MiSUMi

Industrial Supply Commerce

MISUMI Group Inc. ANNUAL REPORT 2015

ANNUAL REPORT 2015

MiSUMi

MISUMI Group Inc.

Profile

Since the company was founded in 1963, MISUMI Group has operated in the background in support of manufacturing activities. Initially a trading company, in 2005 MISUMI transformed itself into a manufacturer and has since refined a unique business model encompassing both manufacturing and distribution operations.

Our manufacturing operations serve our FA (Factory Automation) Businesses and Die Components Businesses. We are capable of shipping within a standard 2 days in Japan for high-precision mechanical components with dimensions measured by the micron.

Our VONA (Variation & One-stop by New Alliance) Business sells third-party brands alongside MISUMI products under a new distribution business model. In addition to components for production equipment, we have expanded into materials for production activities and maintenance, repair and operations (MRO) consumables.

Together our manufacturing and distribution businesses offer 12 million products in 80 sextillion product variations to more than 170,000 customers worldwide. In this way, we support manufacturing operations globally by delivering the value of high quality (Quality), low costs (Cost) and reliably short delivery times (Time).

Contents

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)

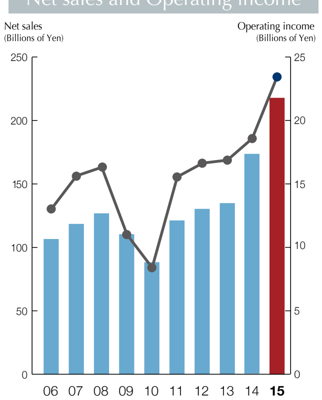
MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, and 2006

Millions of Yen

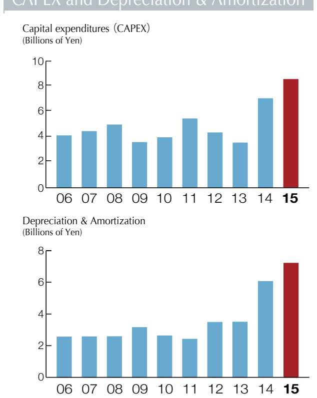
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
For the Year:										
Net sales	105,408	118,139	126,665	110,041	89,180	121,203	130,213	134,844	173,904	**208,563**
Factory Automation (FA) Businesses[6]	50,993	60,510	69,205	62,030	51,445	74,831	80,724	84,299	98,843	
Die Components Businesses[6]	31,623	33,066	34,652	28,139	23,007	26,622	27,686	37,020	56,310	
Electronics Businesses[6]	10,084	12,449	12,313	10,262	8,081	11,376	12,401	12,381	13,801	
Other Businesses[6,7]	4,352	6,044	6,684	5,555	4,353	5,798	6,415	6,747	7,654	
Adjustments[6]	8,356	6,070	3,811	4,055	2,294	2,576	2,987	-5,603	-2,704	
FA Businesses									82,377	**99,094**
Die Components Businesses									56,309	**64,737**
VONA Business									37,921	**48,249**
Adjustments									-2,703	**-3,517**
Operating income	13,035	15,643	16,317	11,017	8,408	15,563	16,646	16,809	18,989	**23,759**
Earnings before amortization	13,035	15,643	16,317	11,017	8,408	15,563	16,646	17,109	21,093	**25,999**
Income before income taxes (and minority interests)	13,424	15,999	16,296	9,640	7,778	15,409	17,022	15,890	18,964	**22,943**
Net income	7,619	9,447	9,698	4,687	3,886	9,007	9,414	9,881	11,679	**14,292**
At Year-End:										
Total assets	78,177	84,244	92,596	86,080	92,941	107,552	115,721	136,303	163,202	**184,785**
Total equity[1]	54,077	63,751	71,302	71,696	75,667	83,815	90,824	103,014	115,966	**132,138**
Interest-bearing debt	3,092	1,717	2,164	1,862	1,200	900	1,000	1,000	900	**-**
CAPEX and Depreciation & Amortization										
Capital expenditures (CAPEX)	4,063	4,383	4,898	3,493	3,863	5,362	4,231	3,451	6,989	**8,487**
Depreciation & Amortization	2,593	2,605	2,614	3,192	2,664	2,453	3,521	3,560	6,249	**7,250**
Major Indicators:										
Return on equity[4] (%)	16.4	16.0	14.4	6.6	5.3	11.3	10.8	10.2	10.7	**11.5**
Return on assets[4] (%)	20.7	19.7	18.4	10.8	8.7	15.4	15.2	12.6	12.7	**13.2**
Current ratio (%)	278.5	351.4	351.5	529.2	463.6	398.7	408.4	349.5	397.5	**429.2**
Interest coverage ratio[5] (times)	156.6	110.0	815.3	499.1	362.1	854.1	1,150.6	2,095.6	1,691.2	**1,470.3**
Per Share Data:										
Net income per share (yen)	84.95	108.42	109.72	52.89	43.84	101.16	105.14	110.28	128.82	**156.83**
Cash dividends per share[2] (yen)	18.00	22.00	23.00	13.00	10.00	20.20	23.20	27.45	32.16	**39.15**
Cash dividends per share[3] (yen) *Adjusted for stock splits	6.00	7.33	7.67	4.33	3.33	6.73	7.73	9.15	10.72	**13.05**
Equity per share[1] (yen)	619.93	725.44	805.33	808.90	853.70	936.82	1,017.12	1,139.93	1,275.17	**1,446.50**
Cash flow per share (yen)	77.70	81.20	127.00	140.04	72.36	131.16	87.18	127.89	170.27	**123.79**
Stock Valuations:										
Price/Earnings ratio – PER (times)	30.7	19.5	16.1	22.4	43.7	20.4	19.1	23.5	22.2	**30.9**
Price/Cash flow ratio – PCFR (times)	33.5	26.0	13.9	8.5	26.5	15.7	23.1	20.3	16.8	**39.2**
Price/Book value ratio – PBR (times)	4.2	2.9	2.2	1.5	2.2	2.2	2.0	2.3	2.2	**3.4**
Number of Customers (Companies)										
In Japan (Machinery-related only)[8]	58,336	60,172	61,069	61,430	59,779	60,936	61,648	63,007	64,955	**66,230**
Overseas	22,770	33,057	41,230	47,990	52,375	61,993	67,608	91,817	100,481	**108,849**
Total number of customer companies	81,106	93,229	102,299	109,420	112,154	122,929	129,256	154,824	165,436	**175,079**
Number of Employees	2,887	3,382	3,813	4,049	3,581	4,831	5,615	7,238	8,038	**8,876**

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. Figures do not reflect the stock split 3. Adjusted for the stock split implemented on July 1, 2015.
4. ROE = Net income / equity ROA = Income before income taxes (and minority interests) / total assets 5. Interest coverage ratio = Net cash provided by operating activities / Interest payment
6. Results from past years are disclosed in terms of new business segments. 7. Effective April 2012, the Diversified Businesses segment is now called Other Businesses. 8. Exclude customers of Promiclos.

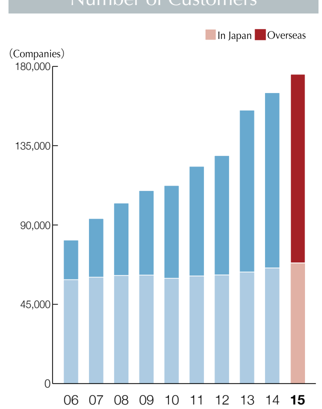
Net sales and Operating income



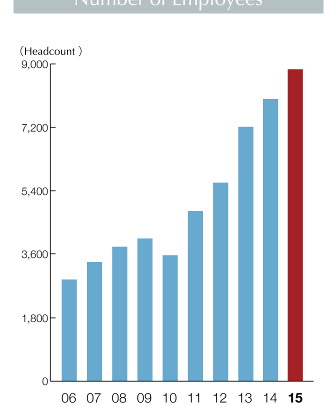
CAPEX and Depreciation & Amortization



Number of Customers



Number of Employees



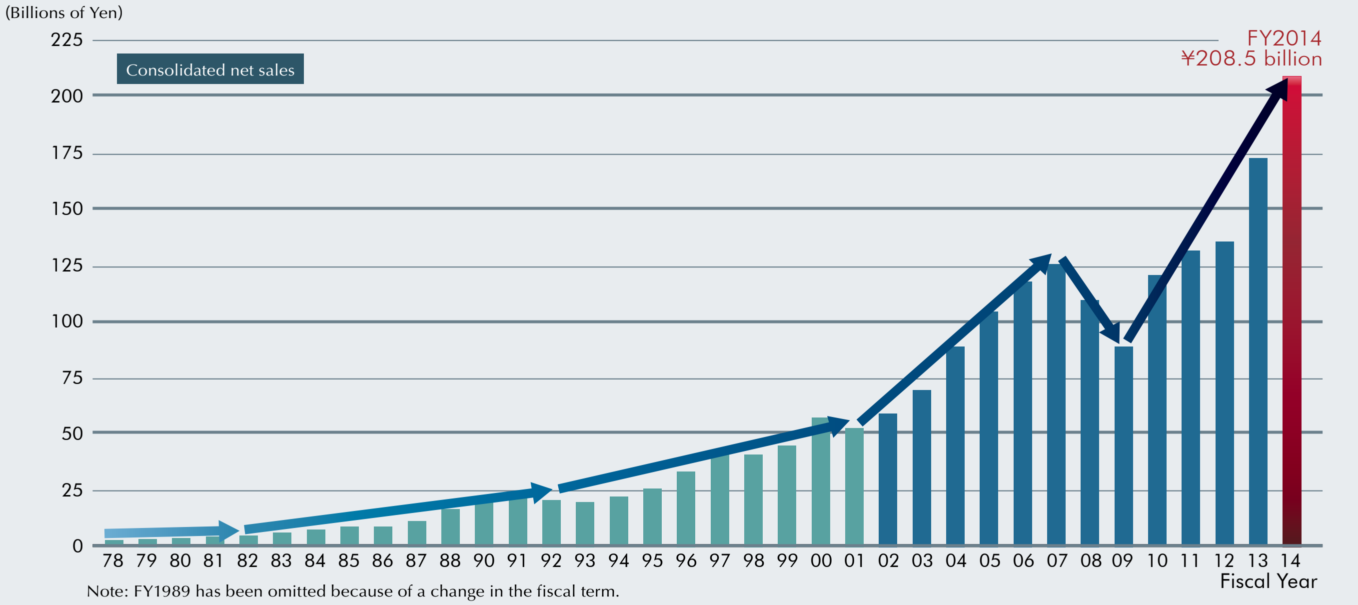
Pursuing an aggressive growth strategy that leverages competitive advantages unique to MISUMI as a both a manufacturer and distributor through innovations to our business infrastructure.

Today the manufacturing industry is facing structural change on a global scale.
As our customers change and become more global, we will respond rapidly to these changes, accelerate reforms to our global supply chain and solidify the MISUMI QCT Model.

Ryusei Ono
Representative Director,
President and CEO

Top Message

■Growth of The MISUMI Group



Note: FY1989 has been omitted because of a change in the fiscal term.

Reflecting on Consolidated Results from FY 2014

Looking at the business environment in FY 2014 (April 1, 2014, through March 31, 2015), the Japanese economy in general enjoyed a moderate recovery, despite the downward reversion in demand following the introduction of a higher consumption tax rate. Government economic policies and monetary easing by the Bank of Japan weakened the yen and lifted stock prices, which in turn helped improve corporate earnings. Meanwhile, in other parts of the world, the US enjoyed a solid recovery on increased personal consumption and capital investment. Europe continued to show signs of recovery. China's economy grew at a slower rate, and in general the ASEAN region continued to decelerate.

Under this environment, to upgrade operations to support our increasingly international businesses, we are bolstering our e-commerce infrastructure by introducing new backbone systems at each base of operations overseas and revamping our e-catalogs. Furthermore, as we expand overseas we have promoted local production and procurement aimed at achieving optimal sourcing and endeavored to strengthen our global supply regime capable of delivering reliably on short lead times.

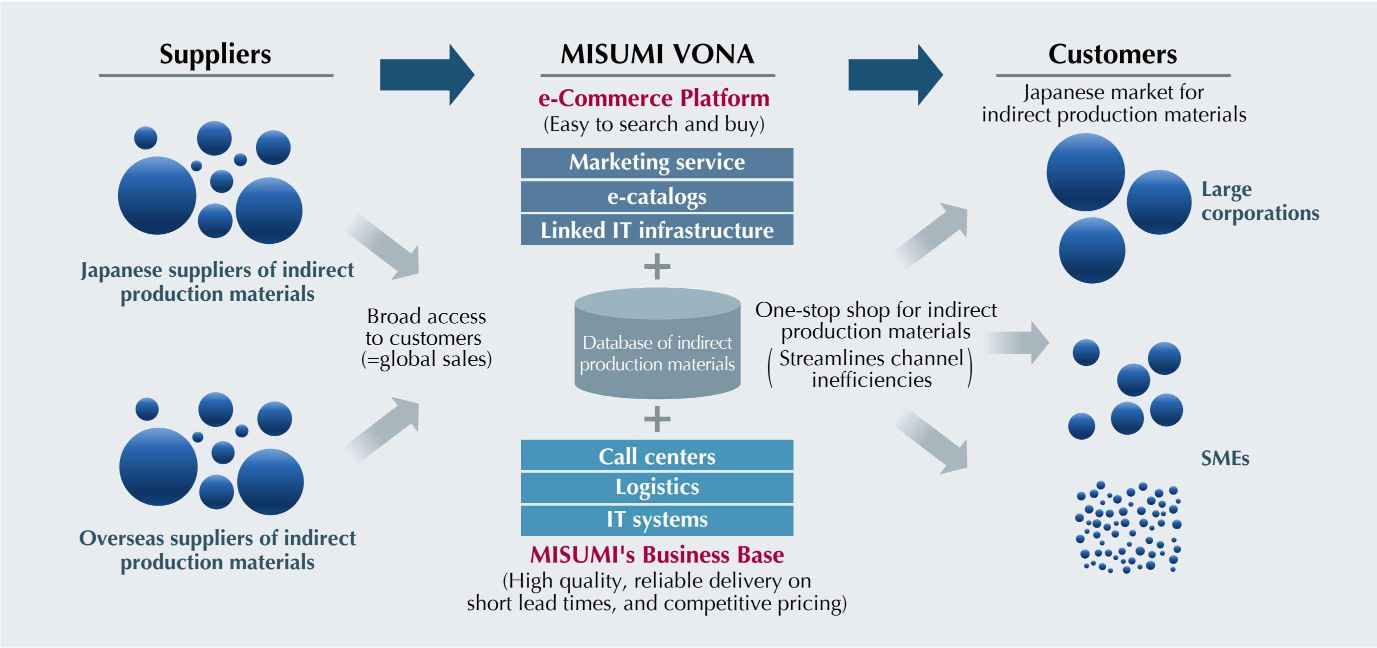
As a result, MISUMI sales in FY 2014 reached ¥208.5 billion (up 19.9% compared to the previous year), setting a new record-high for a fourth consecutive year. The locomotive of this growth was our international businesses. In FY 2014, international sales were ¥96.2 billion (up 24.5%). MISUMI's international sales ratio (international sales as a percentage of total consolidated sales) rose to 46.1% (up 1.7 percentage points).

Operating income was ¥23.7 billion (up 25.1%) and net income was ¥14.2 billion (up 22.4%). 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 FY 2011 year-end dividend, we have increased our dividend payout ratio to 25% from 20%. We maintain the 25% payout ratio this year as well.

Therefore, the year-end dividend was ¥18.21 per share. As a result, annual dividends per share were ¥39.15 (up ¥6.99 compared to the previous year), including the interim dividend of ¥20.94 per share.

Strengths of the VONA Business



Accelerating the VONA Business

The VONA* Business is a core MISUMI Group business alongside our FA and Die Components businesses. Covering third-party brands as well as the MISUMI brand, VONA's product lineup has been expanded from production equipment components to include production materials and supplies as well as maintenance, repair and operation (MRO) consumables. The expanded lineup targets all indirect production materials used globally. MISUMI's proprietary model is reforming the components distribution process, which has been plagued by inefficiencies and high costs. We are leveraging the Internet and our powerful backbone IT systems to resolve problems faced by buyers, designers and other customers and fundamentally enhance convenience.

In FY 2014, we have endeavored to grow the customer base and fill out the product lineup. We have expanded the product lineup to 12 million items and grown the brands carried to more than 2,300 makers.

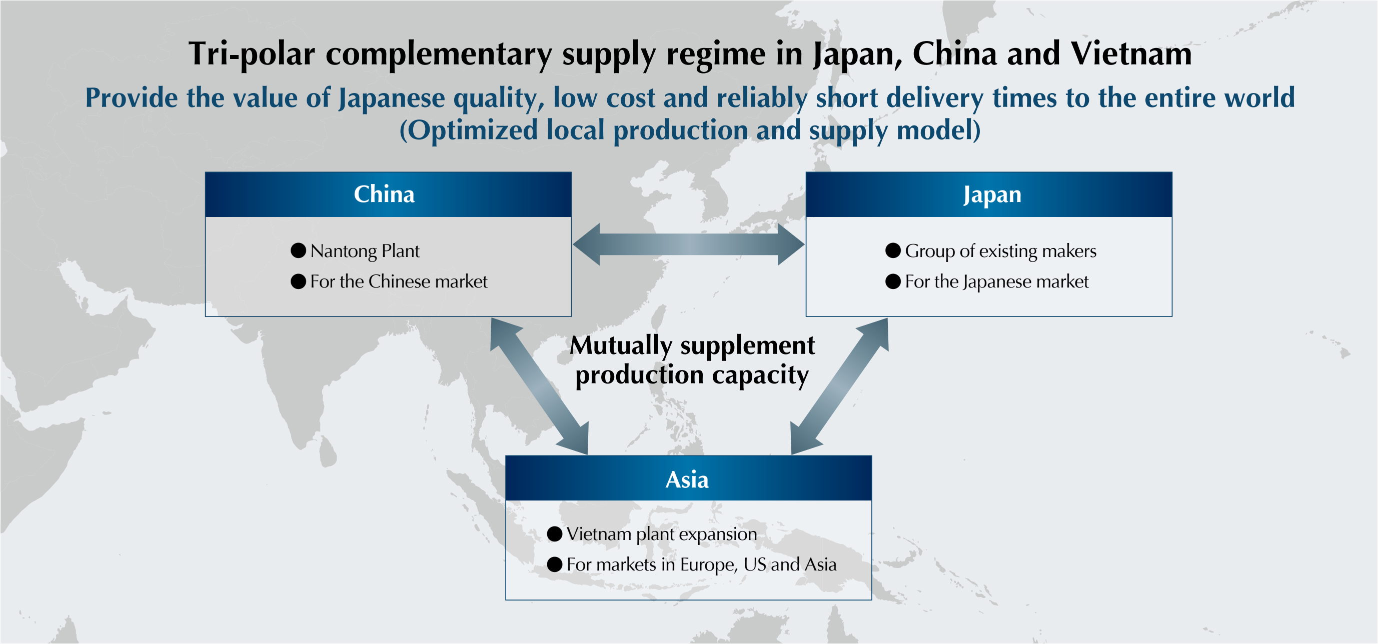
To grow the customer base, we are targeting both existing MISUMI customers as well as new opportunities. With respect to existing customers to the FA and Die Components businesses, we leveraged customer contacts such as the e-catalog to drive penetration of the VONA Business. Meanwhile, with respect to new customer acquisitions, we endeavored to raise recognition through search engine optimization and online advertisements. As a result, average spend among existing customers rose at the same time the number of VONA Business customers increased substantially. This confirmed for us the significant synergies to be reaped between the VONA Business and our FA and Die Components businesses.

To strengthen the product offering, we continued to add third-party brands, thereby filling out the product lineup. This bolstered VONA's function as a one-stop shop for production materials. Additionally, we continue to pursue further enhancements in terms of cost and delivery lead times. For example, we have enhanced cost competitiveness with parts procured from Asia and other overseas markets and shrunk delivery lead times by increasing inventoried parts.

Overseas, we are leveraging both our global procurement network and the e-commerce infrastructure we have built in Japan. These are important activities for driving synergies with existing businesses, as our experience in Japan shows. Moving forward, we will accelerate deployment first in China and South Korea and eventually expand reforms to the distribution model globally.

*VONA: Variation & One-stop by New Alliance

Global Supply Chain



Building Out an FA Global Supply Chain Capable of Delivering Reliably on Short Lead Times

Toward a Tri-polar Capacity-sharing Production Regime in Japan, China and Vietnam

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 (Factory Automation) Businesses, which account for about half of consolidated net sales. Specifically, we are organizing a tri-polar capacity-sharing production regime in Japan, China and Vietnam as a foundation for deploying customer, product and production strategies with an aim to build out a global supply chain capable of delivering reliably on short lead times.

FY 2014 FA Businesses sales were particularly strong in Japan and China. The performance is attributable to our successes capturing growing demand from the automotive and smartphone industries and fulfilling demand from electronics manufacturing services (EMS) customers in China. We have accelerated business expansion. In addition to new catalogs issued in April 2014, we have taken various measures aimed at shrinking delivery lead times and executing product strategies. We also began shipments from our Nantong Plant in China.

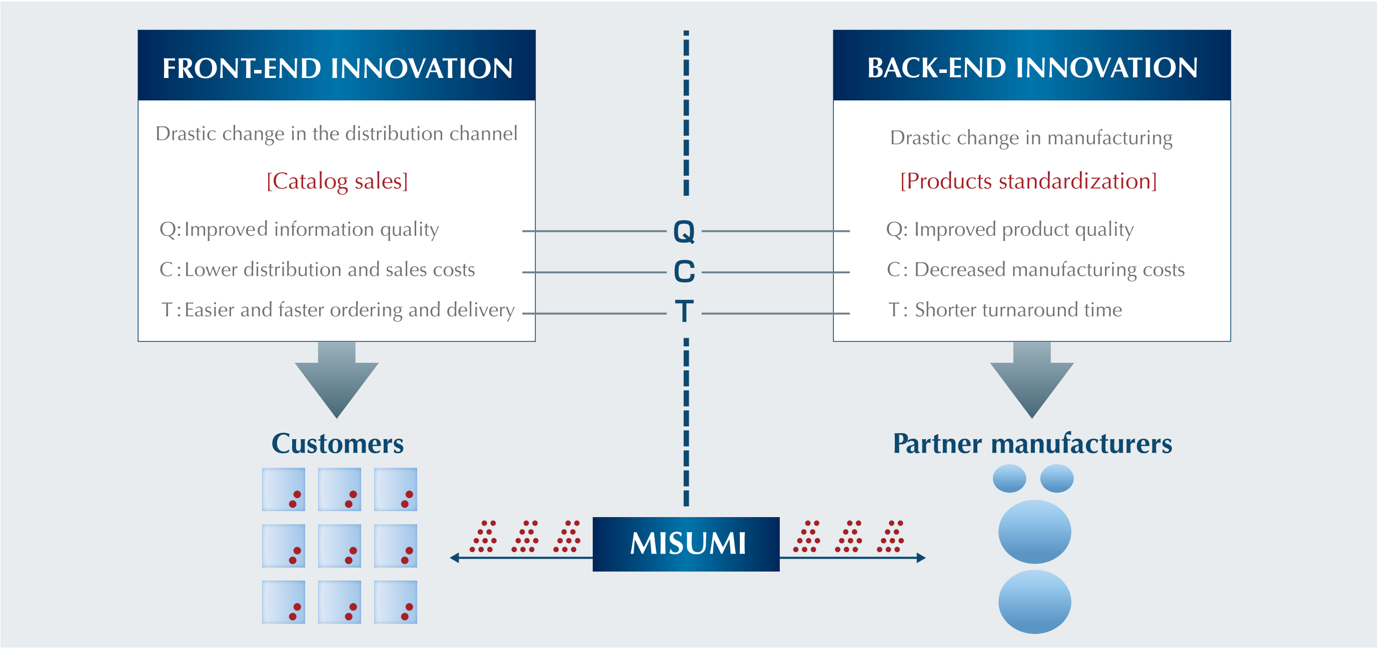
In Japan, where the manufacturing industry has seen strong earnings and recovering capital investments, we have captured demand by strengthening ties between our domestic manufacturing capabilities at Suruga Production Platform and the network of partner makers we have built over many years.

Smooth Launch at the Nantong Plant in China

In the China market, we launched the Nantong Plant, where full-scale operations began in March 2014.

Rapid economic growth in China continues to drive up labor costs, stimulating quickly growing demand for automation in manufacturing operations. As a result, we expect to see a substantial rise in demand for FA components. To solidly capture that brisk demand growth, the Nantong Plant was established to supply all of China with FA components as MISUMI's largest vertically integrated FA plant.

MISUMI QCT Model



In FY 2014, the production items launched as planned, nabling us to quickly capture strong demand within the Chinese market. Leveraging the Nantong Plant to strengthen ties between production and sales and distribution in the Chinese market, we are upgrading our supply regime capable of delivering reliably on short lead times.

Launching Production Operations at Vietnam Plant No. 4

In FY 1995, the local subsidiary of SURUGA SEIKI (now part of the MISUMI Group) launched our foray into overseas production with Vietnam Plant No. 1. Later, Plant No. 2 launched in FY 2005, and Plant No. 3, in FY 2011. The successive additions to production capacity have strengthened MISUMI's global reach in delivering reliably on short lead times.

Building Vietnam Plant No. 4 will strengthen MISUMI's make-to-order parts supply regime and enable the reliable delivery on short lead times of FA components on a global basis. The move is designed to support the rapid advance of automation in manufacturing plants around the globe. Production operations at the newly constructed Plant No. 4 began in October 2015. The plant will adopt the MISUMI Production System, which has been refined in Japan and China. By leveraging skilled employees from Plant Nos. 1, 2 and 3 to accelerate the new plant's launch, we aim to answer the increased global demand for automation. Furthermore, from the perspective of risk management, the addition to our plants in Vietnam will help evade the risk of concentration of production activities in one site.

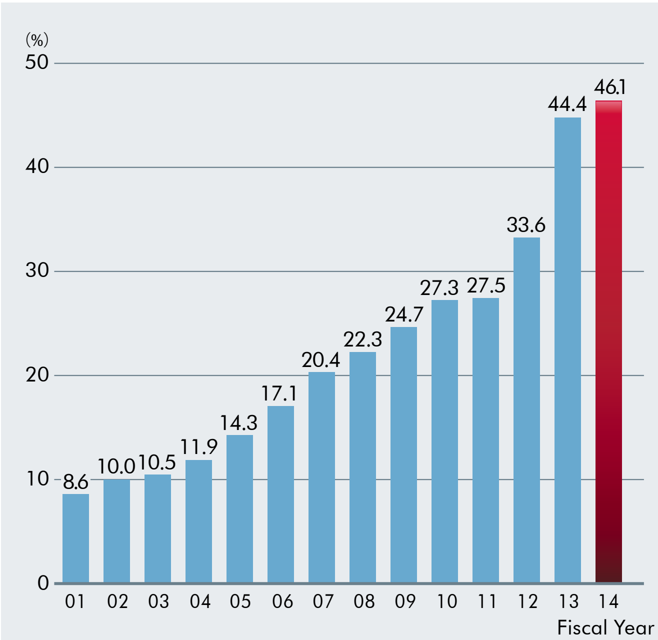
Our tri-polar network of plants in Japan, China and Vietnam will share production capacity and play an important role in delivering to the entire world the value of high quality (Q), low cost (C) and reliably short delivery times (T).

Advances in the MISUMI QCT Model

The MISUMI Group strives tirelessly to advance the MISUMI QCT Model, which achieves high quality (Q) components at low cost (C) on reliably short delivery times (T). The following are two examples of such initiatives.

One is the shortening of the standard delivery lead time in Japan for make-to-order parts from 3 days (72 hours) to 2 days (48 hours).

International Sales Ratio



Our business is increasingly international, as exemplified by our international sales ratio reaching 46%. To enhance the level of global operations, we are introducing new backbone systems at each base of operations overseas and pursuing operational improvements. By the end of FY 2014, we have already completed introduction of the new system at the majority of overseas operations by order volumes. This initiative will go a long way toward raising the level of global operations to Japanese standards.

We have also revamped our e-catalogs as a production materials e-commerce site supporting manufacturing activities. The new site is designed to promote deployment of the VONA Business. We continue to make improvements to the site to improve customer convenience, including enhanced search queries, access to purchasing histories, and an improved user interface. Thanks to these efforts, the website is attracting more customer traffic.

Our catalogs allow customers to specify the size of components down to the micron. To this point, we have contributed to enhancing customer convenience by supplying a vast number of products on a standard delivery time of 3 days. Along with the return of production activities to Japan and the expanded need for automation, demand for short delivery times is increasing. Shrinking our standard delivery lead time for make-to-order parts from 3 days (72 hours) to 2 days (48 hours) provides a variety of advantages to our customers. This is the first time in 25 years we have shortened our standard delivery time--an accomplishment made possible by innovations to the entire process, based on our building of a production regime capable of delivering on short lead times.

The second initiative is the strengthening of our IT infrastructure.

MISUMI VONA website
http://jp.misumi-ec.com

FY2015 Consolidated Business Performance Forecasts

In FY2015, uncertainties continue to muddy the outlook for the global economy as growth slows in China and emerging markets. Amid that environment, we will keep a close eye on market trends and the competitive landscape as we continue to aggressively expand our business, upgrade our business infrastructure and refine the MISUMI QCT Model in each local deployment. By doing so, we forecast another year of record highs in consolidated sales and profits.

To achieve these forecasts, we will enhance our cost competitiveness and bolster our product lineup. To expand our market share, we will strive to bolster our global supply chain capable of delivering reliably on short lead times and drive business growth in international markets.

We hope to enjoy your continued understanding and support.

Representative Director,
President and CEO
Ryusei Ono

Topics

Launching Production Operations at Vietnam Plant No. 4

MISUMI Group is building its fourth plant in Vietnam (Saigon Precision Company, Limited). The new plant will strengthen our make-to-order (MTO) parts supply regime and enable the reliable delivery on short lead times of factory automation (FA) components on a global basis.

Production operations at Vietnam Plant No. 4 began in October 2015. The plant will adopt the MISUMI Production System, which has been refined in Japan and China. By leveraging skilled employees from Plant Nos. 1, 2 and 3 to accelerate the new plant's launch, we aim to answer the increased global demand for automation. The new plant will manufacture make-to-order (MTO) parts that meet customer specifications down to the micron. The plant will be cost competitive with its Asian peers while maintaining the high quality standards set in Japan and delivering reliably on short lead times. Together with our manufacturing assets in China, which already deliver quality, cost-competitive, MTO parts reliably on short lead times, and the mother plant in Japan, the new Vietnam plant will make up a tri-polar structure that achieves a global supply regime capable of delivering FA components reliably on short lead times.

Overview of Vietnam Plant No. 4	
Location:	Ho Chi Minh, Vietnam
Gross floor area:	15,866m²
Production items:	Shafts, locator pins, hexagonal posts and more to be phased in
Start of production:	October 2015

Publishing VONA Business Paper Catalogs

Aside from those customers who place orders with us for parts and consumables online using our e-catalogs, there are many working on manufacturing floors without Internet access who find our paper catalogs convenient and easy to navigate. To meet the needs of these customers, MISUMI has issued new paper catalogs for our VONA Business.

We issued eight new paper catalogs, each dedicated to a specific category: Mechanical Components; Screws, Bolts, Washers & Nuts; Wiring Components; Control and PC Components; Cutting Tools; Components for Production Machining; Packaging, Logistics & Storage Materials; and Safety & Protection, Environmental & Sanitary and Office Supplies. Together, the eight catalogs feature 360,000 products from 1,400 brands.

These catalogs make it more convenient to deliver parts and consumables in a way that meets the needs of customers working on manufacturing floors. Moreover, of the 360,000 products featured in the catalogs, 150,000 can be shipped the same or next day.

8 VONA Catalog Publications

Mechanical Components | Screws, Bolts, Washers and Nuts | Wiring Components | Control and PC Components | Cutting Tools | Components for Production Machining | Packaging, Logistics & Storage Materials | Safety & Protection, Environmental & Sanitary and Office Supplies

Review of Operations of the MISUMI Group

MISUMI Group business operations comprise: 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 alongside MISUMI brand products under a new distribution business model. Products sold under the VONA Business include components for production equipment, materials for production activities and maintenance, repair and operations (MRO) consumables.

Major Products Carried by the MISUMI Group

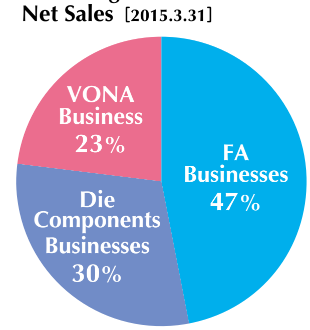
	Product Category	12 Million High-precision Mechanical Components			
FA Businesses	FA Standardized Mechanical Components	Shafts	Timing pulleys	Linear bushings	Aluminum frames
FA Businesses	Locator Devices and Measurement Equipment (OST Business)	Automatic stage units	Actuators	Optical measurement devices	Optical waveguide alignment
Die Components Businesses	Standardized Metal Press Components	Punches	Button dies	Precision guide pins	Gas springs
Die Components Businesses	Standardized Plastic Mold Components	Ejector pins	Sprue bushings	Parting lock sets	Taper pins
VONA Business	Mechanical Components and Screws, Bolts, Washers and Nuts	Sensors and switches	Couplings	Screws, bolts and nuts	Castors
VONA Business	Wiring, Control and PC Components	Connectors	Switches	Cables	Transformers
VONA Business	Cutting Tools and Components for Production Machining	End mills	Cutting pliers	Milling Chips	Wires
VONA Business	Packaging, Logistics & Storage Materials and Safety & Protection, Environmental & Sanitary and Office Supplies	Carts	Work gloves	Parts Cleaners	Parts for R&D Applications

＊FA : Factory Automation　＊OST : Optical & Scientific Technology　＊VONA : Variation & One-stop by New Alliance

Catalogs

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

Percentage of Consolidated Net Sales [2015.3.31]



Contributing to Socioeconomic Progress

MISUMI Group is actively involved in cultivating the next generation of leadership talent and other activities that contribute to society as a whole.

Student Manufacturing Support

■What is Student Manufacturing Support?

Since 2008, the MISUMI Group has supported a total of 802 student groups that have participated in contests with self-made automobiles or robots. We cast a wide net for interested participants, from universities to community colleges, technical schools, vocational schools and high schools, and provide MISUMI FA mechanical components to select groups based on the motivation and interest expressed in manufacturing and contests. In FY 2014, we provided support to more than 100 student groups. The students flip through the pages of MISUMI catalogs, which offer an abundance of about 12 million products, and can experience placing an order using our WOS (Web Order System), just as a professional engineer would. We look forward to continuing to be actively involved in helping students who will grow to be important talent working in the manufacturing industry.

■Support from MISUMI Group through Parts Supply

We supply mechanical, wiring, control and PC components used to build equipment such as vehicles and robots.

Experience a professional designer's work

Take applications → Pass the screening process → Select parts from catalogs (paper or online) → Order online → Parts delivery → Parts are assembled into the robots and machines → Participants bring their products to the competition

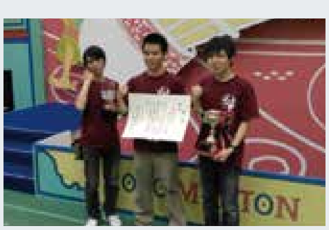
Every year we receive applications from many student groups. After a rigid screening process, MISUMI selects the groups it will support.

Just as any customer would, students select parts from our paper or e-catalogs and order the needed sizes and quantities based on the designated price.
Users can download CAD data from our e-catalogs, thereby leveraging our catalogs in the design process.

High quality parts are delivered on short lead times, which helps the students in their activities.

MISUMI parts are used in robots and machines built for entry into competitions.
Often, bolts, nuts and other consumables are also ordered.

■Some of the groups we supported in FY 2014



School and team name:
Waseda University ROBOSTEP
Competitions:
NHK Student Robocon,
ABU Robocon
Sponsored MISUMI parts:
electromagnetic valves,
set collars, and more

In our first competition since forming the team, we won the competition using MISUMI's Student Manufacturing Support to procure expensive electromagnetic valves in one effort.

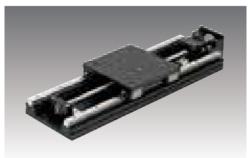
School and team name:
Okayama University
Formula Project
Competitions:
Student Formula Japan
Sponsored MISUMI parts:
bolts, nuts, retaining rings,
screws, and more

We took advantage of MISUMI's CAD data download service in the design of our vehicle.
That enabled us to create very accurate drawings, avoid reworking during the assembly process, and build quickly.

Environmental Management Activities

■ Managing Environmental Chemical Substances

Controls over environmental chemical substances are tightening each year under the Restriction of Hazardous Substances (RoHS) in Europe and similar directives in China. The MISUMI Group recognizes that compliance with RoHS 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.



Uniaxial actuator (FA Businesses)

■ Green Procurement Guidelines

MISUMI Group formulated its 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.

Supporting Exhibitions with the MISUMI Art Collection

MISUMI has lent works from the MISUMI Art Collection 21 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.

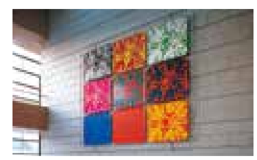


Exhibit at Museum of Contemporary Art Tokyo (2002)

Supporting Social Innovators

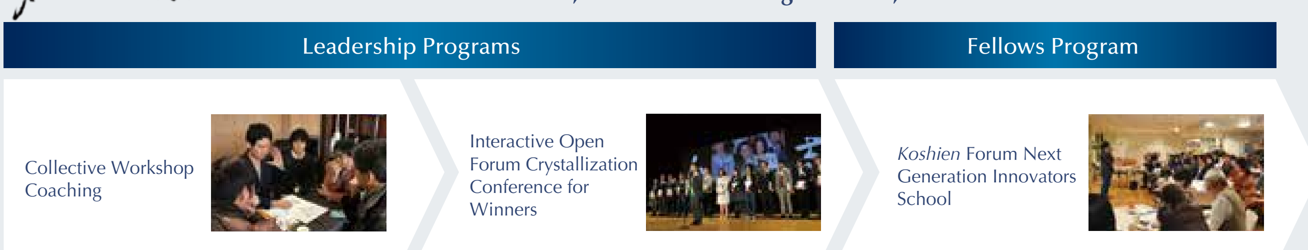
■ What is the Social Innovator *Koshien*?

Since 2009, MISUMI Group has been a sponsor of the non-profit organization, ISL Center for Social Innovation. The center pursues activities aimed at producing next-generation leaders who are independent and would make Japan proud on a global basis. Their activities, such as a global cutting-edge All-round Education Program, Full of Spirit *Afureruba* Forum, and the Initiative for Contributions to People and Society, are aimed at teaching leadership and educating society.

The Social Innovator *Koshien* is a nationwide competition and one of the core activities performed by ISL Center for Social Innovation. The center's activities aim to discover, cultivate and support talent as social innovators who strive to apply fresh approaches, find solutions and create a new future in the face of many challenges and gaps brought about by the global economic development. The activities hope to make a difference in Japan and the world alike.

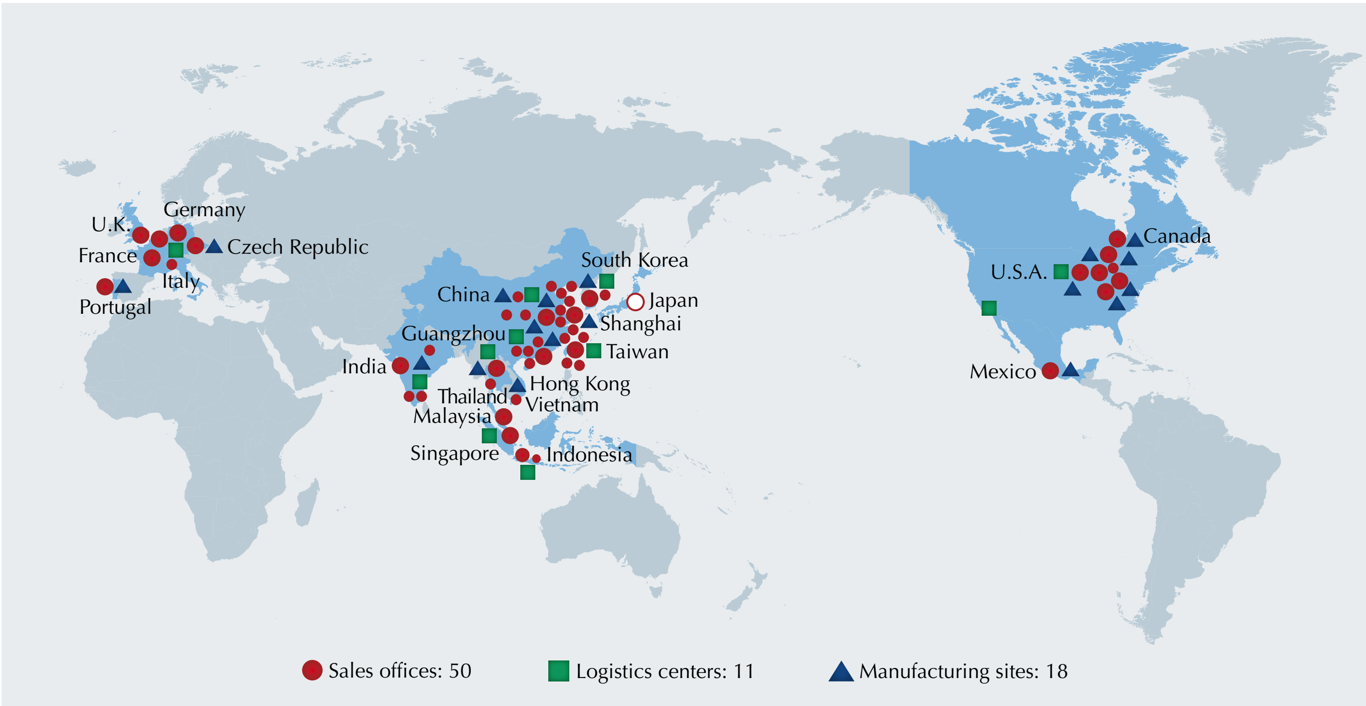
MISUMI Group sympathizes with a way of thinking that promotes innovation for society as a whole by cultivating creativity, executional abilities and management capabilities, all rooted in an entrepreneurial spirit, and we support their programs as a whole.

***Koshien* for Personnel Cultivation, Education and Enlightenment, and as a Platform for Social Reform**



Global Network

Overseas Locations



Domestic Network(Sales Offices)

MISUMI Group Inc. / MISUMI Corporation
Iidabashi First Building,
5-1, Koraku 2-chome, Bunkyo-ku,
Tokyo 112-8583, Japan
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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 112-0004, Japan

(Kumamoto)
2F, Asahi Seimei Kouyaimamachi Bldg.
9-6, Kouyaimamachi, Kumamoto City,
Kumamoto 860-0012, Japan

Distribution Centers

West Japan Distribution Center
Sanda Kogyodanchi, 501-53, Fukushima-aza
Miyanomae, Sanda City, Hyogo 669-1313, Japan

East Japan Distribution Center
1-1-1, Anzen-cho, Tsurumi-ku, Yokohama City,
Kanagawa 230-0035, Japan

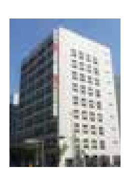
* Toll-free number for Japan only

Domestic Network(Sales Offices)

SURUGA SEIKI CO., LTD.
505, Nanatsushinya, Shimizu-ku, Shizuoka City,
Shizuoka 424-8566, Japan
Tel: +81-54-344-0332 Fax: +81-54-346-1196
URL:http://jpn.surugaost.jp/

- **Tokyo Sales office**
  3F, Konan YK Bldg.
  2-4-12, Konan, Minato-ku, Tokyo 108-0075, Japan
  Tel: +81-3-6711-5011 Fax: +81-3-6711-5018

DAYTON PROGRESS CORPORATION OF JAPAN
2-7-35 Hashimotodai, Midori-ku, Sagamihara-shi,
Kanagawa, 252-0132, Japan
Tel: +81-42-774-0821 Fax: +81-42-773-4955



DAISEKI CO., LTD.
4F, Nikko-Sumitomo-seimei Bldg,
1-29, Taruya-Machi, Akashi-City, Hyogo, 673-0898, Japan
Tel: +81-78-917-5504 Fax: +81-78-912-1653
URL:http://www.dai-seki.co.jp/

Domestic Network(Manufacturing Sites)

SURUGA Production Platform Co., Ltd.
505, Nanatsushinya, Shimizu-ku, Shizuoka City,
Shizuoka 424-8566, Japan
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, Japan
  Tel: +81-78-940-0281 Fax: +81-78-986-6590

MISHIMA SEIKI CO., LTD.
580-49, Tokura, Shimizu-cho, Sunto-gun,
Shizuoka 411-0917, Japan
Tel: +81-55-931-1249 Fax: +81-55-931-2496

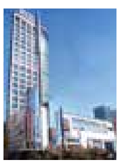
Domestic Network(Manufacturing Sites)

SP PARTS CO., LTD.
3-2, Hoshinosato, Amimachi, Inashiki-gun,
Ibaraki 300-0326, Japan
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, Japan
  Tel: +81-78-940-0113 Fax: +81-78-940-0114

DAYTON PROGRESS CORPORATION OF JAPAN
- **Sagamihara Plant**
  2-7-35 Hashimotodai, Midori-ku, Sagamihara-shi,
  Kanagawa, 252-0132, Japan

Overseas Network(Sales Offices)



MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD.
11th Floor, Raffles City Shanghai,
268 Xizang Middle Road, Shanghai 200001, China
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  Tel: +86-755-8287-2322 Fax: +86-755-8287-2096
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- Beijing Office
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- Dalian Office
  Tel: +86-411-3924-2286 Fax: +86-411-3924-2285
- Qingdao Office
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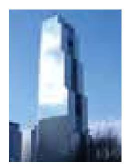
Overseas Network(Sales Offices)



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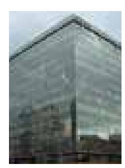
- Daegu Office
  Tel: +82-53-600-8611 Fax: +82-53-600-8615



MISUMI TAIWAN CORP.
9F-1, No. 126 Nanjing East Road, Sec. 4,
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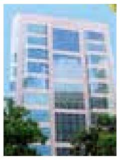
Global Network

Overseas Network(Sales Offices)



MISUMI SOUTH EAST ASIA PTE. LTD.

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Singapore 188720

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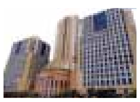
  Tel: +84-8-5449-9555 Fax: +84-8-5449-9559



MISUMI MALAYSIA SDN. BHD.

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Petaling Jaya, Selangor, Malaysia

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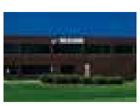
- Cikarang Office
  Tel: +62-21-8984-0009 Fax: +62-21-8983-4368



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Illinois 60173, U.S.A.

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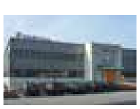
  Tel: +1-224-659-7625 Fax: +1-978-367-1950
- California QCT & West Sales Office
  Tel: +1-310-532-3135 Fax: +1-310-532-3236



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URL:http://www.misumi-europe.com/

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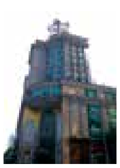

SURUGA SEIKI SALES & TRADING (SHANGHAI) Co., Ltd.

Room 412, No.555 Nanjing West Road,
Shanghai, China

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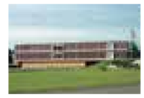
  Tel:+86-755-26428735 Fax:+86-755-26429621

Overseas Network(Sales Offices)



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/

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  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

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 SEIKI (NANTONG) CO., LTD.

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Technological Development, Area, Nantong city,
Jiangsu Province, China

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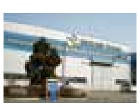
SURUGA SEIKI (SHANGHAI) CO., LTD.

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 KOREA CO., LTD.

3 Ma 621 Sihwa Industrial Complex #2099-5,
Jeongwang-Dong, Siheung-Shi, Gyeonggi-Do
15113, Korea

Tel: +82-31-434-8357 Fax: +82-31-434-8359

SURUGA (THAILAND) CO., LTD.

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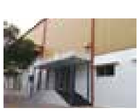
Soi 5, Tambol Tasith, Amphur Pluakdaeng,
Rayong Province 21140, Thailand

Tel: +66-38-954935 Fax: +66-38-954939

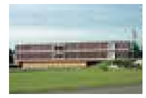


SURUGA INDIA Pvt. Ltd.

Plot No 241, Udyog Vihar, Phase-1, Gurgaon,
Haryana-122016 India

Tel: +91-12-4468-8848

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)

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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)

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

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Czech Republic

Tel: +420-326375911 Fax: +420-326375910

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

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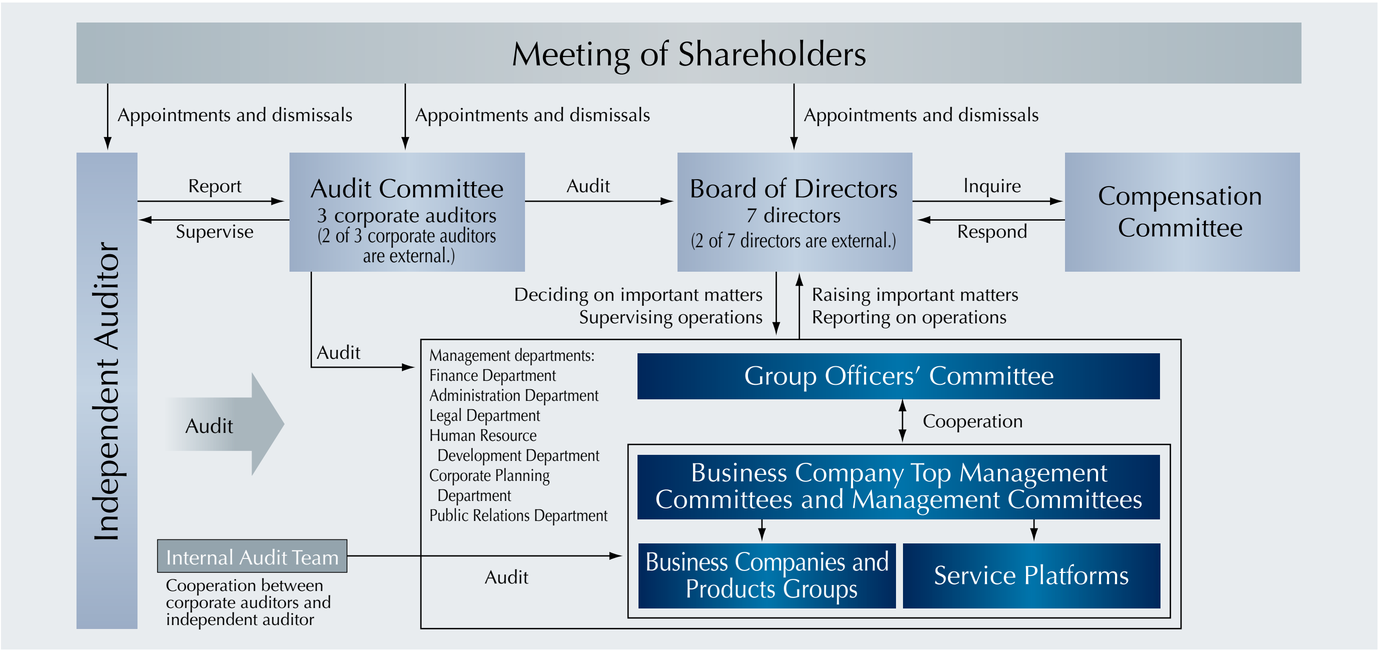
- Shiyan Plant (Wuhan Dongfeng Connell Die & Mould Standard Parts Co., Ltd.)

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

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 seven people, including two outside directors. 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, which comprises internal directors including representative directors as well as representative corporate officers from internal companies, products groups and service platforms, meets monthly and aims to strengthen both supervision and operational execution. The MISUMI Group has organized its businesses into internal companies and products groups and business support and infrastructure functions into service platforms. Each internal company, products groups and service platform has been delegated authority and responsibility. 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 internal company, products groups and service platform holds its own company board meetings, business company top management committees and management committees to clarify the decision-making process. 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 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. The committee is structured to deliberate and decide appropriate levels of compensation.

Regarding risk management systems, in April 2008, we instituted the MISUMI Group Code of Conduct to serve as principles of conduct that are to be shared across the entire corporate group. The code of conduct encompasses compliance with laws and regulations and seeks to fulfill our mission to society and aim to be a trusted corporate group. The document is distributed company-wide together with guidelines to ensure comprehensive awareness. Furthermore, to ensure more efficient and proper business operations, we review rules and requirements (e.g., rules governing decision-making for the company's business functions) as appropriate, clarify work authority and install proper checks and balances. 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. Our Information Security Guidelines are distributed across the corporate group to ensure full and complete awareness. Our Internal Audit Team reports directly to the company's representative directors. The team strives to reduce the occurrence of risk by implementing and confirming measures aimed at discovering, improving and preventing risk exposure. Specifically, the team strengthens internal controls designed to meet requirements for internal controls reporting systems under the Financial Instruments and Exchange Act (J-SOX) and, vis-a-vis the MISUMI Group head office and all of its subsidiaries, takes action every year on internal auditing themes that present a high degree of management risk. Moreover, the company is organized under its whistle-blowing system to discover any scandalous activity at an early stage. Regarding legal affairs, compliance issues, and other important management issues, MISUMI seeks advice and assistance as appropriate from outside legal counsel, public accountants, tax accountants, and other specialists who are independent of MISUMI's in-house organizations.

The MISUMI Group's Top Management

Directors

Director, Chairman of the Board
Tadashi Saegusa

President and CEO
Ryusei Ono*

*Representative Director

Executive Vice President
Masahiko Eguchi

Senior Executive Director
Tokuya Ikeguchi

Executive Director and CFO
Ichiro Otokozawa

Outside Director of the Board
Tsuyoshi Numagami

Outside Director of the Board
Takehiko Ogi

Corporate Officers

MISUMI Group Inc.

Representative Director, President and CEO	Ryusei Ono	Director and Executive Vice President	Masahiko Eguchi	Senior Executive Director	Tokuya Ikeguchi
Executive Director and CFO	Ichiro Otokozawa	Senior Corporate Officer	Yosuke Uchida		

Business Companies, Products Groups and Service Platforms

CEO, China Business Company	Tomoki Kanatani	CEO, Asia Business Company	Shigetaka Shimizu	President, Die & Mold Business Company	Takaaki Wada
President, OST Business Company	Takeshi Marui	Representative Corporate Officer, FA Products Group	Rie Nakagawa	Representative Corporate Officer, VONA Products Group	Shigehito Nakamura
Deputy Representative Corporate Officer, VONA Products Group	Takao Kosaka	Representative Corporate Officer, Production Service Platform	Michiaki Okamoto	Deputy Representative Corporate Officer, MIG Service Platform	Naoki Shirao
Deputy Representative Corporate Officer, IT Service Platform	Takashi Mineshima				

Corporate Auditors

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

Advisor

Special Advisor and Founder	Hiroshi Taguchi

Management's Discussion and Analysis

The MISUMI Group comprises the MISUMI Group Inc., 46 consolidated subsidiaries, one non-consolidated subsidiary and two affiliates. We categorize our business into three segments: Factory Automation; Die Components; and VONA businesses.

Results Overview

During the consolidated fiscal year under review, the Japanese economy in general enjoyed a moderate recovery, despite the downward reversion in demand following the introduction of a higher tax rate in April. Government economic policies and monetary easing by the Bank of Japan weakened the yen and lifted stock prices, which in turn helped improve corporate earnings. In the United States, personal consumption and capital investments increased, driving a solid economic recovery. In Europe, the economy continued to show signs of a come back, despite sovereign debt challenges and other concerns. In China, the pace of economic expansion slowed. In general, the ASEAN economies continued to decelerate, although there are signs of a bottoming out in some places.

Under these circumstances, the MISUMI group of companies endeavored to grow earnings while we maintained high on-time delivery rates and pursued high quality, low prices and short delivery times. In addition, we implemented our online strategy and bolstered competitiveness by leveraging the e-catalogs and Web Ordering Systems introduced inside and outside Japan to address customers' potential needs to reduce the time and effort required to design and order. Furthermore, as we expand overseas we have promoted local production and procurement aimed at achieving optimal sourcing and endeavored to strengthen our global supply chain capable of delivering reliably on short lead times. As a result of these initiatives, our FA businesses converted growing demand from the automotive and electronics (particularly smartphones) industries into brisk sales. Additionally, the VONA business added more third party brands and customer accounts. These factors combined to drive growth in overall consolidated sales.

As a result, consolidated net sales increased ¥34,659 million (19.9%) from a year earlier to ¥208,563 million. Operating income was ¥23,759 million, up ¥4,770 million (25.1%), and ordinary income was ¥23,353 million, up ¥4,184 million (21.8%). Net income hit a record ¥14,292 million, up ¥2,613 million (22.4%).

Net Sales

During the consolidated fiscal year under review, consolidated net sales increased ¥34,659 million (19.9%) from a year earlier to ¥208,563 million, marking a record high for the company. This performance was mainly due to double-digit year-on-year sales growth in all three segments--FA, Die Components and VONA.

Cost of Goods Sold and Sales, General & Administrative Expenses

The cost of goods sold (COGS) was ¥120,697 million (up ¥21,219 million, or 21.3%). Gross profit hit a record ¥87,866 million, up ¥13,440 million (18.1%). Sales, general & administrative (SG&A) expenses were ¥64,107 million (up ¥8,670 million, or 15.6%). SG&A expenses amounted to 30.7% of sales, compared to 31.9% last year. As a result, operating income was ¥23,759 million (up ¥4,770 million, or 25.1%), a record high. Operating margin was 11.4%, compared to 10.9% in the previous year.

Other Profits and Losses

Non-operating losses exceeded profits by ¥407 million. As a result, ordinary income was ¥23,353 million (up ¥4,184 million, or 21.8%). Ordinary margin was 11.2%, compared to 11.0% marked last year. Extraordinary losses exceeded gains by ¥410 million. Pretax income was ¥22,943 million (up ¥3,979 million, or 21.0%).

Net Income

Net income was ¥14,292 million (up ¥2,613 million, or 22.4%). Net income as a percentage of sales was 6.9%, compared to the 6.7% marked last year. Earnings per share were ¥156.83, compared to ¥128.82 in the previous year.

Shareholder Return Policy

Dividend Policy

We set our shareholder return policy based on a comprehensive review that takes into account the business environment and performance trends and outlooks, as well as the strength of our balance sheet, capital efficiency and enhancements to the management structure required to sustain growth and grow the value of the company, among other factors. As for dividends, effective beginning with the FY2011 year-end dividend, we have applied a dividend payout ratio of 25%. We maintained the 25% payout ratio this year as well.

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 ¥39.15 per share. That comprises the sum of a year-end dividend of ¥18.21 per share and an interim dividend of ¥20.94 per share.

As a result, dividend distributions equaled 25.0% of consolidated net income and 2.9% of net assets.

* Effective July 1, 2015, we executed a 3-for-1 stock split.

Business Performance by Business Segment

Effective beginning the consolidated year under review, we have changed the categorization of business segments for reporting purposes. For comparison, the new segmentation has been applied to the previous year's performance results.

FA Businesses

Demand was strong in the automotive and electronics (primarily smartphones) industries, major customer segments for our FA businesses. Under these circumstances, we added customer accounts by driving penetration of the MISUMI model in international markets. As a result of these factors, the segment's net sales were ¥99,094 million, up ¥16,717 million (or 20.3%) from a year earlier. Operating income was ¥16,815 million, up ¥3,009 million, or 21.8%.

Die Components Businesses

Reflecting the favorable performance of the automotive industry, in which the segment's major customers operate, net sales jumped to ¥64,737 million, up ¥8,428 million (15.0%). Operating income was ¥4,279 million, up ¥990 million (30.1%).

VONA Businesses

The VONA business deploys a new distribution channel that sells third-party brands alongside original MISUMI-branded products, unlike the FA and Die Components businesses, which focus solely on the MISUMI brand. The business aims to leverage a unique model to transform inefficient and costly distribution processes. We aim to reform the distribution model by leveraging powerful backbone IT systems and online functionality to enhance customer convenience. The number of makers carried on VONA has surpassed 2,000 as of March 2015, more than six-fold the approximately 300 makers enrolled as of April 2013. VONA now offers the largest lineup of indirect production materials. Thanks to solid growth in customer accounts, sales were ¥48,249 million, up ¥10,327 million (27.2%). Operating income was ¥2,907 million, up ¥454 million (18.5%).

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 fiscal year under review, consolidated cash and cash equivalents amounted to ¥37,267 million, an increase of ¥3,014 million compared to the previous year-end.

Cash flows from operating activities were a positive ¥11,308 million, down ¥4,176 million compared to the previous year.

Pretax income was ¥22,943 million. Depreciation and amortization costs were ¥5,426 million. Goodwill amortization costs were ¥1,673 million. Provisions for bonuses decreased ¥1,400 million. Trade accounts receivable increased ¥6,841 million. Inventories increased ¥4,044 million. Trade accounts payable increased ¥1,756 million. Corporate income tax payments were ¥8,730 million.

Cash flows from investment activities were a negative ¥7,449 million, as net outlays decreased ¥11,651 million compared to the previous year. Income from the sale and redemption of investment securities and marketable securities was ¥2,300 million. Outlays from the acquisition of tangible fixed assets were ¥8,487 million. Outlays for deposits into time deposit accounts were ¥24,439 million and income from withdrawals from time deposit accounts was ¥25,341 million.

Cash flows from financing activities were a negative ¥3,454 million, as net outflows increased ¥11,249 million compared to the previous year. Income from the issuance of new shares was ¥765 million. Payments of dividends amounted to ¥3,318 million.

Assets

Total assets as of the end of the fiscal year under review were ¥184,785 million (up ¥21,583 million, or 13.2%, compared to the previous year-end). Current assets were ¥131,795 million (up ¥17,823 million, or 15.6%). This is mainly due to an increase in cash and deposits of ¥2,652 million (up 5.4%), an increase in notes receivable and trade accounts receivable of ¥8,673 million (up 24.5%), and an increase in goods and products of ¥4,411 million (up 26.3%). Fixed assets were ¥52,990 million (up ¥3,760 million, or 7.6%). Tangible fixed assets were ¥27,939 million (up ¥4,214 million, or 17.8%). This is mainly due to an increase in capital equipment resulting from the launch of a new manufacturing plant. Intangible fixed assets were ¥20,603 million (down ¥182 million, or 0.9%). Investments and other assets were ¥4,448 million (down ¥272 million, or 5.8%).

Liabilities

Total liabilities were ¥51,901 million (up ¥5,276 million, or 11.3%, compared to the previous year-end). Current liabilities were ¥30,705 million (up ¥2,036 million, or 7.1%). This is mainly due to an increase in trade notes and trade accounts payable and corporate income taxes payable. Fixed liabilities were ¥21,196 million (up ¥3,241 million, or 18.0%).

As a result, the current ratio was 4.3 times, sustaining a high degree of stability.

Equity

Total net assets were ¥132,884 million (up ¥16,306 million, or 14.0%, compared to the previous year-end).

Shareholders equity increased ¥11,872 million (10.5%); this is mainly due to an increase in retained earnings of ¥10,942 million (12.2%). Meanwhile, foreign currency translation adjustments and other comprehensive income increased ¥4,300 million.

As a result of the above, the equity ratio was 71.5%, compared to the 71.1% marked at the end of the previous year.

Capital Investments

During the consolidated fiscal year under review, the Group implemented capital investments amounting to ¥8,487 million.

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 ¥782 million. The relevant business units are responsible for their research and development activities.

The Factory Automation Businesses spent ¥709 million to develop new products and enhance productivity. The Die Components Businesses spent ¥73 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 FA 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, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	**¥37,267**	¥34,253	**$310,120**
Time deposits (Note 14)	**14,337**	14,699	**119,310**
Marketable securities (Notes 4 and 14)	**1,605**	2,303	**13,353**
Receivables:			
Trade notes (Note 14)	**6,771**	5,565	**56,345**
Trade accounts (Note 14)	**37,275**	29,808	**310,188**
Other	**918**	616	**7,636**
Allowance for doubtful receivables	**(247)**	(202)	**(2,055)**
Inventories (Note 5)	**28,377**	22,516	**236,143**
Deferred tax assets (Note 11)	**2,341**	2,603	**19,478**
Other	**3,151**	1,811	**26,217**
Total current assets	**131,795**	113,972	**1,096,735**
PROPERTY, PLANT AND EQUIPMENT (Note 22):			
Land	**3,811**	3,837	**31,714**
Buildings and structures	**17,816**	14,309	**148,257**
Machinery and vehicles	**21,999**	15,017	**183,068**
Other	**6,583**	8,813	**54,780**
Total	**50,209**	41,976	**417,819**
Accumulated depreciation and impairment loss	**(22,270)**	(18,251)	**(185,321)**
Net property, plant and equipment	**27,939**	23,725	**232,498**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	**6**	1,613	**52**
Investments in unconsolidated subsidiaries and associated companies (Note 14)	**151**	137	**1,260**
Software	**4,335**	4,353	**36,068**
Goodwill (Notes 2.x, 17 and 22)	**5,345**	6,342	**44,479**
Deferred tax assets (Note 11)	**1,940**	1,133	**16,147**
Other assets	**13,274**	11,927	**110,454**
Total investments and other assets	**25,051**	25,505	**208,460**
TOTAL	**¥184,785**	¥163,202	**$1,537,693**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)		¥900	
Payables:			
Trade notes and accounts (Note 14)	**¥12,878**	10,485	**$ 107,166**
Accounts payable—other	**6,579**	6,025	**54,745**
Income taxes payable (Note 11)	**4,460**	3,683	**37,116**
Accrued bonuses (Note 2.n)	**1,775**	3,221	**14,767**
Other	**5,013**	4,355	**41,718**
Total current liabilities	**30,705**	28,669	**255,512**
LONG-TERM LIABILITIES:			
Bonds with subscription rights to shares (Notes 7 and 14)	**12,017**	10,292	**100,000**
Liability for retirement benefits (Note 8)	**3,539**	4,179	**29,447**
Deferred tax liabilities (Note 11)	**4,008**	2,909	**33,351**
Other	**1,632**	575	**13,584**
Total long-term liabilities	**21,196**	17,955	**176,382**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 15)			
EQUITY (Notes 9, 10, 18, 19 and 21):			
Common stock—authorized, 340,000,000 shares in 2015 and 2014; issued, 91,392,784 shares in 2015 90,983,484 shares in 2014	**6,841**	6,375	**56,926**
Capital surplus	**17,229**	16,764	**143,376**
Stock acquisition rights	**229**	272	**1,904**
Retained earnings	**100,947**	90,005	**840,036**
Treasury stock—at cost, 42,331 shares in 2015 and 41,945 shares in 2014	**(73)**	(72)	**(608)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**8**	12	**66**
Foreign currency translation adjustments	**7,230**	2,938	**60,165**
Defined retirement benefit plans	**(44)**	(56)	**(366)**
Minority interests	**517**	340	**4,300**
Total equity	**132,884**	116,578	**1,105,799**
TOTAL	**¥184,785**	¥163,202	**$1,537,693**

Consolidated Statement of Income

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2015	2014	2013	**2015**
NET SALES (Note 22)	**¥208,563**	¥173,904	¥134,844	**$1,735,565**
COST OF SALES	**120,697**	99,478	78,744	**1,004,384**
Gross profit	**87,866**	74,426	56,100	**731,181**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**64,107**	55,437	39,291	**533,467**
Operating income (Note 22)	**23,759**	18,989	16,809	**197,714**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**243**	208	225	**2,022**
Interest expense	**(8)**	(9)	(7)	**(65)**
Exchange loss—net	**(169)**	(272)	(289)	**(1,403)**
Impairment loss (Notes 6 and 22)	**(409)**	(109)		**(3,409)**
Gain on sales of stocks of subsidiaries and affiliates			224	
Gain on liquidation of subsidiaries and affiliates		105		
Loss on withdrawal from pension fund (Note 8)			(985)	
Relocation expenses		(201)	(329)	
Donation to promotion of management talent cultivation	**(500)**			**(4,161)**
Other—net	**27**	253	242	**223**
Other expenses—net	**(816)**	(25)	(919)	**(6,793)**
INCOME BEFORE INCOME TAXES	**22,943**	18,964	15,890	**190,921**
INCOME TAXES (Note 11):				
Current	**8,507**	7,689	7,153	**70,796**
Deferred	**128**	(412)	(1,140)	**1,063**
Total income taxes	**8,635**	7,277	6,013	**71,859**
NET INCOME BEFORE MINORITY INTERESTS	**14,308**	11,687	9,877	**119,062**
MINORITY INTERESTS	**16**	8	(4)	**133**
NET INCOME	**¥14,292**	¥11,679	¥9,881	**$118,929**

	Yen			U.S. Dollars
	2015	2014	2013	**2015**
PER SHARE OF COMMON STOCK (Notes 2.v, 9, 18 and 21):				
Net income	**¥156.83**	¥128.82	¥110.28	**$1.31**
Diluted net income	**156.31**	128.30	110.04	**1.30**
Cash dividends applicable to the year	**39.15**	32.16	27.45	**0.33**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2015	2014	2013	**2015**
NET INCOME BEFORE MINORITY INTERESTS	**¥14,308**	¥11,687	¥9,877	**$119,062**
OTHER COMPREHENSIVE INCOME (Note 16):				
Unrealized gain (loss) on available-for-sale securities	**(4)**	(9)	9	**(28)**
Foreign currency translation adjustments	**4,305**	3,272	2,203	**35,822**
Defined retirement benefit plans	**12**			**100**
Share of other comprehensive income in associates	**5**	2		**38**
Total other comprehensive income	**4,318**	3,265	2,212	**35,932**
COMPREHENSIVE INCOME (Note 16)	**¥18,626**	¥14,952	¥12,089	**$154,994**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16):				
Owners of the parent	**¥18,592**	¥14,932	¥12,081	**$154,716**
Minority interests	**34**	20	8	**278**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2015

	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 Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, April 1, 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
Cumulative effect of accounting change						(32)					(32)
RESTATED BALANCE, April 1, 2014	90,983	6,375	16,764	272	340	89,973	(72)	12	2,938	(56)	116,546
Net income						**14,292**					**14,292**
Cash dividends, ¥36.42 per share						**(3,318)**					**(3,318)**
Increase in treasury stock(386 shares)							**(1)**				**(1)**
Exercise of stock acquisition rights (Notes 10 and 19)	**410**	**466**	**465**								**931**
Net change in the year				**(43)**	**177**			**(4)**	**4,292**	**12**	**4,434**
BALANCE, MARCH 31, 2015	**91,393**	**¥6,841**	**¥17,229**	**¥229**	**¥517**	**¥100,947**	**¥(73)**	**¥8**	**¥7,230**	**¥(44)**	**¥132,884**

	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 Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2014	$53,052	$139,502	$2,260	$2,828	$748,981	$(596)	$94	$24,451	$(466)	$970,106
Cumulative effect of accounting change					**(267)**					**(267)**
RESTATED BALANCE, April 1, 2014	**53,052**	**139,502**	**2,260**	**2,828**	**748,714**	**(596)**	**94**	**24,451**	**(466)**	**969,839**
Net income					**118,929**					**118,929**
Cash dividends, $0.30 per share					**(27,607)**					**(27,607)**
Increase in treasury stock (386 shares)						**(12)**				**(12)**
Exercise of stock acquisition rights (Notes 10 and 19)	**3,874**	**3,874**								**7,748**
Net change in the year			**(356)**	**1,472**			**(28)**	**35,714**	**100**	**36,902**
BALANCE, MARCH 31, 2015	**$56,926**	**$143,376**	**$1,904**	**$4,300**	**$840,036**	**$(608)**	**$66**	**$60,165**	**$(366)**	**$1,105,799**

See notes to consolidated financial statements

Consolidated Statement of Cash Flows

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2015	2014	2013	**2015**
OPERATING ACTIVITIES:				
Income before income taxes	**¥22,943**	¥18,964	¥15,890	**$190,921**
Adjustments for:				
Income taxes paid	**(8,730)**	(8,779)	(8,257)	**(72,646)**
Income taxes refund	**525**	602	445	**4,365**
Depreciation and amortization	**5,426**	4,648	3,132	**45,152**
Amortization of goodwill	**1,673**	1,528	465	**13,925**
Exchange (gain) loss	**(514)**	(821)	73	**(4,275)**
Impairment loss	**409**	109		**3,409**
Gain on liquidation of subsidiaries and affiliates		(105)		
Changes in assets and liabilities:				
(Increase) decrease in receivables	**(6,841)**	(2,944)	1,343	**(56,931)**
(Increase) decrease in inventories	**(4,044)**	(1,757)	(1,273)	**(33,653)**
Increase (decrease) in payables	**1,756**	605	(1,261)	**14,614**
Increase (decrease) in other current liabilities	**486**	1,043	577	**4,044**
Other—net	**(1,781)**	2,391	423	**(14,822)**
Total adjustments	**(11,635)**	(3,480)	(4,333)	**(96,818)**
Net cash provided by operating activities	**11,308**	15,484	11,557	**94,103**
INVESTING ACTIVITIES:				
Proceeds from sales and redemption of marketable and investment securities	**2,300**	2,600	8,162	**19,140**
Purchase of marketable and investment securities		(802)	(6,603)	
Purchase of property, plant and equipment	**(8,487)**	(6,902)	(3,381)	**(70,629)**
Proceeds from sales of stocks of subsidiaries and affiliates			704	
Proceeds from liquidation of subsidiaries and affiliates		282		
Purchase of stocks of subsidiaries and affiliates (Note 20)		(29)	(15,959)	
Refund from time deposits	**25,341**	5,027	21,436	**210,877**
Payment into time deposits	**(24,439)**	(13,586)	(16,491)	**(203,371)**
Payment of loans receivable	**(100)**			**(835)**
Other—net	**(2,064)**	(5,690)	812	**(17,172)**
Net cash used in investing activities	**(7,449)**	(19,100)	(11,320)	**(61,990)**
FINANCING ACTIVITIES:				
Proceeds from issuance of bonds with subscription rights to shares		9,807		
Increase(decrease) in short-term bank loans—net	**(900)**	(100)		**(7,489)**
Proceeds from issuance of stock	**765**	101	647	**6,366**
Acquisition of treasury stock	**(1)**	(2)	0	**(12)**
Proceeds from disposal of treasury stock		965	1,343	
Dividends paid	**(3,318)**	(2,976)	(2,168)	**(27,607)**
Net cash provided by (used in) financing activities	**(3,454)**	7,795	(178)	**(28,742)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**2,609**	2,049	1,287	**21,710**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,014**	6,228	1,346	**25,081**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**34,253**	28,069	26,723	**285,039**
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION		(44)		
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥37,267**	¥34,253	¥28,069	**$310,120**

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 2013 and 2014 financial statements to conform them to the classifications used in 2015.
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 translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to $1, the approximate rate of exchange at March 31, 2015. Such translations 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, 2015 include the accounts of the Company and its 46 (45 as of March 31, 2014) 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 2015 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 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 that (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 determined by moving average method (balance sheets amounts are written down on the basis of any decreased profitability).Finished goods, work in progress and supplies are principally stated at cost determined by periodic average method (balance sheets amounts are written down on the basis of any decreased profitability), except catalogues that are stated at cost by 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 Issue Costs*—Stock issue costs are charged to income as incurred.

m.*Retirement Plan*—The Company and consolidated subsidiaries have funded/non-funded defined benefit plans for payments to terminated employees. 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 are treated as reclassification adjustments.
(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, all 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, and for (c) above effective April 1, 2014.
With respect to (c) above, the Company changed the method of calculating retirement benefit obligations and current service cost, the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining discount rate to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. The effects of this change on liability for retirement benefits and retained earnings as of April 1, 2014 were immaterial. The effects on operating income and income before income taxes and minority interests for the year ended March 31, 2015 were immaterial.
The Company terminated the system of retirement allowances for directors at the shareholders' meeting in June, 2014. As a result, as of March 31, 2015, the amount of defined benefit is recorded in long-term liabilities (Other).

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 issued 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.
All 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" and "Minority interests" as separate components 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.

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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions. When the revised accounting standard includes specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentation
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. *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 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 previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (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 Progress Corporation and Anchor Lamina America, Inc. ("Dayton Lamina") on November 6, 2012 and accounted for the acquisition 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, 2015, the Company has applied the Standard and the Guidance 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 revised the method of calculating retirement benefit obligations and current service cost, and changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, and the method of determining the discount rate to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. 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 Company recorded the effect of above as of April 1, 2014, in retained earnings. The effects of this change on liability for retirement benefits and retained earnings as of April 1, 2014 were immaterial. The effects on operating income and income before income taxes and minority interests for the year ended March 31, 2015 were immaterial.

The effects of this change on net assets, net income and diluted net income per share as of and for the year ended March 31, 2015 were immaterial.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Current:			
Corporate and public bonds	**¥1,605**	¥2,303	**$13,353**
Total	**¥1,605**	¥2,303	**$13,353**
Non current:			
Equity securities	**¥6**	¥6	**$52**
Corporate and public bonds		1,607	
Total	**¥6**	¥1,613	**$52**

The costs and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014 were as follows:

	Millions of Yen			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:				
Debt securities	**¥1,600**	**¥5**		**¥1,605**

	Millions of Yen			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:				
Debt securities	¥3,900	¥14	¥(4)	¥3,910

	Thousands of U.S. Dollars			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:				
Debt securities	**$13,313**	**$40**		**$13,353**

The redemption amounts of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2015 are as follows:

	Available for Sale	
	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	**¥1,600**	**$13,315**
Due after one year through five years		
Due after five years through ten years		
Due after ten years		
Total	**¥1,600**	**$13,315**

5. INVENTORIES

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Merchandise	**¥20,782**	¥16,428	**$172,940**
Finished goods	**400**	343	**3,325**
Materials	**3,960**	3,186	**32,952**
Supplies	**1,289**	1,005	**10,731**
Semi-finished goods	**107**		**896**
Work in process	**1,839**	1,554	**15,299**
Total	**¥28,377**	¥22,516	**$236,143**

6. LONG-LIVED ASSETS

For the year ended March 31, 2015, the Group recognized an impairment loss of ¥409 million ($3,409 thousand) as other expense for the idle assets of Ho Chi Minh city, Vietnam, Iwaki city, Fukushima prefecture, and Tokyo. As a result of consideration of future collectability, the carrying amount for the relevant assets were written down to the recoverable value and the decreased amounts were recorded as an impairment loss. The details are ¥259 million ($2,159 thousand) for machinery and vehicles, ¥58 million ($482 thousand) for land, and ¥92 million ($768 thousand) for software. The recoverable value of the assets was measured by their net sales value. The net sales value is measured based on the contract sales price for assets to be sold and disposal price for assets to be disposed.

For the year ended March 31, 2014, the Group recognized an impairment loss of ¥109 million 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 for machinery and vehicles, ¥15 million for tools, furniture and fixtures, ¥6 million for buildings and structures, and ¥1 million for software.

For the year ended March 31, 2013, there was no impairment loss 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% at March 31, 2014.
Long-term debt at March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
U.S. $100,000,000 Zero Coupon Convertible Bonds due 2018	**¥12,017**	¥10,292	**$100,000**
Total	**12,017**	10,292	**100,000**
Less current portion			
Long-term debt, less current portion	**¥12,017**	¥10,292	**$100,000**

Annual maturities of long-term debt as of March 31, 2015, for the next five years and thereafter were as follows:

	2015	
Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016		
2017		
2018		
2019	**¥12,017**	**$100,000**
2020 and thereafter		
Total	**¥12,017**	**$100,000**

Under specific conditions, the convertible debentures outstanding at March 31, 2015, are convertible into 2,718 thousand shares of common stock of the Company through October 8, 2018 at $36.79 per share. The conversion prices of the convertible debentures are subject to adjustments in certain circumstances.

8. RETIREMENT PLANS

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 funded/non-funded defined benefit plans for payments to terminated employees. In addition, the Company and certain consolidated subsidiaries have an employees' pension fund.

The Company and some subsidiaries participate in a multi-employer plan (including the contracted-out portion) for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Company. Therefore, it is accounted for using the same method as a defined contribution plan.
The Social Welfare Pension Fund of Nippon Sheet Metal Presswork (the "Fund") that the Company and certain consolidated domestic subsidiaries have joined would request an increased burden on members, such as through increased member contributions, for its survival following recent changes in Employees' Pension Insurance Act. Based on the conclusion that it is difficult to continue its operation, ordinary dissolution of the fund was resolved at a meeting of the board members of the fund on August 4, 2014. Procedures for the dissolution will proceed in the near future.

The liability for retirement benefits as of March 31, 2014 includes retirement allowances for directors (¥1,083 million).
However, the Company terminated the system of retirement allowances for directors at the shareholders' meeting in June 2014.
As a result, as of the end of the year ended March 31, 2015, the amount of defined benefit of ¥997 million ($8,296 thousand) is recorded in long-term liabilities (Other).

a. Defined benefit plan

(1)The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥4,072**	¥3,513	**$33,886**
Cumulative effect of changes in accounting policies	**46**		**387**
Restated balance at beginning of year	**4,118**		**34,273**
Current service cost	**645**	648	**5,365**
Interest cost	**27**	22	**224**
Actuarial losses	**69**	23	**576**
Benefits paid	**(220)**	(160)	**(1,834)**
Others	**31**	26	**261**
Balance at end of year	**¥4,670**	¥4,072	**$38,865**

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥976**	¥790	**$8,120**
Expected return on plan assets	**16**	14	**136**
Actuarial losses	**0**	(14)	**(1)**
Contributions from the employer	**179**	202	**1,494**
Benefits paid	**(57)**	(27)	**(477)**
Others	**17**	11	**146**
Balance at end of year	**¥1,131**	¥976	**$9,418**

(3) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Funded defined benefit obligation	**¥1,413**	¥1,508	**$11,759**
Plan assets	**(1,131)**	(976)	**(9,418)**
	282	532	**2,341**
Unfunded defined benefit obligation	**3,257**	2,564	**27,106**
Net liability for defined benefit obligation	**¥3,539**	¥3,096	**$29,447**

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Liability for retirement benefits	**¥3,539**	¥3,096	**$29,447**
Asset for retirement benefits			
Net liability for defined benefit obligation	**¥3,539**	¥3,096	**$29,447**

(4)The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Service cost	**¥645**	¥648	**$5,365**
Interest cost	**27**	22	**224**
Expected return on plan assets	**(16)**	(14)	**(136)**
Recognized actuarial losses	**91**	100	**756**
Others	**13**	15	**115**
Net periodic benefit costs	**¥760**	¥771	**$6,324**

(5)Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Actuarial gains	**¥22**		**$180**
Total	**¥22**		**$180**

(6)Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrecognized actuarial losses	**¥68**	¥89	**$563**
Total	**¥68**	¥89	**$563**

(7) Plan assets as of March 31, 2015 and 2014

a. Components of plan assets

Plan assets consisted of the followings:

	2015	2014
Cash and cash equivalents	**18%**	14%
General accounts	**78**	82
Others	**4**	4
Total	**100%**	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.

(8) Assumptions used for the year ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	**0.50%-1.10%**	0.50%-0.90%
Expected rate of return on plan assets	**1.64%**	1.64%

b. Multiple employers plan

The amounts required to be contributed to the Social Welfare Pension Fund, which is accounted for in the same way as the defined contribution plan for the years ended March 31, 2015 and 2014, are ¥251 million ($2,090 thousand) and ¥244 million, respectively.

Funding status of the Social Welfare Pension Fund of Nippon Sheet Metal Presswork as of March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Plan assets	¥69,619	¥64,698	$ 579,338
Total of actuarial obligation and minimum actuarial reserve	82,795	80,765	688,980
Difference	¥(13,176)	¥(16,067)	$(109,642)

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

	2015	2014
Percentage of the Group's contributions to the total plan	**10.19%**	8.46%

As of March 31, 2014 and 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 (¥10,993 million and ¥11,701 million, respectively) and carry forward deficit (¥2,183 million and ¥4,366 million, respectively). The past service liability is amortized on a straight-line basis over a period of 15 years and 16 years, respectively.

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 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.

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as an earned legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the 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, an earned legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

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

10. STOCK OPTIONS

Information related to the stock options for the year ended March 31, 2015 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 ($18.47)	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 ($16.87)	From February 1, 2010 to January 31, 2015
2008 Stock Option (1)	8 directors	440,000 shares	2008.7.11	¥2,073 ($17.25)	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 ($13.11)	From January 1, 2011 to December 31, 2016
2009 Stock Option (1)	7 directors	486,000 shares	2009.7.10	¥1,432 ($11.92)	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 ($13.31)	From September 1, 2011 to August 31, 2016
2010 Stock Option (1)	6 directors	520,000 shares	2010.7.2	¥1,827 ($15.20)	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 ($15.20)	From August 1, 2012 to July 31, 2018
2012 Stock Option (1)	6 directors	480,000 shares	2012.7.3	¥1,892 ($15.74)	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 ($15.74)	From August 1, 2014 to July 31, 2021
2014 Stock Option (1)	5 directors	13,000 shares	2014.11.7	¥1 ($0.01)	From November 8, 2014 to November 7, 2044
2014 Stock Option (2)	4 directors	44,600 shares	2014.11.7	¥1 ($0.01)	From November 7, 2017 to November 6, 2024
2014 Stock Option (3)	58 employees of the Group	39,100 shares	2014.11.7	¥1 ($0.01)	From November 7, 2017 to November 6, 2024

Stock option activity is as follows:

	2007 Stock Option (1)	2007 Stock Option (2)	2008 Stock Option (1)	2008 Stock Option (2)	2009 Stock Option (1)	2009 Stock Option (2)
	Shares					
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	163,500	55,800
Vested						
Exercised	96,700	11,100	160,000	13,000	111,300	48,800
Canceled				3,000		3,000
March 31, 2014—outstanding	23,300	6,000	30,000	800	52,200	4,000
For the Year Ended March 31, 2015						
Non-vested:						
March 31, 2014—outstanding						
Granted						
Canceled						
Vested						
March 31, 2015—outstanding						
Vested:						
March 31, 2014—outstanding	**23,300**	**6,000**	**30,000**	**800**	**52,200**	**4,000**
Vested						
Exercised	**23,300**	**6,000**	**5,000**		**31,700**	**4,000**
Canceled						
March 31, 2015—outstanding			**25,000**	**800**	**20,500**	
	Yen (U.S. Dollars)					
Exercise price	**¥2,219 (\$18.47)**	**¥2,027 (\$16.87)**	**¥2,073 (\$17.25)**	**¥1,576 (\$13.11)**	**¥1,432 (\$11.92)**	**¥1,600 (\$13.31)**
Fair value price at grant date	**¥384 (\$3.20)**	**¥305 (\$2.54)**	**¥286 (\$2.38)**	**¥87 (\$0.72)**	**¥272 \$(2.26)**	**¥356 \$(2.96)**

Stock option activity is as follows:

	2010 Stock Option (1)	2010 Stock Option (2)	2012 Stock Option (1)	2012 Stock Option (2)	2014 Stock Option (1)	2014 Stock Option (2)	2014 Stock Option (3)
				Shares			
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	189,000	83,800					
Vested							
Exercised	76,500	56,000					
Canceled							
March 31, 2014—outstanding	112,500	27,800					
For the Year Ended March 31, 2015							
Non-vested:							
March 31, 2014—outstanding			**440,000**	**97,000**			
Granted					**13,000**	**44,600**	**39,100**
Canceled							
Vested			**440,000**	**97,000**	**13,000**		
March 31, 2015—outstanding						**44,600**	**39,100**
Vested:							
March 31, 2014—outstanding	**112,500**	**27,800**					
Vested			**440,000**	**97,000**	**13,000**		
Exercised	**6,500**	**12,800**	**274,000**	**46,000**			
Canceled				**3,000**			
March 31, 2015—outstanding	**106,000**	**15,000**	**166,000**	**48,000**	**13,000**		
				Yen (U.S. Dollars)			
Exercise price	**¥1,827 ($15.20)**	**¥1,827 ($15.20)**	**¥1,892 ($15.74)**	**¥1,892 ($15.74)**	**¥1 ($0.01)**	**¥1 ($0.01)**	**¥1 ($0.01)**
Fair value price at grant date	**¥330 $(2.75)**	**¥330 $(2.75)**	**¥424 ($3.53)**	**¥424 ($3.53)**	**¥3,516 ($29.26)**	**¥3,406 ($28.34)**	**¥3,406 ($28.34)**

The Assumptions Used to Measure Fair Value of Stock Options Granted for the Year Ended March 31, 2015

Resolved on June 13, 2014 (Granted on November 7, 2014)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	29.74%
Estimated remaining outstanding period:	3.3 years
Estimated dividend:	¥36.42 per share
Interest rate with risk free:	0.05%

Notes : 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from August 2011 to November 2014.
2. Estimated remaining outstanding period is determined based on the ages of grantees at the grant date (November 7, 2014).
3. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2014.
4. For the risk free interest rate, the Company uses the average compound yield of long-term Japanese treasury bonds applicable to the estimated remaining outstanding period of options.

Resolved on June 13 and October 23, 2014 (Granted on November 7, 2014)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	31.61%
Estimated remaining outstanding period:	6.5 years
Estimated dividend:	¥36.42 per share
Interest rate with risk free:	0.19%

Notes : 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from May 2007 to November 2014.
2. Estimated remaining outstanding period is determined based on the assumption that all options would be exercised on the middle date of the exercise period.
3. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2014.
4. For the risk free interest rate, the Company uses the average compound yield of long-term Japanese treasury bonds applicable to the estimated remaining outstanding period of options.

The Assumptions Used to Measure the Number of Vested Stock Options

The Company uses only actual cancellations due to the difficulty in determining a reasonable assumption for measuring 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 and approximately 35.6% for the year ended March 31, 2015.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: 35.6%, From the year ended March 31, 2016: 33.1%, From the year ended March 31, 2017 and after: 32.3%

The "Act on Partial Revision of the Income Tax Act" was promulgated on March 31, 2015 and the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities as of March 31, 2015 was reduced from 35.6% to 33.1% in connection with temporary differences in assets or liabilities which are expected to be released in the fiscal year beginning April 1, 2015, and to 32.3% for those in the fiscal years beginning on or after April 1, 2016.
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, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Current deferred tax assets:			
Devaluation of inventories	**¥784**	¥876	**$6,524**
Accrued enterprise tax	**213**	186	**1,772**
Accrued bonuses	**352**	881	**2,929**
Unrealized income	**319**	280	**2,657**
Other—net	**727**	660	**6,044**
Subtotal	**2,395**	2,883	**19,926**
Valuation allowance	**(45)**	(278)	**(375)**
Current deferred tax assets	**2,350**	2,605	**19,551**
Current deferred tax liabilities:			
Other—net	**(9)**	(2)	**(73)**
Current deferred tax liabilities	**(9)**	(2)	**(73)**
Net current deferred tax assets	**¥2,341**	¥2,603	**$19,478**
Non-current deferred tax assets:			
Liabilities for retirement benefits for employees	**¥1,111**	¥1,070	**$9,246**
Depreciation	**464**	337	**3,864**
Tax losses carried forward	**1,946**	1,345	**16,190**
Provision for directors' retirement benefit		386	**3**
Long-term payables	**355**		**2,953**
Other—net	**472**	678	**3,927**
Subtotal	**4,348**	3,816	**36,183**
Valuation allowance	**(2,287)**	(1,755)	**(19,028)**
Non-current deferred tax assets	**2,061**	2,061	**17,155**
Non-current deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	**(106)**	(123)	**(881)**
Valuation of intangible assets	**(3,268)**	(2,909)	**(27,197)**
Other—net	**(755)**	(805)	**(6,281)**
Non-current deferred tax liabilities	**(4,129)**	(3,837)	**(34,359)**
Net non-current deferred tax assets	**¥(2,068)**	¥(1,776)	**$(17,204)**

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2015 is as follows:

	2015
Normal effective statutory tax rate	**35.6%**
Non-deductible bonuses to directors and corporate auditors	**0.5**
Expenses not deductible for income tax purposes	**0.4**
Inhabitant taxes on per capita and other	**0.2**
Increase in temporary differences not scheduled for income tax purposes	**1.4**
Amortization of goodwill	**2.9**
Difference in consolidated subsidiaries' applicable tax rate	**(3.3)**
Changes in tax rate for income and other taxes	**1.3**
Special deduction due to tax credits for salary growth	**(1.2)**
Other – net	**(0.2)**
Actual effective tax rates	**37.6%**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2014 is not presented because the differences in amounts between them were less than 5%.

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, 2015, 2014 and 2013 was ¥4,468 million ($37,184 thousand), ¥2,337 million and ¥1,594 million, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2015 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2015	**2015**
Due within one year	**¥269**	**$2,239**
Due after one year	**290**	**2,414**
Total	**¥559**	**$4,653**

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥782 million ($6,508 thousand), ¥508 million and ¥604 million for the years ended March 31, 2015, 2014 and 2013, 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 "FA", "Die Components", and "VONA." 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 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, 2015 and 2014 are as follows:

	Millions of Yen		
	2015		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**¥37,267**	**¥37,267**	
Time deposits	**14,337**	**14,337**	
Marketable securities	**1,605**	**1,605**	
Trade notes receivable	**6,771**	**6,771**	
Trade accounts receivable	**37,275**	**37,275**	
Investment securities	**6**	**6**	
Trade notes payable and accounts payable	**(12,878)**	**(12,878)**	
Derivatives, net	**(2,557)**	**(2,557)**	
Bonds with subscription rights to shares	**(12,017)**	**(14,408)**	**¥2,391**

	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

	Thousands of U.S. Dollars		
	2015		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**$310,120**	**$310,120**	
Time deposits	**119,310**	**119,310**	
Marketable securities	**13,353**	**13,353**	
Trade notes receivable	**56,345**	**56,345**	
Trade accounts receivable	**310,188**	**310,188**	
Investment securities	**52**	**52**	
Trade notes payable and accounts payable	**(107,166)**	**(107,166)**	
Derivatives, net	**(21,276)**	**(21,276)**	
Bonds with subscription rights to shares	**(100,000)**	**(119,897)**	**$19,897**

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 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, 2015 and 2014

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unlisted securities	**¥6**	¥6	**$52**

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2015 and 2014

	Millions of Yen			
	2015			
	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	**¥37,267**			
Time deposits	**14,337**			
Trade notes receivable	**6,771**			
Trade accounts receivable	**37,275**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds	**100**			
Corporate bonds	**1,500**			
Other				
Total	**¥97,250**			

	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		

	Thousands of U.S. Dollars			
	2015			
	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	**$310,120**			
Time deposits	**119,310**			
Trade notes receivable	**56,345**			
Trade accounts receivable	**310,188**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds	**832**			
Corporate bonds	**12,483**			
Other				
Total	**$809,278**			

(6) The redemption amounts of bonds, long-term debt, lease obligations and other interest bearing liabilities with contractual maturities subsequent to March 31, 2015 and 2014

	Millions of Yen			
	2015			
	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		**¥12,017**		

	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			
	2015			
	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, 2015 and 2014 are as follows:

	2015							
	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	**¥7,016**		**¥(124)**	**¥(124)**	**$58,387**		**$(1,034)**	**$(1,034)**
Selling	**25,759**		**(2,433)**	**(2,433)**	**214,357**		**(20,242)**	**(20,242)**

	2014			
	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	¥5,423		¥(206)	¥(206)
Selling	24,062		(986)	(986)

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, 2015, 2014 and 2013 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2015	2014	2013	**2015**
Unrealized gain (loss) on available-for-sale securities:				
Gains (losses) arising during the year	**¥(5)**	¥(14)	¥111	**$(44)**
Reclassification adjustments to profit or loss			(96)	
Amount before income tax effect	**(5)**	(14)	15	**(44)**
Income tax effect	**1**	5	(6)	**16**
Total	**(4)**	(9)	9	**(28)**
Foreign currency translation adjustments:				
Adjustments arising during the year	**4,305**	3,370	2,152	**35,822**
Reclassification adjustments to profit or loss		(98)	51	
Amount before income tax effect	**4,305**	3,272	2,203	**35,822**
Income tax effect				
Total	**4,305**	3,272	2,203	**35,822**
Defined retirement benefit plans:				
Adjustments arising during the year	**3**			**22**
Reclassification adjustments to profit and loss	**19**			**157**
Amount before income tax effect	**22**			**179**
Income tax effect	**(10)**			**(79)**
Total	**12**			**100**
Share of other comprehensive income in associates				
Adjustments arising during the year	**5**	2		**38**
Total other comprehensive income	**¥4,318**	¥3,265	¥2,212	**$35,932**

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 the "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 Europe. The Group aims to expand its brand awareness in these markets in order 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 the die components business in Asia, including Japan, 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:

		2013
		Millions of Yen
Consideration for the acquisition	Fair value of the shares of the acquired company as of the business combination	¥16,035
Expenses directly required for the acquisition	Advisory fees	384
Acquisition cost		¥16,419

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
Current assets	¥5,708
Non-current assets	15,777
Total assets	¥21,485
Current liabilities	¥1,795
Non-current liabilities	3,084
Total liabilities	¥4,879

(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
Net sales	¥13,559
Operating loss	(292)
Loss before income taxes	(292)
Net loss	(558)

	Yen
Net loss per share	¥(6.23)

(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 its method of calculating 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, 2015, 2014 and 2013 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2015	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥14,292**	**91,130**	**¥156.83**	**$1.31**
Effect of dilutive securities—Stock options		**299**		
Diluted EPS—Net income for computation	**¥14,292**	**91,429**	**¥156.31**	**$1.30**
Year Ended March 31, 2014				
Basic EPS—Net income available to common shareholders	¥11,679	90,661	¥128.82	
Effect of dilutive securities—Stock options		366		
Diluted EPS—Net income for computation	¥11,679	91,027	¥128.30	
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	

19. RELATED PARTY TRANSACTIONS

Related party transactions between the Company and related parties for the years ended March 31, 2015 and 2014 are as follows:

2015

Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount	
					Millions of Yen	Thousands of U.S. Dollars
Board member	Tadashi Saegusa	Director of the Company	(Owned) Direct 0.01	Exercise of stock option (Note 3)	**¥303**	**$2,519**
Board member	Ryusei Ono	Director of the Company	(Owned) Direct 0.05	Exercise of stock option (Note 3)	**29**	**241**
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.05	Exercise of stock option (Note 3)	**68**	**565**
Board member	Tokuya Ikeguchi	Director of the Company	(Owned) Direct 0.01	Exercise of stock option (Note 3)	**40**	**332**
Board member	Masayuki Takaya(Note 1)	-	-	Exercise of stock option (Note 3)	**132**	**1,096**
Board member	Hiroshi Fukino(Note 2)	-	-	Exercise of stock option (Note 3)	**22**	**185**

(Note) 1. Mr. Masayuki Takaya retired on October 31, 2014, and transactions noted above occurred during his term of duty in the year ended March 31, 2015.
2. Mr. Hiroshi Fukino retired on June 13, 2014, and transactions noted above occurred during his term of duty in the year ended March 31, 2015.
3. Decision policy on terms and conditions
Exercise of stock option is based on the contracts when vested.

2014

Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount
					Millions of Yen
Board member	Tadashi Saegusa	Director of the Company	(Owned) Direct 0.08	Exercise of stock option	¥119
Board member	Ryusei Ono	Director of the Company	(Owned) Direct 0.03	Exercise of stock option	49
Board member	Masayuki Takaya	Director of the Company	(Owned) Direct 0.04	Exercise of stock option	184
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.05	Exercise of stock option	229
Board member	Tokuya Ikeguchi	Director of the Company	(Owned) Direct 0.01	Exercise of stock option	36
Board member	Hiroshi Fukino	Director of the Company	(Owned) Direct 0.01	Exercise of stock option	25

(Note) Decision policy on terms and conditions
Exercise of stock option is based on the contracts when vested.

20. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2015 and 2014, the difference between exchange receipts and payments from loans to foreign subsidiaries of ¥(1,798) million ($(14,966) thousand) and ¥(5,438) million, respectively, are included in "Other-net" of INVESTING ACTIVITIES.

The Company acquired Connell Industrial Tool Corporation and newly consolidated Dayton Lamina and 16 companies for the year ended March 31, 2013. The details of the 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
Current assets	¥5,708
Non-current assets	9,515
Goodwill	6,262
Current liabilities	(1,795)
Non-current liabilities	(3,084)
Minority interests	(187)
Acquisition cost	16,419
Cash and cash equivalents	608
Net payment for acquisition	¥15,811

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

21. SUBSEQUENT EVENT

The Company approved a resolution for a stock split and a partial amendment to the Articles of Incorporation associated with the stock split at the board of directors meeting held on May 14, 2015.

(1) Purpose of the stock split

The purpose of the stock split is to reduce the monetary amount per investment unit, create an environment that makes it easier for investors to invest in the Company's shares, and broaden the scope of investors in the Company's shares.

(2) Overview of the stock split

(a) Method of the stock split

Using June 30, 2015 as the date of record, each shareholder recorded in the final shareholder registry on that date shall receive three shares for every one share of common stock held.

(b) Schedule

Date on which the date of record will be announced	June 15, 2015
Date of record	June 30, 2015
Effective date	July 1, 2015

(c) Effect on EPS

Information of EPS assuming that this stock split was executed at the beginning of a year ended March 31, 2014 is as follows:

	Yen		U.S. Dollars
	2015	2014	**2015**
Net asset per share	**¥482.17**	¥425.06	**$4.01**
Basic EPS	**52.28**	42.94	**0.44**
Diluted EPS	**52.10**	42.77	**0.43**

The following appropriations of retained earnings at March 31, 2015 were approved at the shareholders meeting held on June 12, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year end cash dividends, ¥ 18.21 ($0.15) per share	**¥1,663**	**$13,843**

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 3 reportable segments: "FA Business", "Die Components Business" and "VONA Business".

"FA Business" develops and provides standard components that help streamline production and save labor costs in a production system such as factory automation as well as auto locating modules for high-precision production equipment. Various optics research and experimental equipment and components for production equipment, which change due to digitalization of electronic devices, are also developed and offered.

"Die Components Business" serves the automotive, electronics, and electrical machinery industries by developing and supplying standardized die components for metal press and plastic injection molding applications and precision die components.

"VONA Business" provides third-party brands alongside original MISUMI-branded products mainly through online sales. It provides indirect materials or MRO (consumables) as well as production equipment.

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

Accounting policies of the reportable segments are substantially the same as those described in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES except for the adjustments due to different closing dates. Income by reportable segment is based on operating income.

(3)Net sales and Segment profit by reportable segment

	Millions of Yen					
	2015					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers	**¥99,094**	**¥64,737**	**¥48,249**	**¥212,080**	**¥(3,517)**	**¥208,563**
Total	**99,094**	**64,737**	**48,249**	**212,080**	**(3,517)**	**208,563**
Segment profit	**16,815**	**4,279**	**2,907**	**24,001**	**(242)**	**23,759**
Segment profit before amortization of goodwill*	**¥16,815**	**¥6,519**	**¥2,907**	**¥26,241**	**¥(242)**	**¥25,999**

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

	Millions of Yen					
	2014					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers	¥82,377	¥56,309	¥37,922	¥176,608	¥(2,704)	¥173,904
Total	82,377	56,309	37,922	176,608	(2,704)	173,904
Segment profit	13,806	3,289	2,453	19,548	(559)	18,989
Segment profit before amortization of goodwill*	¥13,806	¥5,393	¥2,453	¥21,652	¥(559)	¥21,093

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

	Thousands of U.S. Dollars					
	2015					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers	**$824,618**	**$538,713**	**$401,505**	**$1,764,836**	**$(29,271)**	**$1,735,565**
Total	**824,618**	**538,713**	**401,505**	**1,764,836**	**(29,271)**	**1,735,565**
Segment profit	**139,929**	**35,611**	**24,191**	**199,731**	**(2,017)**	**197,714**
Segment profit before amortization of goodwill*	**$139,929**	**$54,249**	**$24,191**	**$218,369**	**$(2,017)**	**$216,352**

* 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
	2015	2014	**2015**
Total of reportable segment	**¥212,080**	¥176,608	**$1,764,836**
Adjustments due to the different closing date of consolidated subsidiaries	**(3,512)**	(2,560)	**(29,229)**
Other	**(5)**	(144)	**(42)**
Net sales in consolidated statements of income	**¥208,563**	¥173,904	**$1,735,565**

	Operating income		
	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Total of reportable segment	**¥24,001**	¥19,548	**$199,731**
Adjustments due to the different closing date of consolidated subsidiaries	**(334)**	(243)	**(2,782)**
Other	**92**	(316)	**765**
Operating income in consolidated statements of income	**¥23,759**	¥18,989	**$197,714**

(5)Change in reportable segment

Following changes in the Group's organizational management structure, from the year ended March 31, 2015, a portion of "Factory Automation Business" was integrated with "Electronics and Other Business" and reported under "VONA Business". In addition, "Factory Automation Business" was renamed as "FA Business".

Net sales and segment profit by reportable segment for the year ended March 31, 2014 have been re-categorized under the new classification.

The segment information for the year ended March 31, 2013, allocated to the new operating segment of the year ended March 31, 2015, has not been disclosed because of the difficulty of retrospective allocation.
Also, the segment information for the years ended March 31, 2015 and 2014, allocated to the segment of the year ended March 31, 2013, has not been disclosed because of the difficulty of rational allocation.

(6)Information by region

	Millions of Yen						
	2015						
	Japan	China	Asia	America	Europe	Others	Total
Net sales...........	**¥112,334**	**¥30,759**	**¥26,766**	**¥23,975**	**¥10,835**	**¥3,894**	**¥208,563**

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

	Thousands of U.S. Dollars						
	2015						
	Japan	China	Asia	America	Europe	Others	Total
Net sales...........	**$934,795**	**$255,963**	**$222,736**	**$199,508**	**$90,159**	**$32,404**	**$1,735,565**

	Millions of Yen					
	2015					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment................................	**¥10,408**	**¥8,272**	**¥4,798**	**¥2,795**	**¥1,666**	**¥27,939**

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

	Thousands of U.S. Dollars					
	2015					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment................................	**$86,610**	**$68,839**	**$39,923**	**$23,259**	**$13,867**	**$232,498**

(7)Impairment losses by reportable segment

	Millions of Yen			Thousands of U.S. Dollars		
	2015			**2015**		
	Reportable Segment			Reportable Segment		
	FA Business	Company-wide	Total	FA Business	Company-wide	Total
Impairment loss ..	**¥259**	**¥150**	**¥409**	**$2,159**	**$1,250**	**$3,409**

	Millions of Yen	
	2014	
	Reportable Segment	
	Die Components Business	Total
Impairment loss ..	¥109	¥109

There are no applicable matters for the year ended March 31, 2013.

(8)Goodwill by reportable segment

	Millions of Yen		Thousands of U.S. Dollars	
	2015		**2015**	
	Reportable Segment		Reportable Segment	
	Die Components Business	Total	Die Components Business	Total
Amortization for the year ended March 31, 2015	**¥1,673**	**¥1,673**	**$13,925**	**$13,925**
Balance as of March 31, 2015	**¥5,345**	**¥5,345**	**$44,479**	**$44,479**

	Millions of Yen	
	2014	
	Reportable Segment	
	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

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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, 2015, 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
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MISUMI Group Inc. and its consolidated subsidiaries as of March 31, 2015, 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 11, 2015

Company Profile and Stock Information (as of the March 31, 2015)

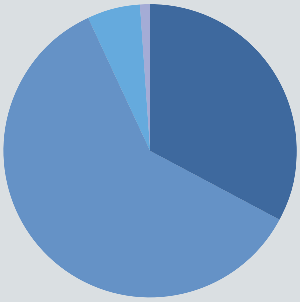
Corporate Profile

Corporate Name	MISUMI Group Inc.
Established	February 23, 1963
Head Office	Iidabashi First Building, 5-1, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8583, Japan
Common stock	6,841 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	91,392,784
Number of Shareholders	3,515

Composition of Shareholders



- Banks and other financial institutions — 33.01%
- Foreign investors, etc. — 60.11%
- Individuals and other investors — 6.00%
- Other corporate investors – 0.88%

Major Shareholders

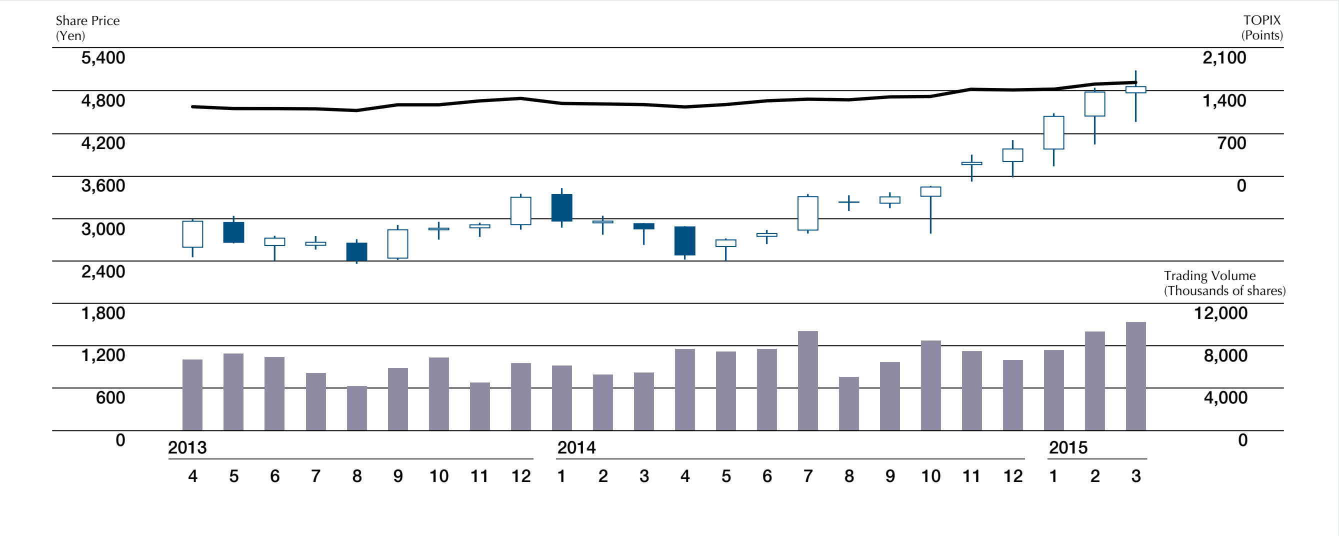
Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Shares Outstanding (%)
Japan Trustee Services Bank, Ltd.	12,142	13.29
The Master Trust Bank of Japan, Ltd.	8,323	9.11
Trust & Custody Services Bank, Ltd. (as trustee for Mizuho Bank Ltd. Retirement Benefit Trusts Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	3,560	3.89
GOLDMAN SACHS & CO., REG	3,492	3.82
Hiroshi Taguchi	2,663	2.91
RBC IST 15 PCT LENDING ACCOUNT-CLIENT ACCOUNT	2,229	2.44
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	2,154	2.36
STATE STREET BANK AND TRUST COMPANY 505103	1,936	2.12
Trust & Custody Services Bank, Ltd.	1,869	2.05
THE CHASE MANHATTAN BANK 385036	1,826	2.00

*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
July	2015	1	➡	3.0

Monthly Share Price Range/Trading Volume



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