginning to fabricate dies in Indonesia, as opposed to past practices of importing dies from Japan or China and doing only the mass production locally. Additionally, many makers are building capabilities in Indonesia to supplement existing capabilities in China or Thailand. Also, the rise in labor costs is leading to increased need for automated equipment. These trends represent a significant business opportunity for MISUMI. Moving forward, demand for die components, FA components and other products we carry is expected to grow further.

Therefore, we have launched business locally as MISUMI Indonesia by establishing a local subsidiary in Jakarta in December 2012 and building a sales office and logistics center in Cikarang in September 2013.

Customers exhibit the need for high quality and a relatively strong preference for Japanese products because they rely a great deal on business with Japanese makers. Meanwhile, imports into Indonesia are slowed by a generally lengthy customs process, causing many customers to face difficulty meeting delivery deadlines.

MISUMI has succeeded in providing customers with a significant advantage of short lead times, by expanding our lineup of inventoried products and building an infrastructure capable of shipping immediately. As competition is expected to intensify, moving forward we will continue to refine the MISUMI QCT Model and endeavor to offer price advantages by lowering our costs through local procurement and time advantages by expanding our lineup of inventoried products and shrinking lead times on imported products.

Overseas Locations



FY2014 Consolidated Business Performance Forecasts

Since new management took over in FY2002, the MISUMI Group has worked to achieve a transformation into a solid global company that possesses capabilities as both a manufacturer and a trading company by fundamentally improving the MISUMI QCT Model.

To complete the MISUMI QCT Model in countries into which we make inroads, we have built out the complete three-part set of local sales offices, logistics centers and manufacturing sites. As of March 2014, we have grown our overseas presence to 50 sales offices, 11 logistics centers and 19 production sites.

In FY2014, uncertainties continue to muddy the outlook for the global economy as growth slows in China and newly emerging markets. Amid that environment, we will strive to further strengthen our competitiveness in our international businesses by keeping a close eye on market trends and the competitive landscape as we refine the MISUMI QCT Model in each local deployment. By doing so, we forecast breaking new record highs in consolidated sales and profits.

As a means of reaching that goal, in international markets we will implement MISUMI QCT Model reforms designed to establish a competitive edge and accelerate global deployment to drive further growth. Specifically, we will fundamentally strengthen our competitiveness in terms of cost and delivery times by increasing local sourcing overseas and solidifying our global supply chain capable of delivering on short lead times.

We hope we will continue to enjoy your understanding and support.

Representative Director,
President and CEO
Ryusei Ono

Topics

VONA Business Growth Accelerating–Now Carrying 9 Million Products

Launched in Fiscal Year 2010, the VONA* Business sells third-party branded products over the MISUMI Group's e-catalogs and other front end channels.

*VONA: Variation & One-stop by New Alliance

In FY2013, the VONA Business grew its lineup to 9 million products supplied by more than 1,800 makers by expanding the product lineup from conventional production equipment components to include production materials and supplies as well as maintenance, repair and operation (MRO) consumables. This was achieved as part of an initiative to expand the lineup to cover all indirect production materials globally under our MISUMI VONA General Distribution Products Business.

Moving forward, we plan to grow the VONA Business into a core business alongside our FA and Die Components businesses. MISUMI's proprietary model is reforming the components distribution process, which has been plagued by inefficiencies and high costs. We will leverage the internet and our powerful backbone IT systems to resolve problems faced by buyers, designers and other customers and fundamentally enhance convenience.

VONA website

SURUGA Production Platform Wins the GOOD FACTORY Award

The MISUMI Group's SURUGA Production Platform Co., Ltd. was awarded the 2014 GOOD FACTORY Award for Innovations to Manufacturing Processes by the Japan Management Association.

This award recognizes MISUMI's innovations of manufacturing processes achieving a stable supply regime capable of delivering reliably on short lead times despite having no advance notice of when, how many or what type of product the customer will order. Although the model offers the customer tremendous convenience, it creates an extremely trying environment for the manufacturing plant, making it nearly impossible to forecast orders. This award was the result of successes in driving production innovations at SURUGA Production Platform leveraging the Shimizu Head Office Plant as a mother plant.

In particular, the GOOD FACTORY Award provided the following factors as deserving acknowledgment.

1. Strong leadership: Leadership that has pursued reforms at work sites through sustained investment of time, money and personnel.

2. Active efforts aimed at improvements: Improvements to processes by supervisors and staff at the work site working primarily in small teams.

3. Global deployment: Global deployment of process improvements, as well as a desire to learn from overseas plants.

Additionally, the review opinion cited as its rationale the difficulty of reforms accomplished in going from large-lot production, to piece-by-piece production on short delivery times and finally to a production regime capable of delivering reliably on short leadtimes despite a great variety of quantities and product types* in the orders received.

Shimizu Factory (Head Office Factory), SURUGA Production Platform Co., Ltd.

About the GOOD FACTORY Award

The GOOD FACTORY Award was established by Japan Management Association (JMA) in 2011 to recognize excellent manufacturing sites for their accumulated successes in improving and innovating production functions in Japan, China and the rest of Asia. In its fourth year since inauguration, JMA announced this year's winners on July 31, 2014. Past award recipients include excellent manufacturing plants and business offices operated by major automotive and electronics manufacturers that are household names in Japan.

A total of five companies were given the 2014 GOOD FACTORY Award. MISUMI was presented the Award for Innovations to Manufacturing Processes category. Three companies received the Award for Factory Management. And one company received the Award for Contributions to Manufacturing Personnel Development.

*Customers may select from countless types of products and specify their unique dimensions requirements—all with no minimum order quantity. This tremendous scope of variation dwarfs the variety practiced by small-lot, multiple-model production regimes commonly known as flexible manufacturing systems.

Review of Operations of the MISUMI Group

MISUMI Group business operations comprise: Factory Automation (FA) Businesses, which mainly carry standardized components for automated equipment used in factory automation and other applications; Die Components Businesses, which mainly carry die and mold parts used to make automobiles and electronics devices; and the VONA Business, which sells third-party brand products under a new distribution business model.

Major Products Carried by the MISUMI Group

Product Category	9 Million Mechanical Components			
Mechanical components	Shafts	Set collars	Springs	Gears
OST Business	Automatic stage units	Actuators	Optical measurement devices	Optical waveguide alignment
Electronics components	Connectors	Switches	Cables	Transformers
Tools and consumables	Bores	Wires	Calipers	Diamond cutting tools
Metal press components	Punches	Button dies	Atypical punch dies	Retainers
Plastic mold components	Ejector pins	Sprue bushings	Parting lock sets	Taper pins

Catalogs

Paper catalogs

Web catalog URL: http://jp.misumi-ec.com/

Reorganization of MISUMI Group Businesses

Strategically reorganizing support units to accelerate growth in the businesses

Existing Organization

MISUMI Group Inc.

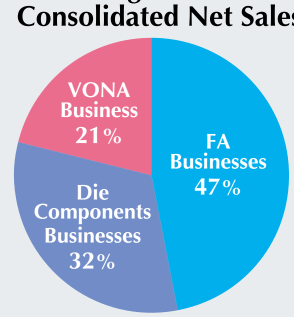
- Die Components Businesses
- FA Businesses
- Electronics Businesses
- Tools and Consumables Businesses
- VONA Business

New Structure

MISUMI Group Inc.

- FA Businesses
- Die Components Businesses
- VONA Business

Percentage of Consolidated Net Sales



Global Network

Domestic Network

MISUMI Group Inc. / MISUMI Corporation

Iidabashi First Building,
5-1, Koraku 2-chome, Bunkyo-ku,
Tokyo , Japan 112-8583
Tel:+81-3-5805-7050(Representative)
Fax:+81-3-5805-7458
URL:http://www.misumi.co.jp/

Marketing Centers

MISUMI QCT Center

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

(Tokyo)

Iidabashi First Building,
5-1, Koraku 2-chome, Bunkyo-ku,
Tokyo , Japan 112-0004

(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

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
  Tel: +81-3-6711-5011 Fax: +81-3-6711-5018
- **Kyushu Sales office**
  Suite 302, Kitano Bldg. No. 2
  2-10-23, Kuwamizu, Chuo-ku, Kumamoto City,
  Kumamoto 862-0954
  Tel: +81-96-288-7155 Fax: +81-96-288-7156

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

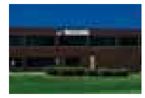
DAYTON PROGRESS CORPORATION OF JAPAN

2-7-35 Hashimotodai, Midori-ku, Sagamihara-shi,
Kanagawa, 252-0132
Tel: +81-42-774-0821 Fax: +81-42-773-4955

- **Sagamihara Plant**
  2-7-35 Hashimotodai, Midori-ku, Sagamihara-shi,
  Kanagawa, 252-0132

* Toll-free number for Japan only

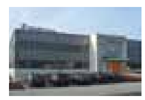
Overseas Network(Sales Offices)



MISUMI USA, Inc.

1717 Penny Lane, Suite 200 Schaumburg,
Illinois 60173, U.S.A.
Tel: +1-847-843-9105 Fax: +1-847-843-9107
URL:http://us.misumi-ec.com/

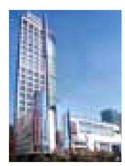
- QCT Illinois Office
  Tel: +1-224-659-7625 Fax: +1-978-367-1950
- California QCT & West Sales Office
  Tel: +1-310-532-3135 Fax: +1-310-532-3236



MISUMI Europa GmbH

Katharina-Paulus-Strasse 6, 65824 Schwalbach,
Germany
Tel: +49-(0)6196-7746-0 Fax: +49-(0)6196-7746-360
URL:http://www.misumi-europe.com/

- Rappresentanza Italiana Office
  Tel: +39-02-9286-8270



MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD.

11th Floor, Raffles City Shanghai,
268 Xizang Middle Road, Shanghai 200001, China
Tel: +86-21-6391-7080 Fax: +86-21-6391-7602
URL:http://cn.misumi-ec.com/

- 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: +86-755-8287-2322 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: +86-10-8225-5010 Fax: +86-10-8225-5017
- Dalian Office
  Tel: +86-411-3924-2286 Fax: +86-411-3924-2285
- Qingdao Office
  Tel: +86-532-5557-6488 Fax: +86-532-5557-6480
- Chengdu Office
  Tel: +86-28-6151-2010 Fax: +86-28-6151-2030
- Xi'an Office
  Tel: +86-29-6569-2131 Fax: +86-29-6569-2134
- Xiamen Office
  Tel: +86-592-5319-670 Fax: +86-592-5319-675

MISUMI E.A. HK LTD.

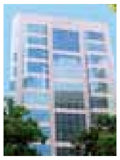
Unit 202 2/F, Malaysia Building, 50 Gloucester Road,
Wanchai, Hong Kong
Tel: +852-8303-2781 Fax: +852-8303-2782

Overseas Network(Sales Offices)

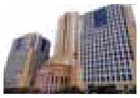
MISUMI KOREA CORP.
3804 World Trade Center, 511, Yeongdong-daero,
Kangnam-Gu, Seoul 135-729, Korea
Tel: +82-2-551-3611 Fax: +82-2-551-4811
URL:http://kr.misumi-ec.com/
- Daegu Office
  Tel: +82-53-600-8611 Fax: +82-53-600-8615

MISUMI TAIWAN CORP.
9F-1, No. 126 Nanjing East Road, Sec. 4,
Taipei 10595, Taiwan
Tel: +886-2-2570-3766 Fax: +886-2-2570-3767
URL:http://tw.misumi-ec.com/
- 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
- Hsinchu Office
  Tel: +886-3-550-9220
  Fax: +886-3-550-4311

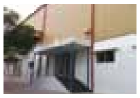
MISUMI (THAILAND) CO., LTD.
300/24 Moo 1, Eastern Seaboard Industrial Estate,
Soi 5, Tambol Tasith, Amphur Pluakdaeng,
Rayong Province 21140, Thailand
Tel: +66-38-959-200 Fax: +66-38-959-202
URL:http://th.misumi-ec.com/
- Bangkok Office
  Tel: +66-2-751-5160 Fax: +66-2-751-5161



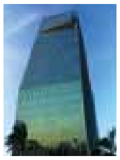
MISUMI SOUTH EAST ASIA PTE. LTD.
331 North Bridge Road, #05-03 Odeon Towers,
Singapore 188720
Tel: +65-6733-7211 Fax: +65-6733-0211
URL:http://sg.misumi-ec.com/
- Vietnam Office (Ho Chi Minh City)
  Tel: +84-8-5449-9555 Fax: +84-8-5449-9559



MISUMI MALAYSIA SDN. BHD.
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:http://my.misumi-ec.com/

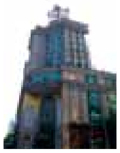


MISUMI INDIA Pvt. Ltd.
Plot #241, Udyog Vihar, Phase-I, Sector 20,
Gurgaon, Haryana-122001 India
Tel: +91-12-4468-8800 Fax: +91-12-4468-8811
URL:http://in.misumi-ec.com/
- Pune Office
  Tel: +91-12-4468-8800
- Chennai Office
  Tel: +91-12-4468-8800
- Bangalore Office
  Tel: +91-12-4468-8800

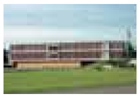


PT. MISUMI INDONESIA
Menara Karya, LT. 28. Jl. H.R. Rasuna Said Kav 1-2,
Kuningan Jakarta, Selatan 12950, Indonesia
Tel: +62-21-5789-5837 Fax: +62-21-5789-5836
URL:http://id.misumi-ec.com/
- Cikarang Office
  Tel: +62-21-8984-0009 Fax: +62-21-8983-4368

Overseas Network(Sales Offices)



SURUGA SEIKI SALES & TRADING (SHANGHAI) Co., Ltd.
Room 412, No.555 Nanjing West Road,
Shanghai, China
Tel: +86-21-6287-0630 Fax: +86-21-6287-0639
http://www.suruga-g.cn/
- Shenzhen Office
  Tel:+86-755-26428735 Fax:+86-755-26429621



Dayton Lamina Corporation
500 Progress Road, P.O. Box 39, Dayton,
Ohio 45449-0039, USA
Tel: +1-937-859-5111 Fax: +1-937-859-5353
URL:http://www.daytonlamina.com/

- Dayton Progress Corporation
  500 Progress Road, P.O. Box 39, Dayton,
  Ohio 45449-0039, USA
  Tel: +1-937-859-5111 Fax: +1-937-859-5353
  URL:http://www.daytonlamina.com/
- Anchor Lamina America, Inc.
  38505 Country Club Drive, Suite 100,
  Farmington Hills, MI 48331 USA
  Tel: +1-248-489-9122 Fax: +1-248-489-0890
  URL:http://www.daytonlamina.com/
- P.C.S.Company
  34488 Doreka Drive, Fraser, Michigan 48026, USA
  Tel: +1-586-294-7780 Fax: +1-586-294-7799
  URL:http://www.pcs-company.com
- Detroit Office (Dayton Progress Corporation)
  34488 Doreka Drive, Fraser, Michigan 48026, USA
  Tel: +1-800-892-1518 Fax: +1-586-293-1684
- Dayton Progress Canada, Ltd.
  861 Rowntree Dairy Road, Woodbridge,
  Ontario L4L 5W3, Canada
  Tel: +1-905-264-2445 Fax: +1-905-264-1071
- Dayton Progress Ltd.(UK)
  G1 Holly Farm Business Park, Honiley, Kenilworth,
  Warwickshire CV8 1NP UK
  Tel: +44-1926-484192 Fax: +44-1926-484172
  URL:http://www.daytonprogress.co.uk
- Dayton Progress GmbH(Germany)
  Adenauerallee 2, 61440 Oberursel, Germany
  Tel: +49-6171-9242-01 Fax: +49-6171-9242-20
  URL:http://www.daytonprogress.de
- Dayton Progress SAS(France)
  105 Avenue de l'Epinette, BP 128,
  Zone Industrielle, 77107 Meaux Cedex, France
  Tel: +33-1-60-24-73-01 Fax: +33-1-60-24-73-00
  URL:http://www.daytonprogress.fr
- Dayton Progress Perfuradores Lda(Portugal)
  Zona Industrial de Casal da Areia Lote 17,
  Cós, 2460-392 Alcobaca, Portugal
  Tel: +351-262-540-400 Fax: +351-262-540-409
  URL:http://www.daytonprogress.pt
- Dayton Progress s.r.o.(Czech Republic)
  Pražská 707, CZ-294 71 Benátky nad Jizerou,
  Czech Republic
  Tel: +420-326375911 Fax: +420-326375910
  URL:http://www.daytonprogress.cz
- Dayton Progress Mexico, S. de R.L. de C.V.
  Access II Number 5, Warehouse 9,
  Benito Juarez Industrial Park,
  Querétaro, Qro. Mexico 76130
  Tel: +52-442-2095114 Fax: +52-442-2095123

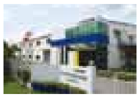
Global Network

Overseas Network(Manufacturing Sites)

SAIGON PRECISION CO., LTD.

- 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

- Linh Trung Factory 3

Lot Nos.1,2,3,4, Saigon-Linh Trung EPZ,
Linh Trung Ward, Thu Duc District,
Ho Chi Minh City, Viet Nam
Tel: +84-8-3724-6453 Fax: +84-8-3724-6455

SURUGA USA CORP.

40S. Addison Rd., Suite 300, Addison, IL60101, U.S.A.
Tel: +1-630-628-4000 Fax: +1-630-628-4005

SURUGA SEIKI (SHANGHAI) CO., LTD.

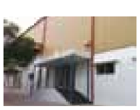
A 19, No. 5399, Wai Qing Song Rd., Qing Pu District,
Shanghai 201707, P.R.China
Tel: +86-21-6921-2188 Fax: +86-21-6921-2355

SURUGA (THAILAND) CO., LTD.

300/23 Moo 1, Eastern Seaboard Industrial Estate,
Soi 5, Tambol Tasith, Amphur Pluakdaeng,
Rayong Province 21140, Thailand
Tel: +66-38-954935 Fax: +66-38-954939

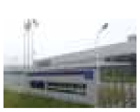
SURUGA KOREA CO., LTD.

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



SURUGA INDIA Pvt. Ltd.

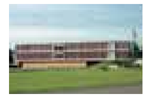
Plot #241, Udyog Vihar, Phase-I, Sector 20,
Gurgaon, Haryana-122001 India
Tel: +91-12-4468-8848



SURUGA SEIKI (NANTONG) CO., LTD.

No.100 Tongda Road, Nantong Economic and Technological Development, Area, Nantong city, Jiangsu Province, China
Tel: +86-513-8059-0000 Fax: +86-513-8059-0001

Overseas Network(Manufacturing Sites)



Dayton Lamina Corporation

- Ohio Plant(Dayton Progress Corporation)

500 Progress Road, P.O. Box 39, Dayton,
Ohio 45449-0039, USA
Tel: +1-937-859-5111 Fax: +1-937-859-5353

- Portland Plant(Dayton Progress Corporation)

1314 North Meridian St., Portland,
Indiana 47371, USA
Tel: +1-260-726-6861 Fax: +1-260-726-6859

- Fraser Plant(P.C.S.Company)

34488 Doreka Drive, Fraser, Michigan 48026 USA
Tel: +1-800-521-0546 Fax: +1-800-505-3299

- Dayton Progress Canada, Ltd.

861 Rowntree Dairy Road, Woodbridge,
Ontario L4L 5W3, Canada
Tel: +1-905-264-2445 Fax: +1-905-264-1071

- Dayton Progress Perfuradores Lda(Portugal)

Zona Industrial de Casal da Areia Lote 17, Cós,
2460-392 Alcobaça, Portugal
Tel: +351-262-540-400 Fax: +351-262-540-409

- Dayton Progress s.r.o.(Czech Republic)

Pražská 707, CZ-294 71 Benátky nad Jizerou,
Czech Republic
Tel: +420-326375911 Fax: +420-326375910

- Dayton Progress Mexico, S. de R.L. de C.V.

Access II Number 5, Warehouse 9,
Benito Juarez Industrial Park, Querétaro,
Qro. Mexico 76130
Tel: +52-442-2095114 Fax: +52-442-2095123

- Bellaire Plant(Anchor Lamina America, Inc.)

3650 South Derenzy Road, Bellaire, MI 49615, USA
Tel: +1-231-533-8646 Fax: +1-231-533-6344

- Beaver Dam Plant(Anchor Lamina America, Inc.)

151-A, Industrial Drive, Beaver Dam, WI 53916, USA
Tel: +1-920-885-1004 Fax: +1-920-885-1013

- Wuhan Dongfeng Connell Die & Mould Standard Parts Co., Ltd. (China)

D Block Hongsheng Industry Garden,
Hi-tech Industry of Economic and Technological
Development Zone, Wuhan, Hubei 430056, China

- Shiyan Plant (Wuhan Dongfeng Connell Die & Mould Standard Parts Co., Ltd.)

No. 100 Dongyue Road, Shiyan, Hubei 442025, China

Contributing to Socioeconomic Progress

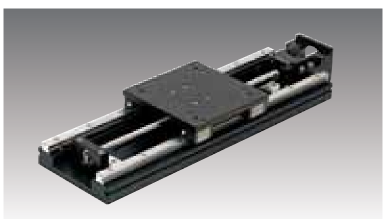
The MISUMI Group continues to be active in contributing to society through student manufacturing support, environmental management activities and cooperation with cultural activities.

Kobe University FORTEK

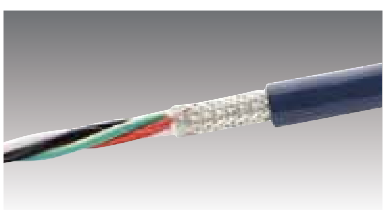
Student Manufacturing Support Activities

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 FY2013, 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. received certification under the ISO 14001 standard for environmental management systems. SURUGA Production Platform and SURUGA SEIKI were certified in January 2001.

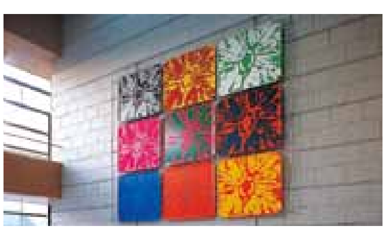


Exhibit at Museum of Contemporary Art Tokyo (2002)

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

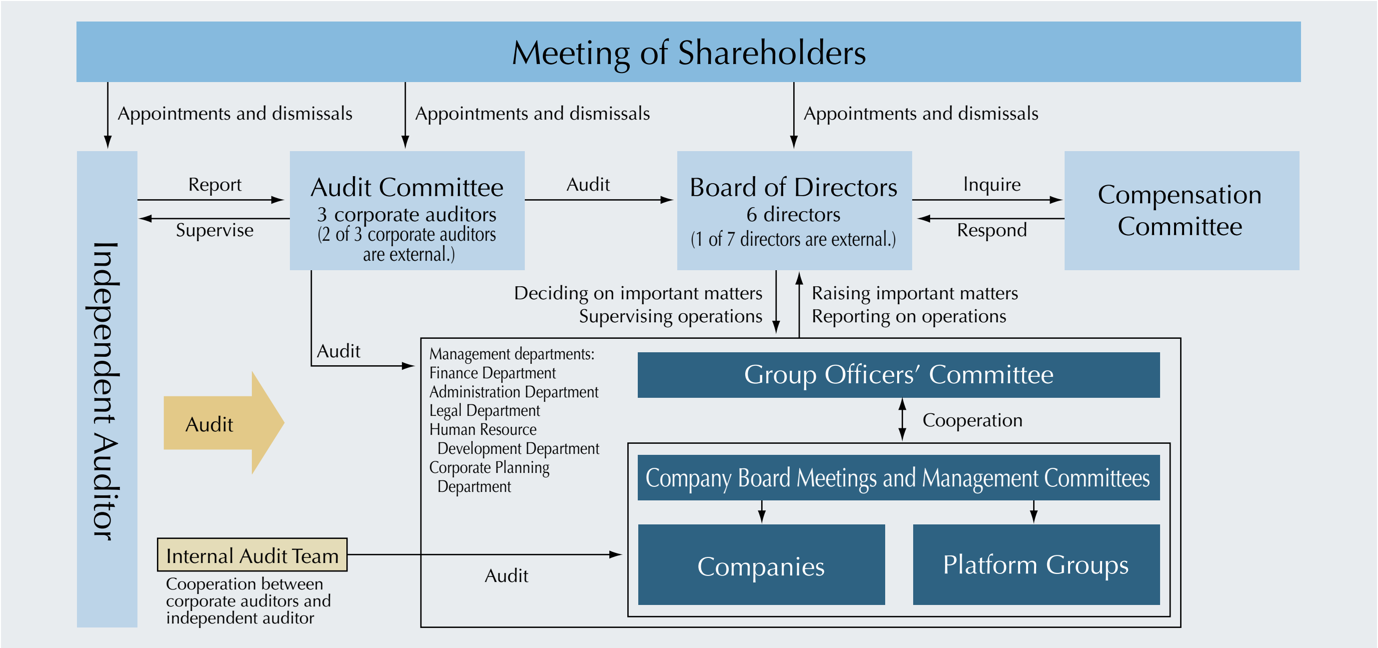
Supporting Exhibitions with the MISUMI Art Collection

Over the past few years, MISUMI has lent works from the MISUMI Art Collection 19 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.

Moving forward, we plan to continue to circulate art works on loan in response to demand from museums in other areas as well.

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, and Audit Committee to perform the supervision and auditing of operational execution. Our Board of Directors comprises six people, including one outside director. In principle, the Board meets once per month on a regular basis and as necessary on an ad hoc basis to make decisions on important business matters. The Group Officers' Committee comprises internal directors including representative directors as well as company presidents and platform representative corporate officers, meets monthly and aims to strengthen both supervision and operational execution. In June 2008, The MISUMI Group implemented organizational reforms, reorganizing machinery-related 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 company board meetings and management committees to clarify the decision-making process. Deliberations at the Group Officers' Committee and company board meetings and management committees serve the dual purpose of conducting preliminary deliberations in advance as well as confirming reporting items to the MISUMI Group Board of Directors meetings. The Audit Committee comprises three corporate auditors, including two outside auditors, 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 Team (established in April 2008) with the goal of increasing the effectiveness and efficiency of audit activities. The Compensation Committee includes outside directors and is a discretionary consultative body for the Board of Directors tasked with deliberating and deciding appropriate levels of compensation.

Regarding risk management systems, 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 our Internal Audit Team. 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. Also, 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. 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 of the Board of Directors
Tadashi Saegusa

President and CEO
Ryusei Ono*

*Representative Director

Executive Vice President
Masahiko Eguchi

Executive Director
Tokuya Ikeguchi

Executive Director and CFO
Ichiro Otokozawa

Outside Director of the Board
Tsuyoshi Numagami

Corporate Officers

MISUMI Group Inc.

Representative Director, President and CEO	Ryusei Ono
Director and Executive Vice President	Masahiko Eguchi
Executive Director	Tokuya Ikeguchi
Executive Director and CFO	Ichiro Otokozawa

Companies and Platforms

President of FA Configurable Components Company	Rie Nakagawa
President of FA Mechanical Components Company	Takao Kosaka
President of Press Tool and Die Company	Naoki Shirao
President of Plastic Die and Mold Company	Takaaki Wada
President of VONA Company	Shigehito Nakamura
Representative Corporate Officer, Production Platform	Michiaki Okamoto
Representative Corporate Officer, Marketing Platform	Takashi Mineshima

Corporate Auditors

Corporate Auditor	Hiroshi Miyamoto
Outside Corporate Auditor	Juichi Nozue
Outside Corporate Auditor	Hidetada Hirai

Advisors

Special Advisor and Founder	Hiroshi Taguchi

Management's Discussion & Analysis

The MISUMI Group comprises the MISUMI Group Inc., 45 consolidated subsidiaries, one non-consolidated subsidiary and two affiliates. We categorize our business into four segments: Factory Automation; Die Components; Electronics; and Other businesses.

Results Overview

During the consolidated fiscal year under review, government economic policies and substantial monetary easing by the Bank of Japan weakened the yen and lifted stock prices. Earnings at exporters and other large corporations improved, and capital investments recovered. The United States has gained moderate recovery momentum driven primarily by capital investments and personal consumption. The European economy also maintained positive growth as signs of an economic recovery have emerged. Meanwhile, Asian nations—which had until recently led the global economy—saw production activity continue to slow due to the decelerating Chinese economy, among other factors.

Under these circumstances, the MISUMI group of companies (the Group) maintained high on-time delivery rates while we pursued high quality (Q), low costs (C), and short delivery times (T). Amid this environment, MISUMI deployed its e-catalogs and web ordering systems to all subsidiaries overseas. In addition, we continued efforts to improve pricing and enhance customer convenience by addressing customers' latent needs to reduce the time and effort required to design and order parts. In international markets, we expanded sales offices and strengthened sales capabilities primarily in Asia—for example, our newly established Indonesian subsidiary began sales operations. At the same time, we are making solid progress in promoting optimal sourcing through both local production and procurement. Furthermore, in the United States and Europe, in addition to continued progress in selling MISUMI-branded products, sales grew significantly with the addition of new customer segments from Dayton Lamina Corporation (hereinafter Dayton Lamina), which we acquired in November 2012.

As a result, consolidated net sales reached ¥173,904 million, up ¥39,060 million (or 29.0%) from a year earlier. Operating income was ¥18,989 million, up ¥2,180 million (13.0%), and ordinary income was ¥19,168 million, up ¥2,273 million (13.5%). Net income hit a record ¥11,679 million, up ¥1,798 million (18.2%).

Net Sales

Signs of an economic upturn were seen in a moderate recovery in the US economy and improved earnings among Japanese exporters benefiting from a sustained weaker yen. On the other hand, however, Asian nations saw production activity continue to slow due to the decelerating Chinese economy, among other factors. Under these circumstances, the Group grew sales substantially by driving penetration of the MISUMI model in international markets and capturing new customer segments with the 2012 acquisition of Dayton Lamina.

As a result, consolidated net sales reached ¥173,904 million, up ¥39,060 million (or 29.0%) from a year earlier. All regions overseas posted record-high sales.

Cost of Goods Sold and Sales, General & Administrative Expenses

The cost of goods sold (COGS) was ¥99,478 million (up ¥20,733 million, or 26.3%). Gross profit was ¥74,426 million (up ¥18,327 million, or 32.7%), a record high. Gross margin was 42.8%, up from the 41.6% marked last year. Sales, general & administrative (SG&A) expenses were ¥55,437 million (up ¥16,147 million, or 41.1%). SG&A expenses amounted to 31.9% of sales, compared to 29.1% last year. As a result, operating income was ¥18,989 million (up ¥2,180 million, or 13.0%), a record high. Operating margin was 10.9%, compared to 12.5% in the previous year.

Other Profits and Losses

Non-operating profits exceeded non-operating losses by ¥179 million. As a result, ordinary income was ¥19,169 million (up ¥2,273 million, or 13.5%). Ordinary margin was 11.0%, compared to 12.5% last year. Net extraordinary losses (less extraordinary gains) were ¥204 million. Pretax income was ¥18,964 million (up ¥3,074 million, or 19.3%).

Net Income

Net income was ¥11,679 million (up ¥1,798 million, or 18.2%). Net income as a percentage of sales was 6.7%, compared to the 7.3% marked last year. Earnings per share were ¥128.82, compared to ¥110.28 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. Accordingly, our target dividend payout ratio is 25% of consolidated net income. 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.

In consideration of the policies described above, annual dividends were set to ¥32.16 per share in light of business performance in the year under review and the future outlook. That comprises the sum of a year-end dividend of ¥15.48 per share and an interim dividend of ¥16.68 per share. As a result, dividend distributions equaled 25.0% of consolidated net income and 2.7% of net assets. Retained earnings will be used to further bolster our financial standing, enhance product and service capabilities as a means to establish a stable management base over the long run, and fill out our procurement and sales regimes inside and outside Japan.

Business Performance by Business Segment

Factory Automation Businesses

Demand growth was moderate but steady in the automotive industry, a major customer segment for our Factory Automation businesses. Meanwhile, production activity continued to stagnate in the electronics industry, including LCDs and semiconductors. Under these circumstances, the Group steadily increased the number of customers by promoting the penetration of the MISUMI model in international markets. As a result of these factors, the segment's net sales were ¥98,843 million, up ¥14,544 million (or 17.3%) from a year earlier. Operating income was ¥15,242 million, up ¥2,235 million (17.2%).

Die Components Businesses

Reflecting the favorable performance of the automotive industry, in which the segment's major customers operate, and the acquisition of Dayton Lamina in November 2012, the segment's net sales jumped to ¥56,310 million, up ¥19,290 million (52.1%). Operating income was ¥3,289 million, up ¥787 million (31.5%).

Electronics Businesses

Despite stagnation in customer segments, namely the LCD and semiconductor industries, net sales were ¥13,801 million, up ¥1,420 million (11.5%). However, operating income was ¥838 million, down ¥240 million (22.3%), due to upfront investments aimed at an aggressive growth strategy for the VONA business, a new distribution channel that encompasses both third-party brands as well as original MISUMI-branded products, among other factors.

Other Businesses

The Other businesses consist of tools and MRO (maintenance, repair and operations) supplies. Owing to the favorable sales of carbide-end mills, the segment's mainstay product, net sales were ¥7,654 million, up ¥907 million (13.4%). Operating income was ¥179 million, down ¥397 million (68.9%) due to upfront investments aimed at an aggressive growth strategy for the VONA business, among other factors.

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). In terms of 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 the fiscal year under review, consolidated cash and cash equivalents amounted to ¥34,253 million, an increase of ¥6,184 million compared to the beginning of the year.

Cash flows from operating activities were a positive ¥15,484 million, up ¥3,927 million compared to the previous year.

Pretax income was ¥18,964 million and depreciation and amortization costs were ¥4,648 million. Goodwill amortization costs were ¥1,528 million. Provisions for bonuses increased ¥1,093 million. Trade accounts receivable increased ¥2,944 million. Inventories increased ¥1,757 million. Corporate income tax payments were ¥8,779 million.

Cash flows from investment activities were a negative ¥19,100 million, an increase of ¥7,780 million compared to the previous year. Income from the sale and redemption of marketable securities was ¥2,600 million. Outlays from the acquisition of fixed assets were ¥6,902 million. Outlays for deposits into time deposit accounts were ¥13,586 million and income from withdrawals from time deposit accounts was ¥5,027 million.

Cash flows from financing activities were a positive ¥7,795 million, as net income increased ¥7,974 million compared to the previous year. Income from the issuance of corporate bonds with stock acquisition rights was ¥9,808 million. Income from the allocation of treasury stock against the exercise of stock options was ¥965 million. Payments of dividends amounted to ¥2,976 million.

Assets

Total assets as of the end of the fiscal year under review were ¥163,202 million (up ¥26,899 million, or 19.7%, compared to the previous year-end). Current assets were ¥113,972 million (up ¥21,613 million, or 23.4%). This is mainly due to an increase in cash and deposits of ¥15,070 million (up 44.5%), an increase in notes receivable and trade accounts receivable of ¥4,820 million (up 15.8%), and an increase in goods and products of ¥3,060 million (up 22.3%).

Fixed assets were ¥49,230 million (up ¥5,286 million, or 12.0%). Tangible fixed assets were ¥23,725 million (up ¥4,309 million, or 22.2%). This is mainly due to an increase in capital equipment resulting from the establishment of a new manufacturing plant. Intangible fixed assets were ¥20,785 million (up ¥2,135 million, or 11.4%). This is mainly due to the introduction of new backbone IT systems. Investments and other assets were ¥4,720 million (down ¥1,159 million, or 19.7%). This is mainly due to a decrease in investment securities.

Liabilities

Total liabilities were ¥46,624 million (up ¥13,952 million, or 42.7%, compared to the previous year-end). Current liabilities were ¥28,669 million (up ¥2,245 million, or 8.5%). This is mainly due to an increase in trade notes and trade accounts payable and other accounts payable. Fixed liabilities were ¥17,955 million (up ¥11,707 million, or 187.4%). This is mainly due to the issuance of corporate bonds with stock acquisition rights.

As a result, the current ratio was 4.0 times, sustaining a high degree of stability.

Equity

Total net assets, the sum of shareholders equity, other comprehensive income and stock options, were ¥116,578 million (up ¥12,947 million, or 12.5%, compared to the previous year-end). Shareholders equity increased ¥9,745 million (9.4%); this is mainly due to an increase in retained earnings of ¥8,499 million (10.4%), and a decrease in treasury stock of ¥871 million (92.4%) resulting from the exercise of stock acquisition rights. Meanwhile, foreign currency translation adjustments and other comprehensive income increased ¥3,207 million.

As a result of the above, the equity ratio was 71.1%, compared to the 75.6% marked at the end of the previous year.

Capital Investments

During the consolidated fiscal year under review, the Group implemented capital investments amounting to ¥6,989 million. These investments included ¥3,261 million toward the establishment of a new manufacturing plant under SURUGA SEIKI (NANTONG) CO., LTD. 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.

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. Total research and development expenditures during the fiscal year under review were ¥508 million. The relevant business units are responsible for their research and development activities.

The Factory Automation Businesses spent ¥368 million to develop new products and enhance productivity. The Die Components Businesses spent ¥140 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 materially influence investor decisions.

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

Effect of Trends in Certain Markets on Business Results

The MISUMI Group primarily manufactures and sells factory automation components and die components. Our main customers reside in the automotive and electronics (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.

Consolidated Balance Sheet

MISUMI Group Inc. and Its Consolidated Subsidiaries
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	**¥34,253**	¥28,069	**$332,813**
Time deposits (Note 14)	**14,699**	5,813	**142,818**
Marketable securities (Notes 4 and 14)	**2,303**	2,603	**22,379**
Receivables:			
Trade notes (Note 14)	**5,565**	5,264	**54,070**
Trade accounts (Note 14)	**29,808**	25,289	**289,627**
Other	**616**	436	**5,980**
Allowance for doubtful receivables	**(202)**	(227)	**(1,959)**
Inventories (Note 5)	**22,516**	18,760	**218,776**
Deferred tax assets (Note 11)	**2,603**	2,175	**25,295**
Other	**1,811**	4,177	**17,590**
Total current assets	**113,972**	92,359	**1,107,389**
PROPERTY, PLANT AND EQUIPMENT (Note 22)**:**			
Land	**3,837**	3,854	**37,286**
Buildings and structures	**14,309**	13,025	**139,026**
Machinery and vehicles	**15,017**	12,764	**145,910**
Other	**8,813**	4,536	**85,627**
Total	**41,976**	34,179	**407,849**
Accumulated depreciation and impairment loss	**(18,251)**	(14,763)	**(177,328)**
Net property, plant and equipment	**23,725**	19,416	**230,521**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	**1,613**	3,129	**15,676**
Investments in unconsolidated subsidiaries and associated companies (Note 14)	**137**	163	**1,328**
Software	**4,353**	3,911	**42,293**
Goodwill (Notes 2.y, 17 and 22)	**6,342**	6,653	**61,620**
Deferred tax assets (Note 11)	**1,133**	1,079	**11,010**
Other assets	**11,927**	9,593	**115,880**
Total investments and other assets	**25,505**	24,528	**247,807**
TOTAL	**¥163,202**	¥136,303	**$1,585,717**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	**¥900**	¥1,000	**$8,745**
Payables:			
Trade notes and accounts (Note 14)	**10,485**	8,704	**101,881**
Accounts payable—other	**6,025**	4,121	**58,546**
Income taxes payable (Note 11)	**3,683**	3,745	**35,781**
Accrued bonuses (Note 2.n)	**3,221**	1,955	**31,293**
Other	**4,355**	6,900	**42,314**
Total current liabilities	**28,669**	26,425	**278,560**
LONG-TERM LIABILITIES:			
Bonds with subscription rights to shares (Notes 7 and 14)	**10,292**		**100,000**
Liability for retirement benefits (Note 8)	**4,179**	3,068	**40,606**
Deferred tax liabilities (Note 11)	**2,909**	2,571	**28,263**
Other	**575**	608	**5,587**
Total long-term liabilities	**17,955**	6,247	**174,456**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 15)			
EQUITY (Notes 9, 10, 18, 19 and 21)**:**			
Common stock—authorized, 340,000,000 shares in 2014 and 2013; issued, 90,983,484 shares in 2014 90,925,984 shares in 2013	**6,375**	6,316	**61,944**
Capital surplus	**16,764**	16,449	**162,883**
Stock acquisition rights	**272**	351	**2,638**
Retained earnings	**90,005**	81,506	**874,514**
Treasury stock—at cost, 41,945 shares in 2014 and 557,199 shares in 2013	**(72)**	(943)	**(695)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**12**	21	**110**
Foreign currency translation adjustments	**2,938**	(334)	**28,549**
Remeasurements of defined benefit plans	**(56)**		**(544)**
Minority interests	**340**	265	**3,302**
Total equity	**116,578**	103,631	**1,132,701**
TOTAL	**¥163,202**	¥136,303	**$1,585,717**

Consolidated Statement of Income

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2013	2012	**2014**
NET SALES (Note 22)	**¥173,904**	¥134,844	¥130,213	**$1,689,703**
COST OF SALES	**99,478**	78,744	77,787	**966,554**
Gross profit	**74,426**	56,100	52,426	**723,149**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**55,437**	39,291	35,780	**538,642**
Operating income (Note 22)	**18,989**	16,809	16,646	**184,507**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**208**	225	215	**2,017**
Interest expense	**(9)**	(7)	(8)	**(89)**
Exchange loss—net	**(272)**	(289)	(102)	**(2,645)**
Impairment loss (Notes 6 and 22)	**(109)**			**(1,059)**
Gain on sales of stocks of subsidiaries and affiliates		224		
Gain on liquidation of subsidiaries and affiliates	**105**			**1,024**
Loss on withdrawal from pension fund (Note 8)		(985)		
Relocation expenses	**(201)**	(329)		**(1,952)**
Other—net	**253**	242	271	**2,458**
Other income (expenses)—net	**(25)**	(919)	376	**(246)**
INCOME BEFORE INCOME TAXES	**18,964**	15,890	17,022	**184,261**
INCOME TAXES (Note 11)**:**				
Current	**7,689**	7,153	7,284	**74,709**
Deferred	**(412)**	(1,140)	324	**(4,003)**
Total income taxes	**7,277**	6,013	7,608	**70,706**
NET INCOME BEFORE MINORITY INTERESTS	**11,687**	9,877	9,414	**113,555**
MINORITY INTERESTS	**8**	(4)		**83**
NET INCOME	**¥11,679**	¥9,881	¥9,414	**$113,472**

	Yen			U.S. Dollars
	2014	2013	2012	**2014**
PER SHARE OF COMMON STOCK (Notes 2.v, 9, 18 and 21)**:**				
Net income	**¥128.82**	¥110.28	¥105.14	**$1.25**
Diluted net income	**128.30**	110.04	104.93	**1.25**
Cash dividends applicable to the year	**32.16**	27.45	23.20	**0.31**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2013	2012	**2014**
NET INCOME BEFORE MINORITY INTERESTS	**¥11,687**	¥9,877	¥9,414	**$113,555**
OTHER COMPREHENSIVE INCOME (Note 16)**:**				
Unrealized gain (loss) on available-for-sale securities	**(9)**	9	(19)	**(89)**
Foreign currency translation adjustments	**3,272**	2,203	(285)	**31,793**
Share of other comprehensive income in associates	**2**			**22**
Total other comprehensive income	**3,265**	2,212	(304)	**31,726**
COMPREHENSIVE INCOME (Note 16)	**¥14,952**	¥12,089	¥9,110	**$145,281**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16):				
Owners of the parent	**¥14,932**	¥12,081	¥9,110	**$145,089**
Minority interests	**20**	8		**192**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2014

	Thousands	Millions of Yen									
								Accumulated other comprehensive income			
	Issued Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Minority Interests	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Equity
BALANCE, APRIL 1, 2011..........	89,853	¥5,341	¥15,112	¥460		¥66,236	¥ (652)	¥31	¥(2,252)		¥84,276
Net income						9,414					9,414
Cash dividends, ¥20.70 per share						(1,857)					(1,857)
Increase in treasury stock (886,296 shares) .							(1,500)				(1,500)
Exercise of stock acquisition rights (Notes 10 and 19)..	714	628	628								1,256
Net change in the year.............				55				(19)	(285)		(249)
BALANCE, MARCH 31, 2012....	90,567	5,969	15,740	515		73,793	(2,152)	12	(2,537)		91,340
Net income						9,881					9,881
Cash dividends, ¥24.25 per share						(2,168)					(2,168)
Increase in treasury stock (70 shares)....							(0)				(0)
Disposal of treasury stock (714,500 shares).			362				1,209				1,571
Exercise of stock acquisition rights (Notes 10 and 19)..	359	347	347								694
Net change in the year............				(164)	¥265			9	2,203		2,313
BALANCE, MARCH 31, 2013 ...	90,926	6,316	16,449	351	265	81,506	(943)	21	(334)		103,631
Net income						**11,679**					**11,679**
Cash dividends, ¥32.88 per share						**(2,976)**					**(2,976)**
Change of scope of consolidation						**(204)**					**(204)**
Increase in treasury stock (680 shares) ..							**(2)**				**(2)**
Disposal of treasury stock (515,934 shares).			**256**				**873**				**1,129**
Exercise of stock acquisition rights (Notes 10 and 19)..	**57**	**59**	**59**								**118**
Net change in the year............				**(79)**	**75**			**(9)**	**3,272**	**¥(56)**	**3,203**
BALANCE, MARCH 31, 2014 ...	**90,983**	**¥6,375**	**¥16,764**	**¥272**	**¥340**	**¥90,005**	**¥(72)**	**¥12**	**¥2,938**	**¥(56)**	**¥116,578**

	Thousands of U.S. Dollars (Note 1)									
							Accumulated other comprehensive income			
	Common Stock	Capital Surplus	Stock Acquisition Rights	Minority Interests	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Equity
BALANCE, APRIL 1, 2013.........	$61,368	$159,825	$3,415	$2,574	$791,933	$(9,164)	$199	$(3,244)		$1,006,906
Net income					**113,472**					**113,472**
Cash dividends, $0.32 per share .					**(28,917)**					**(28,917)**
Change of scope of consolidation					**(1,974)**					**(1,974)**
Increase in treasury stock (680 shares) ..						**(20)**				**(20)**
Disposal of treasury stock (515,934 shares).		**2,482**				**8,489**				**10,971**
Exercise of stock acquisition rights (Notes 10 and 19)..	**576**	**576**								**1,152**
Net change in the year............			**(777)**	**728**			**(89)**	**31,793**	**$(544)**	**31,111**
BALANCE, MARCH 31, 2014 ...	**$61,944**	**$162,883**	**$2,638**	**$3,302**	**$874,514**	**$(695)**	**$110**	**$28,549**	**$(544)**	**$1,132,701**

See notes to consolidated financial statements

Consolidated Statement of Cash Flows

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2014	2013	2012	**2014**
OPERATING ACTIVITIES:				
Income before income taxes	**¥18,964**	¥15,890	¥17,022	**$184,261**
Adjustments for:				
Income taxes paid	**(8,779)**	(8,257)	(8,672)	**(85,302)**
Income taxes refund	**602**	445	297	**5,854**
Depreciation and amortization	**4,648**	3,132	3,295	**45,164**
Amortization of goodwill	**1,528**	465	243	**14,851**
Exchange loss	**(821)**	73	137	**(7,982)**
Impairment loss	**109**			**1,059**
Gain on liquidation of subsidiaries and affiliates	**(105)**			**(1,024)**
Changes in assets and liabilities:				
(Increase) decrease in receivables	**(2,944)**	1,343	(2,743)	**(28,603)**
(Increase) decrease in inventories	**(1,757)**	(1,273)	(1,950)	**(17,074)**
Increase (decrease) in payables	**605**	(1,261)	252	**5,881**
Increase (decrease) in other current liabilities	**1,043**	577	292	**10,133**
Other—net	**2,391**	423	(388)	**23,233**
Total adjustments	**(3,480)**	(4,333)	(9,237)	**(33,810)**
Net cash provided by operating activities	**15,484**	11,557	7,785	**150,451**
INVESTING ACTIVITIES:				
Proceeds from sales and redemption of marketable and investment securities	**2,600**	8,162	4,501	**25,262**
Purchase of marketable and investment securities	**(802)**	(6,603)	(4,201)	**(7,793)**
Purchase of property, plant and equipment	**(6,902)**	(3,381)	(4,154)	**(67,059)**
Proceeds from sales of stocks of subsidiaries and affiliates		704		
Proceeds from liquidation of subsidiaries and affiliates	**282**			**2,744**
Purchase of stocks of subsidiaries and affiliates (Note 20)	**(29)**	(15,959)		**(286)**
Refund from time deposits	**5,027**	21,436	20,843	**48,842**
Payment into time deposits	**(13,586)**	(16,491)	(13,879)	**(132,001)**
Other—net	**(5,690)**	812	(797)	**(55,295)**
Net cash provided by (used in) investing activities	**(19,100)**	(11,320)	2,313	**(185,586)**
FINANCING ACTIVITIES:				
Proceeds from issuance of bonds with subscription rights to shares	**9,807**			**95,295**
Increase(decrease) in short-term bank loans—net	**(100)**		100	**(972)**
Proceeds from issuance of stock	**101**	647	1,186	**982**
Acquisition of treasury stock	**(2)**	0	(1,500)	**(20)**
Proceeds from disposal of treasury stock	**965**	1,343		**9,375**
Dividends paid	**(2,976)**	(2,168)	(1,858)	**(28,917)**
Net cash provided by (used in) financing activities	**7,795**	(178)	(2,072)	**75,743**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**2,049**	1,287	(66)	**19,913**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,228**	1,346	7,960	**60,521**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**28,069**	26,723	18,763	**272,723**
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION	**(44)**			**(431)**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥34,253**	¥28,069	¥26,723	**$332,813**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MISUMI Group Inc. and Its 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 accordance with generally accepted accounting principles in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 2012 and 2013 financial statements to conform them to the classifications used in 2014.

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 ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. 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, 2014 include the accounts of the Company and its 45 (46 as of March 31, 2013) 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.

One subsidiary, WUXI PARTS SEIKO PRECISION IND CO., LTD., is not consolidated in 2014 because it would have an immaterial effect on the accompanying consolidated financial statements. Investments in two associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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 may tentatively 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) exclusion of minority interests from net income, if included.

c. *Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method*—In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted 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 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; and (e) exclusion of minority interests from net income, if contained in net income.

d. *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.

e. 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 a decline in profitability) by the periodic average method, except catalogues that are stated at cost by the last purchase method.

f. 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.

g. Allowance for Doubtful Accounts—To provide for credit loss, provisions are made for doubtful accounts based on an estimate of the uncollectible amount calculated using historical default rate for normal loans or a reasonable estimate based on the financial condition of individual borrowers for doubtful and default loans.

h. 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 buildings and 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	2 to 45	years
Machineries and vehicles	2 to 12	years

i. 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.

j. Other Assets—Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method over 5 to 15 years for intangible assets and 5 years for goodwill.

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

l. Stock and Bond Issue Costs—Stock and bond issue costs are charged to income as incurred.

m. Retirement Plan—The Company and consolidated subsidiaries have a termination allowance plan. In addition, the Company and certain consolidated subsidiaries have an employees' pension fund.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are charged to income as incurred, whereas they are amortized over ten years for those incurred in certain consolidated subsidiaries.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2.x).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥3,096 million ($30,085 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥56 million ($544 thousand).

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.

n. ***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.

o. ***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.

p. ***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.

q. ***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.

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.

r. ***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.

s. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

t. ***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 as of the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

u. ***Foreign Currency Financial Statements***—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.

v. ***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. Regarding stock option rights that are vested after a certain period of employment, proceeds assuming the exercise of the rights include the part for the services rendered to the company in the future out of the fair value of the stock option rights.

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

In June 2010, the ASBJ published ASBJ Statement No. 2 "Accounting Standard for Earnings Per Share", ASBJ Guidance No. 4 "Guidance on Accounting Standard for Earnings Per Share" and ASBJ PITF No. 9, "Practical Solution on Earnings Per Share." The Company has applied this standard, the guidance and the PITF from the year ended March 31, 2012.

Details of the effect of these are explained in Note 18. NET INCOME PER SHARE.

w. *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, the 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.

x. *New Accounting Pronouncements*
Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) *Treatment in the balance sheet*
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) *Treatment in the statement of income and the statement of comprehensive income*
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) *Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases*
The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.
The Company applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

y. *Business Combinations*—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations". Major accounting changes under the revised accounting standard are as follows:

(1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed.
(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard,

in-process research and development (IPR&D) acquired in the business combination are capitalized as an intangible asset.
(3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

The Company acquired all shares in the Connell Industrial Tool Corporation, the holding company that wholly owns Dayton Lamina Corporation ("Dayton Lamina") on November 6, 2012 and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over 5 years.

3. ACCOUNTING CHANGE

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" (hereinafter, the "Standard") and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" (hereinafter, the "Guidance").
Effective from the end of the year ended March 31, 2014, the Company has applied the Standard and the Guidance except for the treatment allowed by the main clause of Section 35 of the Standard and Paragraph 67 of the Guidance. Under the new standard, the Company changed its method of recording the amount of retirement benefit obligations deducting plan assets as net defined benefit liability, and accordingly, recorded unrecognized actuarial differences as net defined benefit liability.
With regard to the application of the Standard and the Guidance, in accordance with the transitional treatment indicated in Section 37 of the Standard, the effect resulting from this change is included in remeasurements of defined benefit plans within accumulated other comprehensive income as of March 31, 2014.
As a result, as of the end of the year ended March 31, 2014, the Company recorded net defined benefit liability of ¥3,096 million ($30,085 thousand). In addition, accumulated other comprehensive income decreased ¥56 million ($544 thousand).
The effects of this change on net assets per share for the year ended March 31, 2014 were immaterial.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Current:			
Corporate and public bonds	**¥2,303**	¥2,603	**$22,379**
Trust fund investments			
Total	**¥2,303**	¥2,603	**$22,379**
Non current:			
Equity securities	**¥6**	¥6	**$60**
Corporate and public bonds	**1,607**	3,123	**15,616**
Trust fund investments			
Total	**¥1,613**	¥3,129	**$15,676**

The costs and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013 were as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2014				2013				**2014**			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:												
Equity securities												
Debt securities	**¥3,900**	**¥14**	**¥(4)**	**¥3,910**	¥5,701	¥26	¥1	¥5,726	**$37,897**	**$135**	**$(38)**	**$37,994**
Trust fund investments												

Available-for-sale securities were not sold during the year ended March 31, 2014.

Proceeds from sales of available-for-sale securities for the year ended March 31, 2013 were as follows:

	Millions of Yen		
	2013		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	¥84	¥19	
Debt securities			
Trust fund investments	978	111	¥34
Total	¥1,062	¥130	¥34

The redemption amounts of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2014 are as follows:

	2014	
	Available for Sale	
	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	**¥2,300**	**$22,348**
Due after one year through five years	**1,600**	**15,546**
Due after five years through ten years		
Due after ten years		
Total	**¥3,900**	**$37,894**

5.INVENTORIES

Inventories at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Merchandise	**¥16,428**	¥13,453	**$159,621**
Finished goods	**343**	258	**3,336**
Materials	**3,186**	3,060	**30,951**
Supplies	**1,005**	699	**9,768**
Work in process	**1,554**	1,290	**15,100**
Total	**¥22,516**	¥18,760	**$218,776**

6.LONG-LIVED ASSETS

For the year ended March 31, 2014, the Group recognized an impairment loss of ¥109 million ($1,059 thousand) as other expense for the business assets of Thane, India. As a result of consideration of future collectability, the carrying amount for the assets group was recorded as an impairment loss. The details are ¥87 million ($846 thousand) for machinery and vehicles, ¥15 million ($144 thousand) for tools, furniture and fixtures, ¥6 million ($60 thousand) for buildings and structures, and ¥1 million ($9 thousand) for software.

For the years ended March 31, 2013 and 2012, there were no impairment losses recognized.

7.SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The annual interest rates applicable to the short-term bank loans ranged from 0.44% to 0.86% and from 0.46% to 0.90% at March 31, 2014 and 2013, respectively.

Long-term debt at March 31, 2014 consisted of the following:

	2014	
	Millions of Yen	Thousands of U.S. Dollars
U.S. $100,000,000 Zero Coupon Convertible Bonds due 2018	**¥10,292**	**$100,000**
Total	**10,292**	**100,000**
Less current portion		
Long-term debt, less current portion	**¥10,292**	**$100,000**

Annual maturities of long-term debt as of March 31, 2014, for the next five years and thereafter were as follows:

	2014	
Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015		
2016		
2017		
2018		
2019 and thereafter	**¥10,292**	**$100,000**
Total	**¥10,292**	**$100,000**

Under specific conditions, the convertible debentures outstanding at March 31, 2014, are convertible into 2,718 thousand shares of common stock of the Company through October 8, 2018 at $37.69 per share. The conversion prices of the convertible debentures are subject to adjustments in certain circumstances.

8.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. In addition, the Company and certain consolidated subsidiaries have an employees' 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 liability for retirement benefits at March 31, 2014 and 2013 for directors and corporate auditors is ¥1,083 million ($10,521 thousand) and ¥498 million yen, respectively. The amounts payable to directors and corporate auditors upon retirement is subject to the approval of the shareholders.

Year Ended March 31, 2014

a. Defined benefit plan

(1)The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	**¥3,513**	**$34,129**
Current service cost	**648**	**6,295**
Interest cost	**22**	**210**
Actuarial losses	**23**	**223**
Benefits paid	**(160)**	**(1,553)**
Others	**26**	**263**
Balance at end of year	**¥4,072**	**$39,567**

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	**¥790**	**$7,679**
Expected return on plan assets	**14**	**136**
Actuarial losses	**(14)**	**(136)**
Contributions from the employer	**202**	**1,959**
Benefits paid	**(27)**	**(266)**
Others	**11**	**109**
Balance at end of year	**¥976**	**$9,481**

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	**¥1,508**	**$14,654**
Plan assets	**(976)**	**(9,481)**
	532	**5,173**
Unfunded defined benefit obligation	**2,564**	**24,912**
Net liability for defined benefit obligation	**¥3,096**	**$30,085**

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	**¥3,096**	**$30,085**
Asset for retirement benefits		
Net liability for defined benefit obligation	**¥3,096**	**$30,085**

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	**¥648**	**$6,295**
Interest cost	**22**	**210**
Expected return on plan assets	**(14)**	**(136)**
Recognized actuarial losses	**100**	**972**
Others	**15**	**153**
Net periodic benefit costs	**¥771**	**$7,494**

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized actuarial losses	**¥89**	**$867**
Total	**¥89**	**$867**

(6) Plan assets as of March 31, 2014

a. Components of plan assets

Plan assets consisted of the followings:

Cash and cash equivalents	**14%**
General accounts	**82**
Others	**4**
Total	**100%**

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

	2014
Discount rate	**0.5%-0.9%**
Expected rate of return on plan assets	**1.64%**

b. Multiple employers plan

The amount to be required to contribute to the Social Welfare Pension Fund, which is accounted for in the same way as the defined contribution plan is ¥244 million.

Funding status of the Social Welfare Pension Fund of Nippon Sheet Metal Presswork as of March 31, 2013

	2013	
	Millions of Yen	Thousands of U.S. Dollars
Plan assets	¥64,698	$628,621
Liability based on pension benefit calculation	80,765	784,735
Difference	¥(16,067)	$(156,114)

(Note) The above shows the latest figures released by the Social Welfare Pension Fund of Nippon Sheet Metal Presswork.

	2014
Percentage of the Group's contributions to the total plan	**8.46%**

As of March 31, 2013, the 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 (¥11,701 million) and carry forward deficit (¥4,366 million). The past service liability is amortized on a straight-line basis over a period of 16 years.

Year Ended March 31, 2013

For the year ended March 31, 2013, certain domestic consolidated subsidiaries withdrew from the Shizuoka Midland Machine Industry Pension Fund. As a result, the Group recognized a special premium of ¥985 million incurred upon the withdrawal from the fund as "loss on withdrawal from pension fund."

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

	Millions of Yen
	2012
Plan assets	¥58,159
Liability based on pension benefit calculation	77,075
Difference	¥(18,916)

(Note) The above shows the latest figures released by the Social Welfare Pension Fund of Nippon Sheet Metal Presswork.

	2013
Percentage of the Group's contributions to the total plan	7.82%

As of March 31, 2012, the 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 (¥12,628 million) and carry forward deficit (¥6,288 million). The past service liability is amortized on a straight-line basis over a period of 17 years.

The liability for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥3,513
Fair value of plan assets	(790)
Unrecognized actuarial loss	(153)
Net liability	¥2,570

The components of net periodic benefit costs are as follows:

	Millions of Yen
Service cost	¥487
Interest cost	29
Expected return on plan assets	(8)
Recognized actuarial loss	187
Contribution to the Pension	246
Net periodic benefit costs	¥941

Assumptions used for the year ended March 31, 2013 are set forth as follows:

	2013
Discount rate	0.5%-0.8%
Expected rate of return on plan assets	1.0%-1.3%

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

9.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 a Board of Directors, (2) having independent auditors, (3) having a 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 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 aggregate amount of the earned legal reserve and additional paid-in capital equals 25% of the common stock. The Companies Act also provides that common stock, 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.

10.STOCK OPTION

Information related to the stock options for the year ended March 31, 2014 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option (1)	6 directors	280,000 shares	2007.7.12	¥2,219 ($21.56)	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 ($19.69)	From February 1, 2010 to January 31, 2015
2008 Stock Option (1)	8 directors	440,000 shares	2008.7.11	¥2,073 ($20.14)	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 ($15.31)	From January 1, 2011 to December 31, 2016
2009 Stock Option (1)	7 directors	486,000 shares	2009.7.10	¥1,432 ($13.91)	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 ($15.55)	From September 1, 2011 to August 31, 2016
2010 Stock Option (1)	6 directors	520,000 shares	2010.7.2	¥1,827 ($17.75)	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 ($17.75)	From August 1, 2012 to July 31, 2018
2012 Stock Option (1)	6 directors	480,000 shares	2012.7.3	¥1,892 ($18.38)	From August 1, 2014 to July 31, 2021
2012 Stock Option (2)	33 employees of the Group	125,000 shares	2012.7.3	¥1,892 ($18.38)	From August 1, 2014 to July 31, 2021

Stock option activity is as follows:

	2007 Stock Option (1)	2007 Stock Option (2)	2008 Stock Option (1)	2008 Stock Option (2)
	(Shares)			
For the Year Ended March 31, 2013				
Non-vested:				
April 1, 2012—outstanding				
Granted				
Canceled				
Vested				
March 31, 2013—outstanding				
Vested:				
April 1, 2012—outstanding	280,000	35,000	400,000	55,100
Vested				
Exercised	160,000	11,900	210,000	38,300
Canceled		6,000		
March 31, 2013—outstanding	120,000	17,100	190,000	16,800
For the Year Ended March 31, 2014				
Non-vested:				
March 31, 2013—outstanding				
Granted				
Canceled				
Vested				
March 31, 2014—outstanding				
Vested:				
March 31, 2013—outstanding	**120,000**	**17,100**	**190,000**	**16,800**
Vested				
Exercised	**96,700**	**11,100**	**160,000**	**13,000**
Canceled				**3,000**
March 31, 2014—outstanding	**23,300**	**6,000**	**30,000**	**800**
	Yen (U.S. Dollars)			
Exercise price	**¥2,219**	**¥2,027**	**¥2,073**	**¥1,576**
	($21.56)	**($19.69)**	**($20.14)**	**($15.31)**
Fair value price at grant date	**¥384**	**¥305**	**¥286**	**¥87**
	($3.73)	**($2.96)**	**($2.78)**	**($0.85)**

Stock option activity is as follows:

	2009 Stock Option (1)	2009 Stock Option (2)	2010 Stock Option (1)	2010 Stock Option (2)	2012 Stock Option (1)	2012 Stock Option (2)
	(Shares)					
For the Year Ended March 31, 2013						
Non-vested:						
April 1, 2012—outstanding			440,000	133,000		
Granted					480,000	125,000
Canceled				30,000		15,000
Vested			440,000	103,000		
March 31, 2013—outstanding					480,000	110,000
Vested:						
April 1, 2012—outstanding	308,700	99,900				
Vested			440,000	103,000		
Exercised	145,200	44,100	251,000	19,200		
Canceled						
March 31, 2013—outstanding	163,500	55,800	189,000	83,800		
For the Year Ended March 31, 2014						
Non-vested:						
March 31, 2013—outstanding					**480,000**	**110,000**
Granted						
Canceled					**40,000**	**13,000**
Vested						
March 31, 2014—outstanding					**440,000**	**97,000**
Vested:						
March 31, 2013—outstanding	**163,500**	**55,800**	**189,000**	**83,800**		
Vested						
Exercised	**111,300**	**48,800**	**76,500**	**56,000**		
Canceled		**3,000**				
March 31, 2014—outstanding	**52,200**	**4,000**	**112,500**	**27,800**		
	Yen (U.S. Dollars)					
Exercise price	**¥1,432 ($13.91)**	**¥1,600 ($15.55)**	**¥1,827 ($17.75)**	**¥1,827 ($17.75)**	**¥1,892 ($18.38)**	**¥1,892 ($18.38)**
Fair value price at grant date	**¥272 ($2.64)**	**¥356 ($3.46)**	**¥330 ($3.21)**	**¥330 ($3.21)**	**¥424 ($4.12)**	**¥424 ($4.12)**

The Assumptions Used to Measure Fair Value of Stock Options Granted for the Year Ended March 31, 2014:
None are applicable.

The Assumptions Used to Measure the Number of Vested Stock Options
The Company uses only actual cancellations due to the difficulty in determining a reasonable assumption to measure the number of future cancellations.

11.INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% for the years ended March 31, 2014 and 2013.
However, due to the tax reform as described below, the normal effective statutory tax rate varies in accordance with the years in which the temporary differences will be realized.
From the year ended March 31, 2013 to the year ended March 31, 2014: 38.0%
From the year ended March 31, 2015 and after: 35.6%

The "Act on Partial Revision of the Income Tax Act" was promulgated on March 31, 2014 and the special reconstruction surtax will no longer be imposed from fiscal years beginning on or after April 1, 2014. Accordingly, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities was reduced from 38.0% to 35.6% in connection with temporary differences in assets or liabilities which are expected to be released in the fiscal years beginning on or after April 1, 2014.
The effects of this change in the tax rate were immaterial.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Current deferred tax assets:			
Devaluation of inventories	**¥876**	¥733	**$8,514**
Accrued enterprise tax	**186**	285	**1,806**
Accrued bonuses	**881**	587	**8,556**
Unrealized income	**280**	307	**2,716**
Other—net	**660**	591	**6,418**
Subtotal	**2,883**	2,503	**28,010**
Valuation allowance	**(278)**	(170)	**(2,698)**
Current deferred tax assets	**2,605**	2,333	**25,312**
Current deferred tax liabilities:			
Other—net	**(2)**	(158)	**(17)**
Current deferred tax liabilities	**(2)**	(158)	**(17)**
Net current deferred tax assets	**¥2,603**	¥2,175	**$25,295**
Non-current deferred tax assets:			
Liabilities for retirement benefits for employees	**¥1,070**	¥904	**$10,400**
Depreciation	**337**	332	**3,275**
Tax losses carried forward	**1,345**	2,113	**13,069**
Provision for directors' retirement benefit	**386**	178	**3,750**
Other—net	**678**	700	**6,583**
Subtotal	**3,816**	4,227	**37,077**
Valuation allowance	**(1,755)**	(2,203)	**(17,048)**
Non-current deferred tax assets	**2,061**	2,024	**20,029**
Non-current deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	**(123)**	(133)	**(1,199)**
Valuation of intangible assets	**(2,909)**	(2,571)	**(28,258)**
Other—net	**(805)**	(812)	**(7,825)**
Non-current deferred tax liabilities	**(3,837)**	(3,516)	**(37,282)**
Net non-current deferred tax assets	**¥(1,776)**	¥(1,492)	**$(17,253)**

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2014 and 2013 were not presented because the differences between them were immaterial.

12.LEASES

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

Total rental expense for the years ended March 31, 2014, 2013 and 2012 was ¥2,337 million ($22,703 thousand), ¥1,594 million and ¥1,423 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 and whose lease inception was before March 31, 2008 to continue 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, 2014 and 2013 was as follows:

	Millions of Yen		
	2014		
	Machineries and Vehicles	Other	Total
Acquisition cost	**¥114**	**¥3**	**¥117**
Accumulated depreciation	**(109)**	**(3)**	**(112)**
Net leased property	**¥5**	**¥0**	**¥5**

	Millions of Yen		
	2013		
	Machineries and Vehicles	Other	Total
Acquisition cost	¥114	¥10	¥124
Accumulated depreciation	(92)	(9)	(101)
Net leased property	¥22	¥1	¥23

	Thousands of U.S. Dollars		
	2014		
	Machineries and Vehicles	Other	Total
Acquisition cost	**$1,106**	**$28**	**$1,134**
Accumulated depreciation	**(1,053)**	**(27)**	**(1,080)**
Net leased property	**$53**	**$1**	**$54**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Due within one year	**¥6**	¥17	**$54**
Due after one year		5	
Total	**¥6**	¥22	**$54**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Depreciation expense	**¥17**	¥26	**$163**
Interest expense	**0**	0	**1**
Total	**¥17**	¥26	**$164**
Lease payments	**¥17**	¥27	**$164**

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 non-cancelable operating leases at March 31, 2014 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Due within one year	**¥183**	**$1,776**
Due after one year	**240**	**2,336**
Total	**¥423**	**$4,112**

13.RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥508 million ($4,937 thousand), ¥604 million and ¥461 million for the years ended March 31, 2014, 2013 and 2012, respectively.

14.FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group conducts planning and selling in its parts business, which consists of "Factory Automation", "Die Components", "Electronics" and "Other." The capital investment plan for ongoing business is principally financed by our own funds. Temporary excess funds are operated by highly rated financial institutions and it is our policy not to enter into derivative transactions for speculative purposes. 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 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 net amount of receivables and payables denominated in foreign currencies. Marketable securities and investment securities operations mainly consist of highly rated bonds and are exposed to market fluctuation risk. The Group follows a stable operation policy and does not have any speculative transactions, primarily holding securities until maturity.

(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 of each customer. The Group keeps track of any adverse financial conditions of our customers at an early stage to mitigate risk from 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 credit risk and the Company evaluated that there is no material credit risk. The maximum credit risk as of March 31, 2014 is represented by financial assets, which are exposed to credit risk on the balance sheet.

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. 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 in foreign currency forward contracts only. The purpose of derivative transactions is limited to hedging actual demand of receivables and payables denominated in foreign currencies. The Group manages derivative risk by mutual supervision and review within the finance department.

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

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

(4) Supplementary explanation for 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 15. 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 the differences between them for financial instruments as of March 31, 2014 and 2013 are as follows:

	Millions of Yen		
	2014		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**¥34,253**	**¥34,253**	
Time deposits	**14,699**	**14,699**	
Marketable securities	**2,303**	**2,303**	
Trade notes receivable	**5,565**	**5,565**	
Trade accounts receivable	**29,808**	**29,808**	
Investment securities	**1,613**	**1,613**	
Trade notes payable and accounts payable	**(10,485)**	**(10,485)**	
Derivatives, net	**(1,193)**	**(1,193)**	
Bonds with subscription rights to shares	**(10,292)**	**(10,874)**	**¥582**

	Millions of Yen		
	2013		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥28,069	¥28,069	
Time deposits	5,813	5,813	
Marketable securities	2,603	2,603	
Trade notes receivable	5,264	5,264	
Trade accounts receivable	25,289	25,289	
Investment securities	3,129	3,129	
Trade notes payable and accounts payable	(8,704)	(8,704)	
Derivatives, net	(5,074)	(5,074)	

	Thousands of U.S. Dollars		
	2014		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**$332,813**	**$332,813**	
Time deposits	**142,818**	**142,818**	
Marketable securities	**22,379**	**22,379**	
Trade notes receivable	**54,070**	**54,070**	
Trade accounts receivable	**289,627**	**289,627**	
Investment securities	**15,676**	**15,676**	
Trade notes payable and accounts payable	**(101,881)**	**(101,881)**	
Derivatives, net	**(11,587)**	**(11,587)**	
Bonds with subscription rights to shares	**(100,000)**	**(105,654)**	**$5,654**

Financial instruments for which fair value is extremely difficult to determine are excluded from the table above.

Valuation methods of the fair value of financial instruments and information on marketable securities and derivatives 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 counterparty financial institutions. Please see Note 4. MARKETABLE AND INVESTMENT SECURITIES for information on 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 15. DERIVATIVES.

Bonds with subscription rights to shares
Fair value is based on the price presented by counterparty financial institutions.

(b)Financial instruments whose fair value cannot be reliably determined as of March 31, 2014 and 2013

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Unlisted securities	**¥143**	¥169	**$1,388**

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2014 and 2013

	Millions of Yen			
	2014			
	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	**¥34,253**			
Time deposits	**14,699**			
Trade notes receivable	**5,565**			
Trade accounts receivable	**29,808**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds		**¥100**		
Corporate bonds	**2,300**	**1,500**		
Other				
Total	**¥86,625**	**¥1,600**		

	Millions of Yen			
	2013			
	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	¥28,069			
Time deposits	5,813			
Trade notes receivable	5,264			
Trade accounts receivable	25,289			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds		¥100		
Corporate bonds	2,600	3,000		
Other				
Total	¥67,035	¥3,100		

	Thousands of U.S. Dollars			
	2014			
	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	**$332,813**			
Time deposits	**142,818**			
Trade notes receivable	**54,070**			
Trade accounts receivable	**289,627**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds		**$972**		
Corporate bonds	**22,348**	**14,574**		
Other				
Total	**$841,676**	**$15,546**		

(6) The redemption amounts of bonds, long-term debt, lease obligations and other interest bearing liabilities with contractual maturities subsequent to March 31, 2014

	Millions of Yen			
	2014			
	Due in One Year or Less	Due after One Year Through Five Years	Due after Five Years Through Ten Years	Due after Ten Years
Bonds with subscription rights to shares		**¥10,292**		

	Thousands of U.S. Dollars			
	2014			
	Due in One Year or Less	Due after One Year Through Five Years	Due after Five Years Through Ten Years	Due after Ten Years
Bonds with subscription rights to shares		**$100,000**		

15.DERIVATIVES

Derivative transactions to which hedge accounting is not applied at March 31, 2014 and 2013 are as follows:

	2014							
	Millions of Yen				Thousands of U.S. Dollars			
	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	**¥5,423**		**¥(206)**	**¥(206)**	**$52,689**		**$(2,002)**	**$(2,002)**
Selling	**24,062**		**(986)**	**(986)**	**233,795**		**(9,585)**	**(9,585)**

	2013			
	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	¥4,550		¥(125)	¥(125)
Selling	28,849		(4,949)	(4,949)

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

16.COMPREHENSIVE INCOME

Reclassifications and income from tax effects attributable to other comprehensive income for the years ended March 31, 2014, 2013 and 2012 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	**2014**
Unrealized gain (loss) on available-for-sale securities:				
Gains (losses) arising during the year	**¥(14)**	¥111	¥(34)	**$(141)**
Reclassification adjustments to profit or loss		(96)		
Amount before income tax effect	**(14)**	15	(34)	**(141)**
Income tax effect	**5**	(6)	15	**52**
Total	**(9)**	9	(19)	**(89)**
Foreign currency translation adjustments:				
Adjustments arising during the year	**3,370**	2,152	(285)	**32,741**
Reclassification adjustments to profit or loss	**(98)**	51		**(948)**
Amount before income tax effect	**3,272**	2,203		**31,793**
Income tax effect				
Total	**3,272**	2,203	(285)	**31,793**
Share of other comprehensive income in associates				
Adjustments arising during the year	**2**			**22**
Total other comprehensive income	**¥3,265**	¥2,212	¥(304)	**$31,726**

17.BUSINESS COMBINATIONS

Business combination through acquisition

At the Board of Directors' meeting held on October 17, 2012, the Company resolved to acquire, through Misumi Investment USA Corporation, its subsidiary, all the outstanding shares of Connell Industrial Tool Corporation, a holding company, which held all the shares of Dayton Lamina. Based on the stock transfer agreement executed on that date, the Company consequently made Dayton Lamina its subsidiaries on November 6, 2012.

(1) Outline of business combination:

(a) Name and description of the business of the acquired company
Acquired company name: Connell Industrial Tool Corporation
Description of the business: Holding company

(b) Principal reasons for the business combination
The Group has already established "Misumi QCT model" and built a short-time delivery system for Japan, China and other Asian regions. Furthermore, the Group expects to establish a short-time delivery system globally and accelerate its international business development, by acquiring Dayton Lamina, which have implemented a short-time delivery system in Europe and the United States.
In addition, Dayton Lamina, as die component manufacturers, have solid customer bases, including the Big Three automakers in the United States and European automakers. The Group aims to expand its brand awareness in these markets to boost its factory automation business as well as its die components business.

This will enable the Group which maintains a large market share in Asia, including Japan, for the die components business to strengthen its "number one global supplier" reputation, by acquiring Dayton Lamina, which already have high market shares in Europe and the United States. Furthermore, the Company will realize synergies by selling substitutable products through respective sales channels and increasing its cost competitiveness through achievement of economics of scale.

(c) Date of the business combination : November 6, 2012
(d) Legal form of the business combination : Stock acquisition in exchange for cash consideration
(e) Company name after the business combination : Unchanged
(f) Percentage of voting rights acquired : 100%
(g) Reasons for determining the acquired company :
Misumi Investment USA Corporation, which is the Company's consolidated subsidiary acquired the interests by cash consideration.

(2) The period of results of operations of the acquired company, which is included in the consolidated financial statements:
From November 6, 2012 to December 31, 2012

(3) The acquisition cost of the acquired company and the details thereof:

		2013	
		Millions of Yen	Thousands of U.S. Dollars
Consideration for the acquisition	Fair value of the shares of the acquired company as of the business combination	¥16,035	$170,498
Expenses directly required for the acquisition	Advisory fees	384	4,082
Acquisition cost		¥16,419	$174,580

Consideration consists of the business value of ¥15,313 million and adjustments for cash and operating capital based on the agreement

(4) Amount of goodwill, reason that goodwill arose, and method and period of amortization

(a) Amount of goodwill : ¥6,262 million
(b) Reason that the goodwill arose :
Any excess of the acquisition cost over the net amount assigned to the assets acquired and liabilities assumed was recognized as goodwill.
(c) Method and period of amortization : Systematically over 5 years

(5) Amounts and details of the assets acquired and liabilities assumed at the date of the business combination

	2013	
	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥5,708	$60,695
Non-current assets	15,777	167,751
Total assets	¥21,485	$228,446
Current liabilities	¥1,795	$19,092
Non-current liabilities	3,084	32,790
Total liabilities	¥4,879	$51,882

(6) Estimated impact on the consolidated statement of income for the year ended March 31, 2013 assuming that the business combination had been completed at the beginning of the year ended March 31, 2013 and the calculation method are as follows:

	2013	
	Millions of Yen	Thousands of U.S. Dollars
Net sales	¥13,559	$144,164
Operating loss	(292)	(3,109)
Loss before income taxes	(292)	(3,109)
Net loss	(558)	(5,934)

	Yen	U.S. Dollars
Net loss per share	¥(6.23)	$(0.07)

(Calculation method of the estimated impact)
The estimated impact amounts were calculated as the difference between sales and other profits or losses, assuming that the business combination had been completed at the beginning of the fiscal year, and the acquirer's sales and other profits or losses on the consolidated statement of income. These amounts do not represent actual operating results in the case that the business combination had been completed at the beginning of the fiscal year.
These are the amounts before the business combination and this note has not been audited.

18.NET INCOME PER SHARE

The Company has applied ASBJ Statement No. 2 "Accounting Standard for Earnings Per Share ("EPS")," ASBJ Guidance No. 4 "Guidance on Accounting Standard for Earnings Per Share" and ASBJ PITF No. 9, "Practical Solution on Earnings Per Share" from the year ended March 31, 2012. Accordingly, the Group changed the method to calculate the diluted net income per share. Therefore, regarding stock option rights that are vested after a certain period of employment, proceeds assuming the exercise of the rights include the part for the services rendered to the company in the future out of the fair value of the stock option rights.

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the years ended March 31, 2014, 2013 and 2012 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2014	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥11,679**	**90,661**	**¥128.82**	**$1.25**
Effect of dilutive securities—Stock options		**366**		
Diluted EPS—Net income for computation	**¥11,679**	**91,027**	**¥128.30**	**$1.25**
Year Ended March 31, 2013				
Basic EPS—Net income available to common shareholders	¥9,881	89,600	¥110.28	
Effect of dilutive securities—Stock options		188		
Diluted EPS—Net income for computation	¥9,881	89,788	¥110.04	
Year Ended March 31, 2012				
Basic EPS—Net income available to common shareholders	¥9,414	89,546	¥ 105.14	
Effect of dilutive securities—Stock options		174		
Diluted EPS—Net income for computation	¥9,414	89,720	¥ 104.93	

19.RELATED PARTY TRANSACTIONS

Related party transactions between the Company and related parties for the years ended March 31, 2014 and 2013 are as follows:

2014

Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount Millions of Yen	Amount Thousands of U.S. Dollars
Board member	Tadashi Saegusa	Director of the Company	(Owned) Direct 0.08	Exercise of stock option	**¥119**	**$1,160**
Board member	Ryusei Ono	Director of the Company	(Owned) Direct 0.03	Exercise of stock option	**49**	**476**
Board member	Masayuki Takaya	Director of the Company	(Owned) Direct 0.04	Exercise of stock option	**184**	**1,784**
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.05	Exercise of stock option	**229**	**2,221**
Board member	Tokuya Ikeguchi	Director of the Company	(Owned) Direct 0.01	Exercise of stock option	**36**	**351**
Board member	Hiroshi Fukino	Director of the Company	(Owned) Direct 0.01	Exercise of stock option	**25**	**243**

2013

Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount Millions of Yen
Board member	Tadashi Saegusa	Director of the Company	(Owned) Direct 0.26	Exercise of stock option	¥1,435
Board member	Masayuki Takaya	Director of the Company	(Owned) Direct 0.02	Exercise of stock option	159
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.04	Exercise of stock option	145
Board member	Ryusei Ohno	Director of the Company	(Owned) Direct 0.01	Exercise of stock option	12
Board member	Tokuya Ikeguchi	Director of the Company	(Owned) Direct 0.01	Exercise of stock option	45

20.CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended March 31, 2014, difference between exchange receipts and payments from loans to foreign subsidiaries of ¥(5,438) million ($(52,836) thousand) is included in "Other-net" of INVESTING ACTIVITIES.

The Company acquired Connell Industrial Tool Corporation and newly consolidated Dayton Lamina Corporation. and 16 companies for the year ended March 31, 2013. The details of assets and liabilities of these companies at the date of consolidation and reconciliation for acquisition cost of the shares and net payment for the acquisition are as follows:

	2013 Millions of Yen	2013 Thousands of U.S. Dollars
Current assets	¥5,708	$60,695
Non-current assets	9,515	101,173
Goodwill	6,262	66,578
Current liabilities	(1,795)	(19,092)
Non-current liabilities	(3,084)	(32,790)
Minority interests	(187)	(1,984)
Acquisition cost	16,419	174,580
Cash and cash equivalents	608	6,471
Net payment for acquisition	¥15,811	$168,109

There are no applicable matters for the year ended March 31, 2012.

21.SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2014 were approved at the shareholders meeting held on June 13, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year end cash dividends, ¥15.48 ($0.15) per share	**¥1,408**	**$13,678**

22.SEGMENT INFORMATION

(1)Description of reportable segments

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

The Group has operational headquarters for each product or service in MISUMI Corporation. Each operational headquarter plans overall strategies for both domestic and overseas markets and conducts business related to its own products or services. Accordingly, the Group comprises segments by product or service based on the operational headquarters, and there are 4 reportable segments; "Factory Automation Business", "Die Components Business", "Electronics Business" and "Other 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 modules 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 inspection, measurement and control.

"Other business" develops and provides business handling tools and consumables for maintenance, repair and overhaul supplies (MRO).

(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 those mentioned in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES except for the adjustments due to the different closing date. Income by reportable segment is based on operating income.

(3)Net sales and Segment profit by reportable segment

	Millions of Yen						
	2014						
	Reportable Segments						
	Factory Automation Business	Die Components Business	Electronics Business	Other Business	Total	Adjustments	Consolidated
Net sales:							
Sales to customers	**¥98,843**	**¥56,310**	**¥13,801**	**¥7,654**	**¥176,608**	**¥(2,704)**	**¥173,904**
Total	**98,843**	**56,310**	**13,801**	**7,654**	**176,608**	**(2,704)**	**173,904**
Segment profit	**15,242**	**3,289**	**838**	**179**	**19,548**	**(559)**	**18,989**
Segment profit before amortization of goodwill*	**¥15,242**	**¥5,393**	**¥838**	**¥179**	**¥21,652**	**¥(559)**	**¥21,093**

* Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina were added to Segment profit.

	Millions of Yen						
	2013						
	Reportable Segments						
	Factory Automation Business	Die Components Business	Electronics Business	Other Business	Total	Adjustments	Consolidated
Net sales:							
Sales to customers	¥84,299	¥37,020	¥12,381	¥6,747	¥140,447	¥(5,603)	¥134,844
Total	84,299	37,020	12,381	6,747	140,447	(5,603)	134,844
Segment profit	13,007	2,501	1,079	576	17,163	(354)	16,809
Segment profit before amortization of goodwill*	¥13,007	¥3,295	¥1,079	¥576	¥17,957	¥(848)	¥17,109

* Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina were added to Segment profit.

	Millions of Yen								
	2012								
	Reportable Segments								
	Factory Automation Business	Die Components Business	Electronics Business	Other Business	SubTotal	Other	Total	Adjustments	Consolidated
Net sales:									
Sales to customers	¥80,724	¥27,686	¥12,401	¥6,415	¥127,226	¥3,360	¥130,586	¥(373)	¥130,213
Total	80,724	27,686	12,401	6,415	127,226	3,360	130,586	(373)	130,213
Segment profit	¥11,825	¥2,195	¥1,486	¥577	¥16,083	¥(8)	¥16,075	¥571	¥16,646

	Thousands of U.S. Dollars						
	2014						
	Reportable Segments						
	Factory Automation Business	Die Components Business	Electronics Business	Other Business	Total	Adjustments	Consolidated
Net sales:							
Sales to customers	**$960,387**	**$547,123**	**$134,093**	**$74,371**	**$1,715,974**	**$(26,271)**	**$1,689,703**
Total	**960,387**	**547,123**	**134,093**	**74,371**	**1,715,974**	**(26,271)**	**1,689,703**
Segment profit	**148,095**	**31,957**	**8,145**	**1,742**	**189,939**	**(5,432)**	**184,507**
Segment profit before amortization of goodwill*	**$148,095**	**$52,396**	**$8,145**	**$1,742**	**$210,378**	**$(5,432)**	**$204,946**

* Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina were added to Segment profit.

(4)Details of adjustments

	Net sales			
	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	**2014**
Total of reportable segment	**¥176,608**	¥140,447	¥130,586	**$1,715,974**
Adjustments due to the different closing date of consolidated subsidiary	**(2,560)**	(5,605)	(368)	**(24,870)**
Other	**(144)**	2	(5)	**(1,401)**
Net sales in consolidated statements of income	**¥173,904**	¥134,844	¥130,213	**$1,689,703**

	Operating income			
	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	**2014**
Total of reportable segment	**¥19,548**	¥17,163	¥16,075	**$189,939**
Adjustments due to the different closing date of consolidated subsidiary	**(243)**	(426)	652	**(2,357)**
Other	**(316)**	72	(81)	**(3,075)**
Operating income in consolidated statements of income	**¥18,989**	¥16,809	¥16,646	**$184,507**

(5)Change in reportable segment

The Group changed the segment name from "Diversified Business" to "Other Business". This business consists of business handling tools and consumables for maintenance, repair and overhaul supplies (MRO).

Following the sales of businesses relating to veterinary and medical supplies, the results of operations for the businesses were not consolidated for the year ended March, 31, 2013. Considering the effects of the sales, the corresponding results were also excluded from the segment information of "Other business" and recorded as "Other" for the year ended March 31, 2012 in order to ensure comparability.

(6)Information by region

	Millions of Yen						
	2014						
	Japan	America	China	Asia	Europe	Others	Total
Net sales	**¥96,635**	**¥21,992**	**¥21,984**	**¥22,114**	**¥8,750**	**¥2,429**	**¥173,904**

	Millions of Yen						
	2013						
	Japan	America	China	Asia	Europe	Others	Total
Net sales...........	¥89,558	¥7,412	¥15,400	¥16,813	¥4,624	¥1,037	¥134,844

	Thousands of U.S. Dollars						
	2014						
	Japan	America	China	Asia	Europe	Others	Total
Net sales...........	**$938,935**	**$213,679**	**$213,607**	**$214,861**	**$85,020**	**$23,601**	**$1,689,703**

	Millions of Yen					
	2014					
	Japan	Vietnam	China	America	Others	Total
Property, plant and equipment	**¥10,404**	**¥4,558**	**¥5,063**	**¥2,227**	**¥1,473**	**¥23,725**

	Millions of Yen					
	2013					
	Japan	Vietnam	China	America	Others	Total
Property, plant and equipment	¥10,750	¥3,785	¥1,553	¥1,789	¥1,539	¥19,416

	Thousands of U.S. Dollars					
	2014					
	Japan	Vietnam	China	America	Others	Total
Property, plant and equipment	**$101,085**	**$44,291**	**$49,193**	**$21,639**	**$14,313**	**$230,521**

(7)Impairment losses by reportable segment

	Millions of Yen						
	2014						
	Reportable Segment						
	Factory Automation Business	Die Components Business	Electronics Business	Other Business	Total	Adjustments	Total
Impairment loss		**¥109**					**¥109**

	Thousands of U.S. Dollars						
	2014						
	Reportable Segment						
	Factory Automation Business	Die Components Business	Electronics Business	Other Business	Total	Adjustments	Total
Impairment loss		**$1,059**					**$1,059**

There are no applicable matters for the years ended March 31, 2013 and 2012.

(8)Goodwill by reportable segment

	Millions of Yen		
	2014		
	Reportable Segment		
	Factory Automation Business	Die Components Business	Total
Amortization for the year ended March 31, 2014		**¥1,528**	**¥1,528**
Balance as of March 31, 2014		**¥6,342**	**¥6,342**

	Millions of Yen		
	2013		
	Reportable Segment		
	Factory Automation Business	Die Components Business	Total
Amortization for the year ended March 31, 2013	¥245	¥220	¥465
Balance as of March 31, 2013		¥6,653	¥6,653

	Thousands of U.S. Dollars		
	2014		
	Reportable Segment		
	Factory Automation Business	Die Components Business	Total
Amortization for the year ended March 31, 2014		**$14,851**	**$14,851**
Balance as of March 31, 2014		**$61,620**	**$61,620**

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3) 3457 7321
Fax: +81(3) 3457 7426
www.deloitte.com/jp

To the Board of Directors of
MISUMI Group Inc.:

We have audited the accompanying consolidated balance sheet of MISUMI Group Inc. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
IIn our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MISUMI Group Inc. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 12, 2014

Company Profile and Stock Information

Corporate Profile

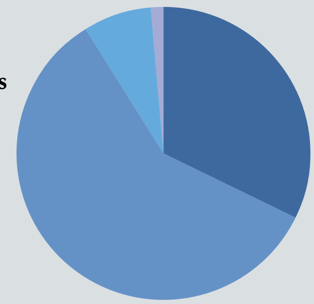
Corporate Name	MISUMI Group Inc.
Established	February 23, 1963
Head Office	Iidabashi First Building, 5-1, Koraku 2-chome, Bunkyo-ku,Tokyo 112-8583
Paid-in Capital	6,375 Millions of Yen
Stock Listing	Tokyo Stock Exchange (Ticker code: 9962)
Fiscal Year	From April 1 through March 31 of the following calendar year
General Shareholders' Meeting	Generally held in June
Description of Business	Development of Group management strategies, administration, and all functions related to Group management
URL	http://www.misumi.co.jp/

Stock Information

Authorized Number of Shares	340,000,000
Issued Number of Shares	90,983,484
Number of Shareholders	3,582

Composition of Shareholders

- Banks and Other Financial Institutions — 32.29%
- Foreign Corporations and Other Foreign Investors — 58.98%
- Individuals and Other — 7.60%
- Other Companies — 1.13%



Major Shareholders

Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Shares Outstanding (%)
Japan Trustee Services Bank, Ltd.	11,751	12.92
The Master Trust Bank of Japan, Ltd.	8,147	8.95
State Street Bank and Trust Company	7,246	7.96
Goldman Sachs and Company Regular Account	5,135	5.64
Northern Trust Company (AVFC) Account Non-treaty	4,046	4.45
Hiroshi Taguchi	3,637	4.00
Trust & Custody Services Bank, Ltd. (as trustee for Mizuho Bank Ltd. Retirement Benefit Trusts Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	3,559	3.91
RBC IST 15 PCT LENDING ACCOUNT	2,558	2.81
Mellon Bank NA as agent for its client, Mellon Omnibus US Pension	2,028	2.23
JPMorgan Chase Bank	1,768	1.94

*Percentages of shares owned are rounded off after the second decimal place.

Stock Splits

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