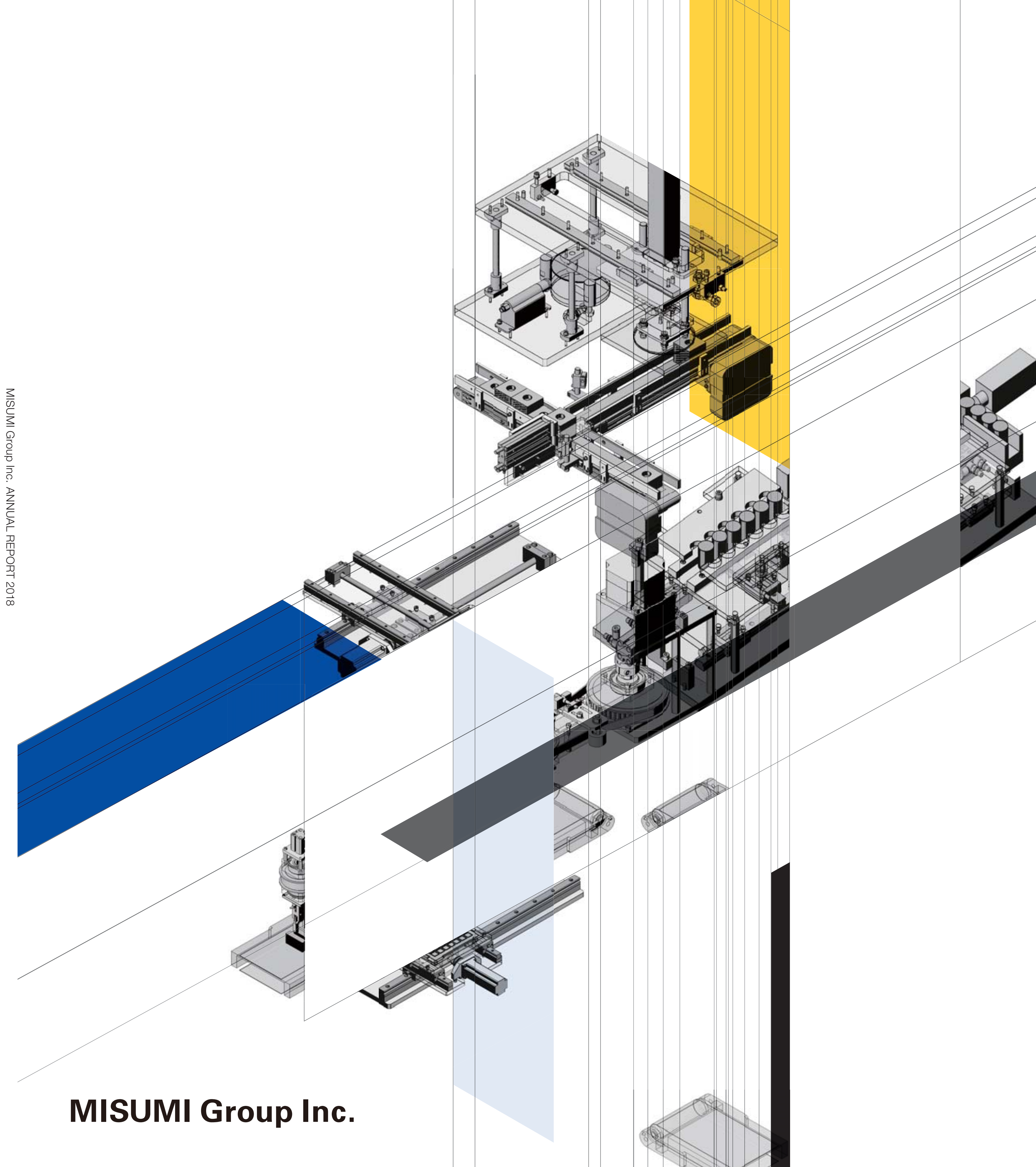
MiSUMi

ANNUAL REPORT 2018

MISUMI Group Inc. ANNUAL REPORT 2018



MISUMI Group Inc.

It's all about TIME

MiSUMi

MISUMI at a Glance

Customers

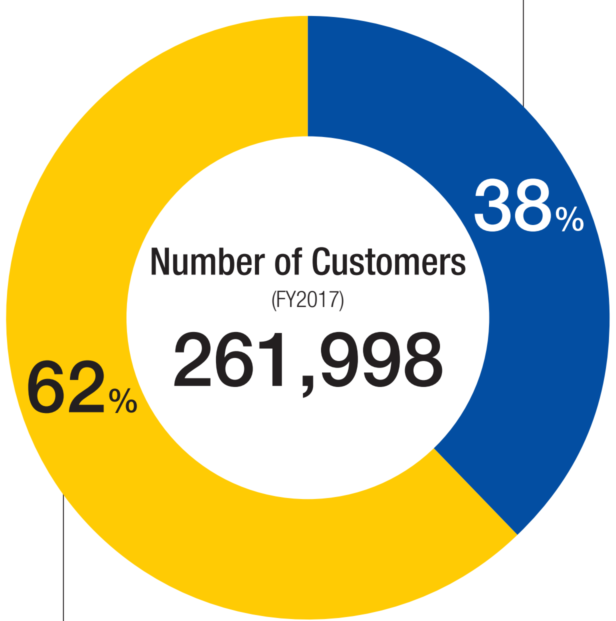
MISUMI Group's corporate customers number more than 260,000 around the world. In Japan and overseas, many customers continue to favor MISUMI.

MiSUMi

MISUMI Group encompasses both manufacturing and distribution businesses, which are supported by a powerful IT infrastructure and business foundation. Our mission is to provide time-based value to customers by achieving reliable and quick delivery globally using this unique business model.

CONTENTS

Japan **100,598** companies



Overseas **161,400** companies

Business Model Transformation Toward a Production Materials Platform

Manufacturing Business

The manufacturing business develops, manufactures and sells precision components for automated equipment used in FA* and tools and dies used at manufacturing sites. MISUMI uses an original method to catalog MTO products that formerly had to be drawn for ordering. The convenient, reliable and quick delivery of online ordering by model number without drawings, as well as the provision of associated CAD system services and other features, resolves customer inefficiencies.

*Factory Automation

Distribution Business

The distribution business handles a wide range of products from third-party brands in addition to MISUMI's own branded products. The number of participating manufacturers exceeds 3,000 companies in Japan, with more than 20 million items handled. Global business rollout is being expanded. Customer needs are being met for one-stop purchasing and management of production materials.

IT Infrastructure

Business Foundation

The Reasons Why Customers Favor MISUMI

P.08 Advantages of MTO*

* Make to Order

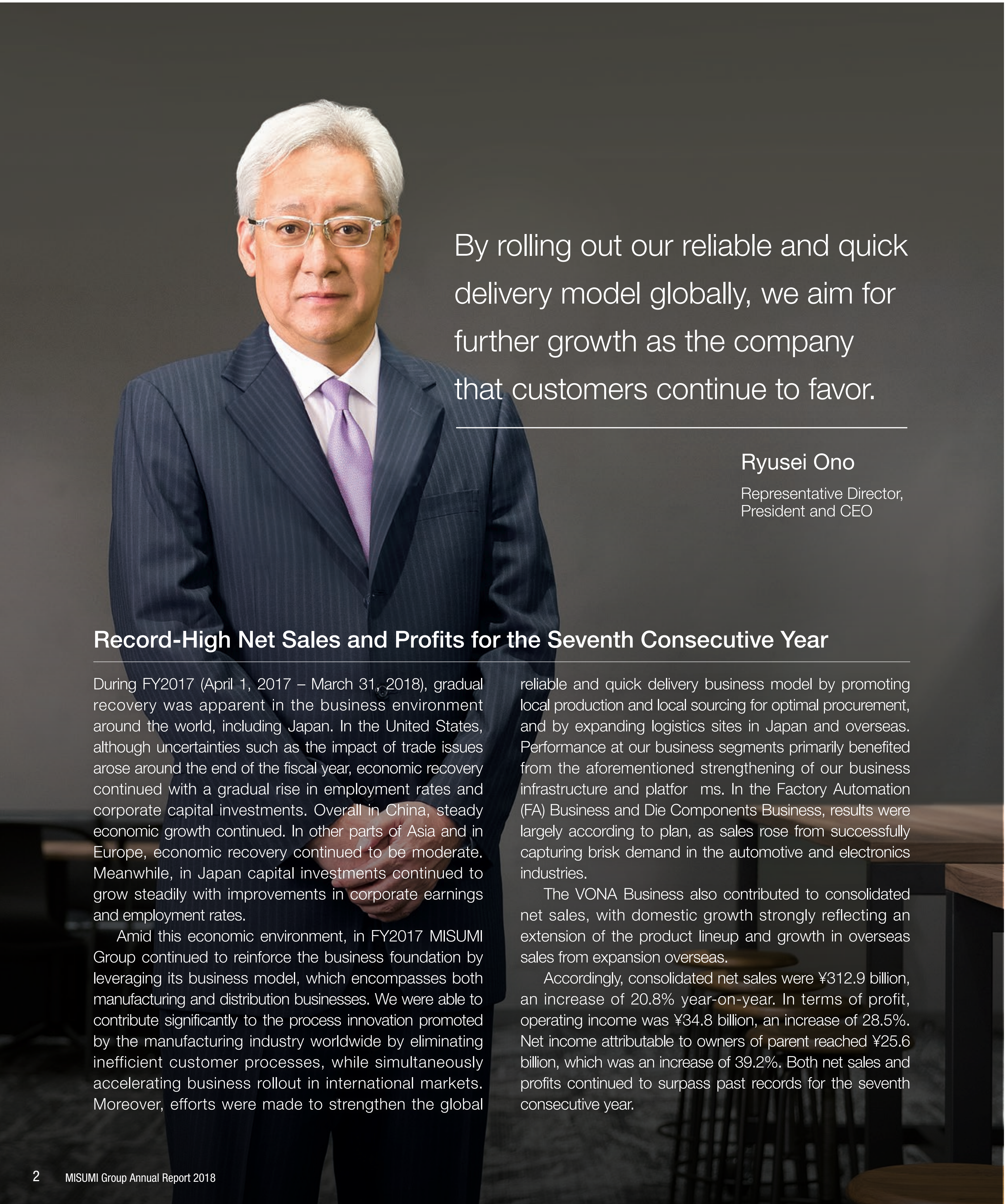
P.09 Enhancing Global Reliable and Quick Delivery

P.10 Innovations Through the VONA* Business

*Variation & One-stop by New Alliance

P.11 An Extensive Product Lineup

Forward-looking statements: This annual report contains forward-looking statements regarding MISUMI Group's business performance estimates and business environment forecasts. All forward-looking statements are based on judgments derived from information available to 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 from the forecasts indicated in this document.



By rolling out our reliable and quick delivery model globally, we aim for further growth as the company that customers continue to favor.

Ryusei Ono

Representative Director,
President and CEO

Record-High Net Sales and Profits for the Seventh Consecutive Year

During FY2017 (April 1, 2017 – March 31, 2018), gradual recovery was apparent in the business environment around the world, including Japan. In the United States, although uncertainties such as the impact of trade issues arose around the end of the fiscal year, economic recovery continued with a gradual rise in employment rates and corporate capital investments. Overall in China, steady economic growth continued. In other parts of Asia and in Europe, economic recovery continued to be moderate. Meanwhile, in Japan capital investments continued to grow steadily with improvements in corporate earnings and employment rates.

Amid this economic environment, in FY2017 MISUMI Group continued to reinforce the business foundation by leveraging its business model, which encompasses both manufacturing and distribution businesses. We were able to contribute significantly to the process innovation promoted by the manufacturing industry worldwide by eliminating inefficient customer processes, while simultaneously accelerating business rollout in international markets. Moreover, efforts were made to strengthen the global reliable and quick delivery business model by promoting local production and local sourcing for optimal procurement, and by expanding logistics sites in Japan and overseas. Performance at our business segments primarily benefited from the aforementioned strengthening of our business infrastructure and platfor ms. In the Factory Automation (FA) Business and Die Components Business, results were largely according to plan, as sales rose from successfully capturing brisk demand in the automotive and electronics industries.

The VONA Business also contributed to consolidated net sales, with domestic growth strongly reflecting an extension of the product lineup and growth in overseas sales from expansion overseas.

Accordingly, consolidated net sales were ¥312.9 billion, an increase of 20.8% year-on-year. In terms of profit, operating income was ¥34.8 billion, an increase of 28.5%. Net income attributable to owners of parent reached ¥25.6 billion, which was an increase of 39.2%. Both net sales and profits continued to surpass past records for the seventh consecutive year.

Pursuing MISUMI's Uniqueness to Become a Company with Superiority Not Found in Other Companies

We have been able to improve our corporate value over many years because our service provision is optimized for the manufacturing industry, having advanced and innovated a business model that offers high quality (Q) at low cost (C) with reliable and quick delivery times (T) around the world.

At manufacturing sites, the startup of a production line may be delayed if even one machine component is unavailable, thereby significantly impacting business plans. We eliminate inefficiencies in customers' procurement processes for production materials, offering reliable and quick delivery and ensuring customers know the delivery date when ordering from MISUMI. In other words, we provide our customers with time-value propositions, which I believe to be our foremost mission. In order to accomplish this mission, we aim to be a company with superiority not found in other companies, in terms of the business model, organization, business strategies and operations, by pursuing a time-based strategy.

With "Industrie 4.0" in Europe, the "Industrial Internet" in the United States, and China's "Made in China 2025" initiatives, a global structural transformation is under way within the manufacturing industry. What customers expect most from MISUMI Group is reliable and quick delivery in the global market. This expectation is underlined by growing demand from manufacturers conducting production activities in multiple countries and regions. There is an inherent need to supply identical components from their home countries to factories in other countries without delay. However, at present very few businesses in the global market can meet this demand. As manufacturing becomes more global, suppliers must be able to provide reliable and quick delivery. MISUMI Group has established a structure that enables it to transplant the know-how from its production system in Japan and its high level of quality to its overseas production bases. This enables us to deliver products to manufacturing sites worldwide at low cost and with reliable and quick delivery. In addition, the quality of our MTO products and the overwhelming number of items handled are also reasons why customers favor MISUMI. Currently, we have 262,000 customers worldwide, with more than 60% residing overseas. Moreover, over 80% of the orders we receive in Japan come via our e-commerce site or other digital medium, an unparalleled track record.

Concepts for Achieving Our Corporate Mission Four (4) Excellences

MISUMI Business *Model Excellence* 'Behind-the Scene Supporter for Manufactures World-Wide' + 'Readiness to Deliver Even One Piece in Short-Term & Just-in-Time'	MISUMI Business *Operational Excellence* 'It is all about TIME' - 'QCT Innovator'
MISUMI Management *Strategic Excellence* 'MISUMI QCT Model'	MISUMI Organizational *Leadership Excellence* 'Energized Employee Resources' + 'Management Strategic Alignment'

Further Advancement of an E-commerce Business Model Optimized for the Manufacturing Industry

The business we conduct has a unique business model offering one-stop supply of products via digital media. It combines a “manufacturing business,” which can fill orders for FA components for manufacturing equipment and for die and mold components with specifications down to the micron level, and the “VONA Business” with more than 3,000 participating manufacturers. We are currently implementing various measures to further advance this business model.

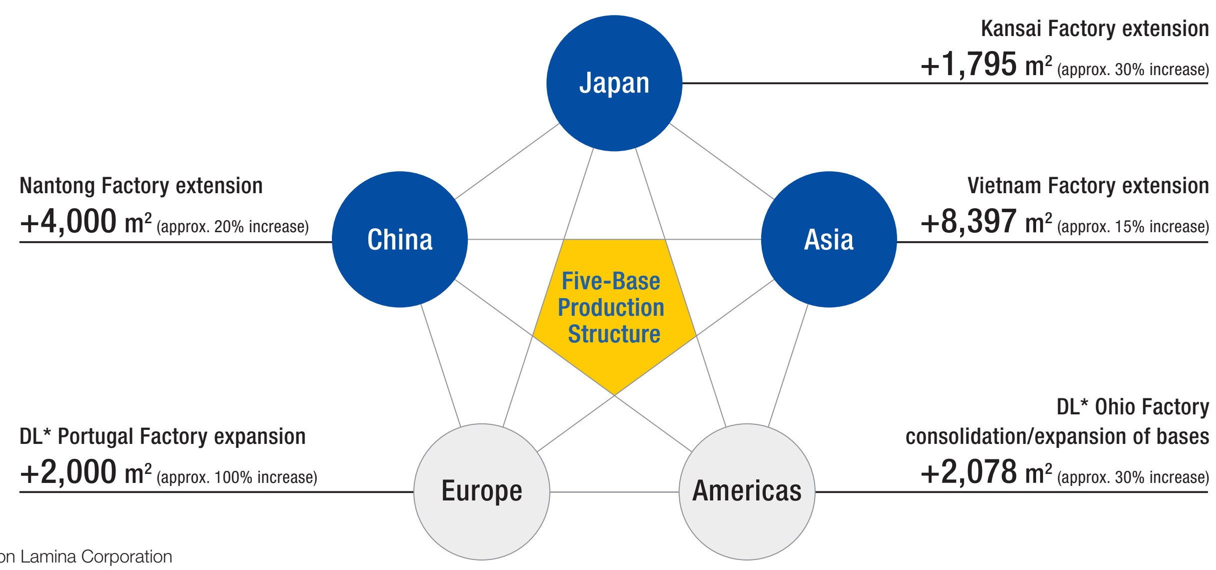
In the manufacturing business, we are continuing to address the needs of digital manufacturing and working to strengthen and enhance our supply system for reliable and quick delivery globally. We are expanding production capacity at our five bases in Japan, China, Asia, the Americas and Europe in anticipation of rising global demand in areas such as semiconductors and electric vehicles. In addition to quantitative expansion, we intend to enhance MISUMI’s unique quality with a global rollout of the latest in-house methods for improving production.

On the front end, or the customer side, we will enhance meviy, a 3D-CAD system collaborative tool for design engineers. An online service, meviy can immediately produce an estimate and handle orders based solely on 3D CAD design data uploaded by the customer, enabling quick delivery through rapid processing. This service has already been rolled out in the Die Components Business, and from fall 2018 we plan to offer it in the FA Business as well. Going forward, we intend to capture a higher level of demand in the global market with the rollout of meviy with more advanced functions, and Rapid Design, an application service that supports expedited design.

The VONA Business is growing remarkably, with an increase of 431 manufacturers in FY2017 to a total of 3,324 participating companies. The number of items handled increased by 3.2 million during the year to a total of 20.7 million. We continue to offer top-level scale product lineup for the manufacturing industry. In FY2018, we will concentrate on global expansion, with business launches planned in Malaysia and India. At the same time, utilizing MISUMI Group strengths, we will promote mass customization strategies to meet customer needs that are difficult to accommodate through existing distribution channels. For example, we will take advantage of MISUMI’s manufacturing capabilities to offer additional processing and assembly during the distribution phase as MISUMI’s additional service. We will begin offering this service initially for products such as linear guides and harnesses. We will also expand our lineup of private brand products using our global procurement network, targeting products with high repeat order rates. Through these initiatives, we have set an important goal: to tailor our business to an e-commerce model with higher added value that is optimized for the manufacturing industry. I believe this evolved e-commerce model will enable us to achieve total differentiation from our competitors.

With respect to the foundation supporting the manufacturing and VONA businesses, to respond to the major structural transformation underway within the manufacturing industry we will be investing approximately ¥25 billion to expand our global production capacity and logistics sites while reinforcing the IT infrastructure. We will accelerate global rollout of logistics sites as part of distribution capacity expansion. This includes the establishment of our new Central Japan Distribution Center in Aichi Prefecture in the latter half of FY2018, with the aim of providing a supply system for reliable and quick delivery to the Chubu region, where demand is accumulating. As our third logistics site in Japan, this Center will be instrumental in promoting further automation and implementation of our business continuity plan (BCP).

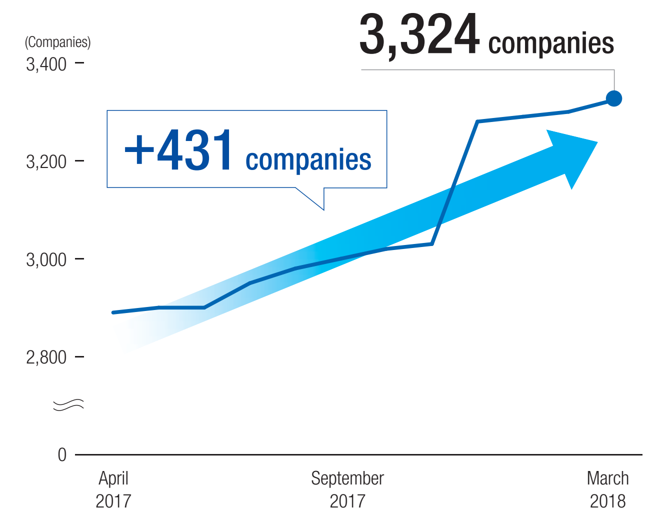
Planned Expansion of Our Global Production System for Reliable and Quick Delivery in FY2018



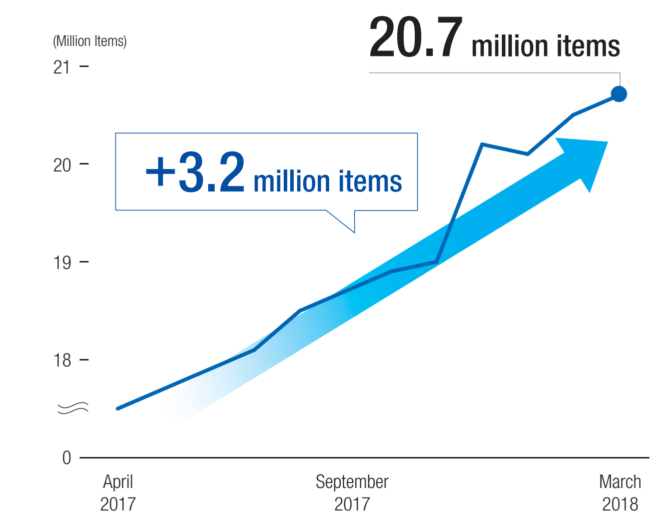
*Dayton Lamina Corporation

VONA Business Growth Drivers

Number of Manufacturers Handled (Japan)



Number of Items Handled (Japan)



Record-High Performance Expected Again in FY2018

By expanding and enhancing our product lineup and reinforcing our cost competitiveness in addition to working to strengthen our global supply system for reliable and quick delivery, we plan to set new record highs for both net sales and profit for the eighth consecutive year in FY2018. We have set a dividend payout ratio of 25% since the year-end dividend in FY2011, and we will continue to maintain this level for FY2018.

To ensure that we do not let our guard down in a positive operating environment where major trends of the “Fourth Industrial Revolution” will lead growth, we will further deepen our expertise in digital manufacturing, and invest appropriately in the necessary infrastructure and measures to provide value propositions unique to MISUMI Group. The key to establishing our competitive advantage will continue to hinge on building an ordering environment extensively throughout markets worldwide in which MISUMI’s e-commerce sites enable customers to find the products they need and know the delivery date. We look forward to your continuing support.

Ryusei Ono

Representative Director, President and CEO

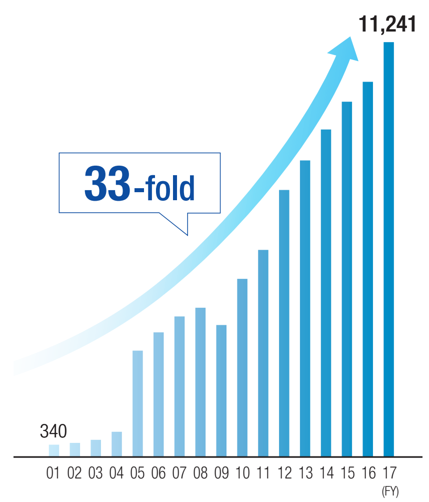
Looking Back at MISUMI Group's Second-Era Founding Period

In March 2018, Tadashi Saegusa stepped down as Chairman of the Board and was appointed "Senior Chairman/Second-Era Founder".

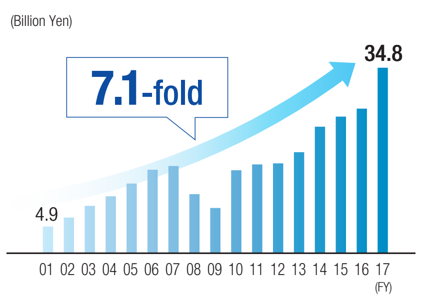
Tadashi Saegusa, who has led MISUMI's management for a total of 16 years since 2002, 12 as CEO and 4 as Chairman of the Board, stepped down as Chairman as of March 31, 2018 and was appointed Senior Chairman.

During this period, net sales of MISUMI Group increased 6.1-fold, operating income increased 7.1-fold and dividends increased from ¥2.33 to ¥22.60, a 9.7-fold increase in shareholder returns. In addition, the number of global operational sites expanded (see Global Network on pages 12–13) and the number of employees grew 33-fold to over 10,000. Net sales grew, surpassing ¥300 billion. Numerous reforms were implemented, driving this continuous growth. In the words of Senior Chairman Saegusa, "Sounds of reform could be heard throughout the company, every day without fail." Just as this statement implies, challenges for reform were undertaken day after day. Reforms include innovations at the back end (manufacturing) and the front end (distribution channels) as well as promoting organizational evolution and fostering management personnel. In addition, the Senior Chairman made important decisions that became historic changes for MISUMI: withdrawal from diversified businesses, shift in focus toward overseas strategy, entrance into the manufacturing business through the acquisition of SURUGA SEIKI CO., LTD. and start of the new VONA Business. After going through this second-era founding period, MISUMI was reborn as a new company unlike its former self. Challenges for new reforms will continue with the aim of being a company that ceaselessly evolves day by day.

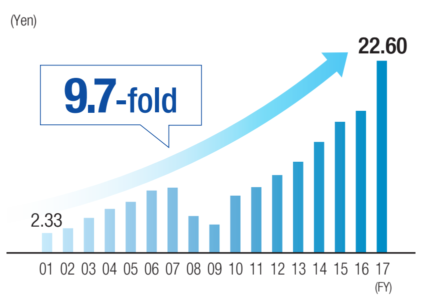
Increase in Number of Employees



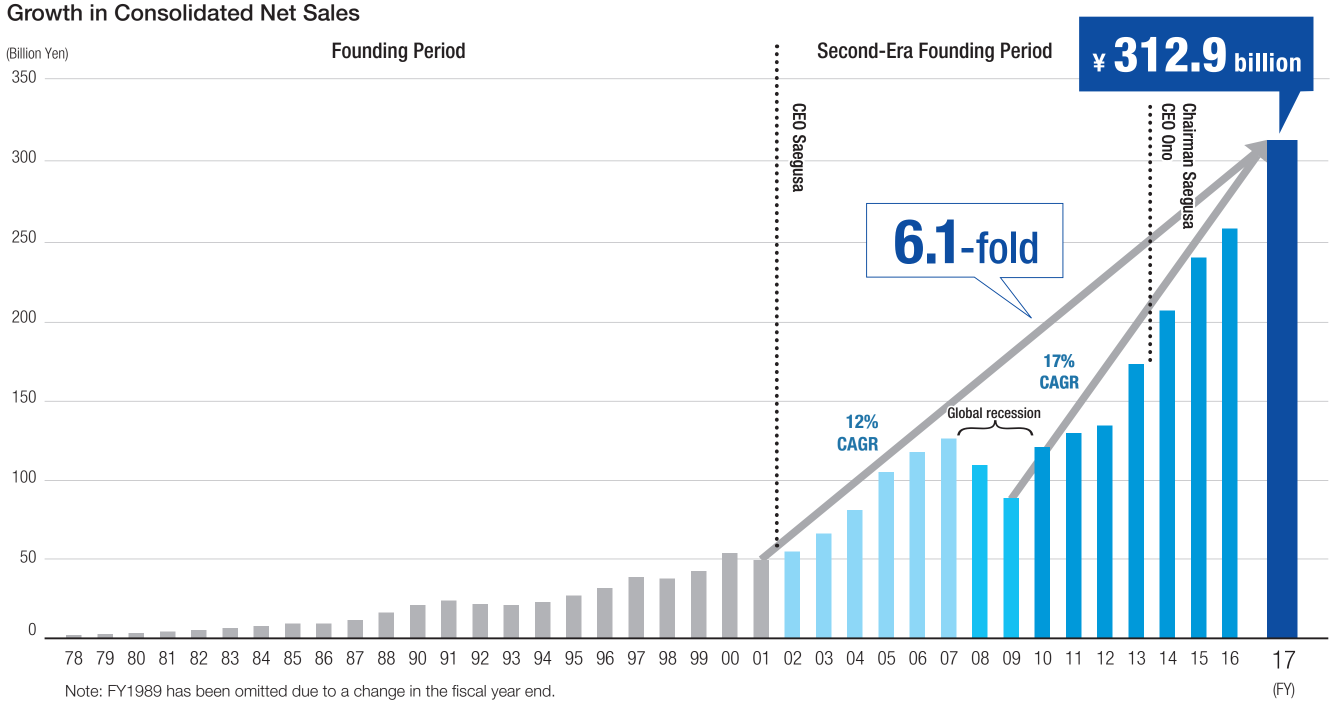
Increase in Operating Income



Increase in Dividends per Share



Growth in Consolidated Net Sales



Note: FY1989 has been omitted due to a change in the fiscal year end.

Message from the Senior Chairman

My major role from now on will be to foster management personnel who will support the growth of MISUMI Group and the economy at large.

Tadashi Saegusa

Senior Chairman
Second-Era Founder

When I took office as Representative Director, President and CEO of MISUMI Group Inc. 16 years ago my primary management objective was to foster management personnel and to build a strategy-oriented organization. Since then, MISUMI Group has achieved substantial growth by creating its own original business model to generate "time-based value" unique to MISUMI. Without a doubt, all of these achievements were supported by our management personnel and strategy-oriented organization.

Over the past 16 years, I have spent more than 100 days as a "strategy evangelist" at internal training seminars, passionately debating the strategic management style I established over the years with younger potential management personnel. However, no matter how well thought out a strategy is, it never goes exactly as planned. Problems invariably arise somewhere, but because management personnel give their all when thinking the strategy through, they are the first to realize where the problems lie. Consequently, they are also swifter to act in correcting them. I am convinced that the major improvement in MISUMI Group's performance has been because of the combination of internal training seminars and practical experience repeatedly gained through actual management scenarios aimed at raising management literacy.

There were many difficulties to overcome in our reforms. In 2005, MISUMI Group made a major transformation from a machinery trading company to a "manufacturing company." This reform came about as a result of my thoroughgoing investigation of strategic planning and business process reforms as CEO in order to achieve further growth for MISUMI. Through these reforms, MISUMI Group was reborn as a completely different company, thereby marking the foundation of the second era. For MISUMI Group to grow over the long term, we will need to spur a third-era foundation that goes even further. This next step will be led by our current and next generation of management personnel.

I believe my role in society going forward is to foster management personnel who will support the growth of MISUMI Group, and in turn support the growth of the economy at large. I will strive toward fostering management personnel while offering various types of support to management from a somewhat different viewpoint to when I was CEO.

Feature | The Reasons Why Customers Favor MISUMI

Customers favor MISUMI because we are able to offer time-based value through the relentless pursuit of "reliable and quick delivery." Our standard delivery time in Japan is two days, with an on-time delivery rate of 99.96%. We will continue to enhance our reliable and quick delivery system globally to help further raise the efficiency of our customers' procurement of production materials.

Advantages of MTO

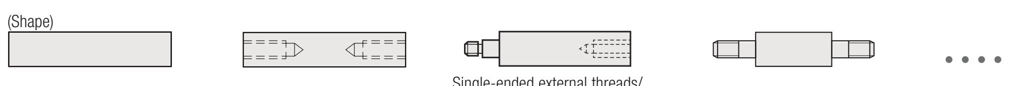
In MISUMI's catalogs, component sizes can be specified at the micron level, and when these variations are included, we boast a product lineup of 80 sextillion (1 trillion × 80 billion) handled items. We are able to provide reliable and quick delivery of any component from this vast range anytime, anywhere and in any quantity.

Fundamental reform through product standardization

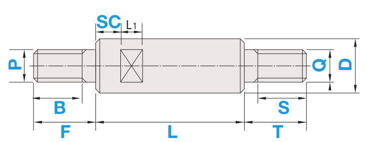
POINT In MISUMI's catalogs, components that were formerly special-order items are standardized, allowing customers to place orders simply by selecting the dimensions and specifications of components from the catalog. This enables a significant reduction in time compared to the conventional method of placing orders, which entails preparing diagrams of each component, one by one.

Procedure for Ordering Components from MISUMI Catalogs

1 Select component type (Shape, material, surface treatment)



2 Select designated dimensions



TYPE	D	L 1 mm units	F / T 1mm units	B / S 1mm units	P / Q selection	SC 1 mm units	ℓ1
SFAU	6	25～596	2≤F≤P×5	(For P≤6) B≤F-2	3 4 5	SC+ℓ1≤L SC≥0	8
	8	25～796			3 4 5 6		
	≀	≀	2≤T≤Q×5	(For P=8 / 10) B≤F-3	≀		≀
	50	25～1496			16 20 24 30		20

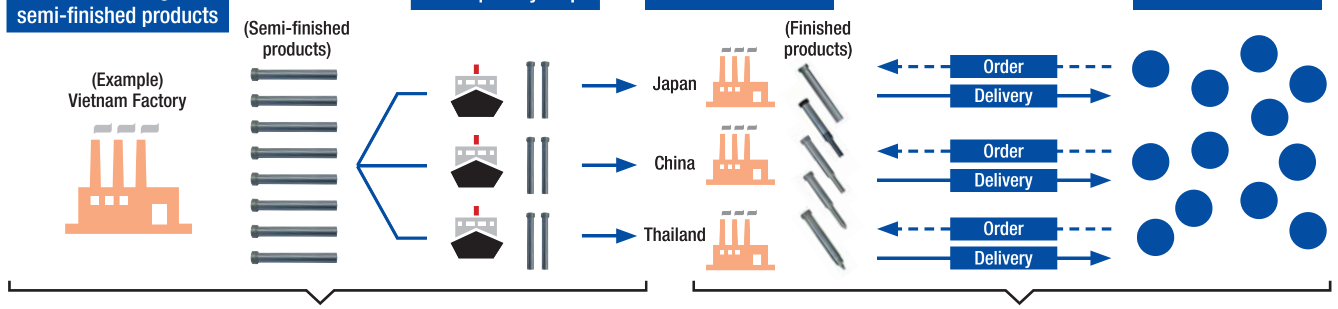
Model number generated

3 Order

TYPE	D	L	F	B	P	T	S	Q	SC
SAFU	8	396	F23	B21	P5	T28	S25	Q6	SC46

Uniting our two contradictory competitive advantages

POINT The key to reliably ship our extensive product variations with a short lead time while minimizing inventory is "semi-finished" parts. MISUMI's unique approach to resolving this issue is to mass-produce partially completed products, or semi-finished parts, at large factories such as in Vietnam and finish them according to customer orders at points of purchase around the world, thus achieving low costs as well as ensuring reliable and quick delivery.



Benefits of large-lot production
Global production in optimal locations and economies of scale

＋

Production of individual orders where time is of the essence
Small lot, quick delivery, minimal inventory

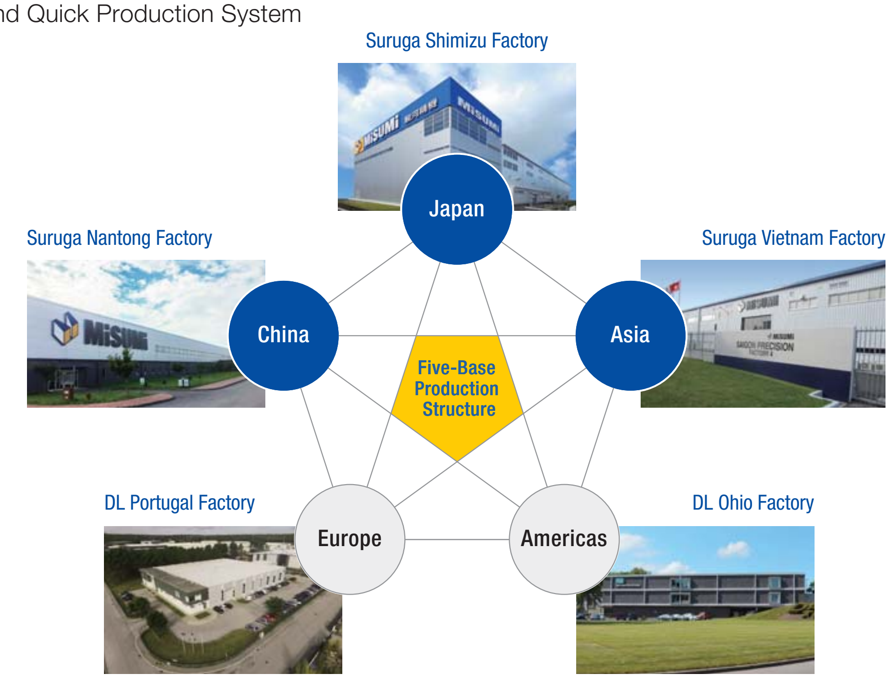
Enhancing Global Reliable and Quick Delivery

Building a reliable and quick delivery system globally is crucial for further strengthening our competitiveness and ensuring a stable supply of products. To get a head start in responding to robust demand for automation, we will capture demand for quick delivery by expanding both production capacity at our five bases in Japan, China, Asia, the Americas and Europe, and our global distribution system.

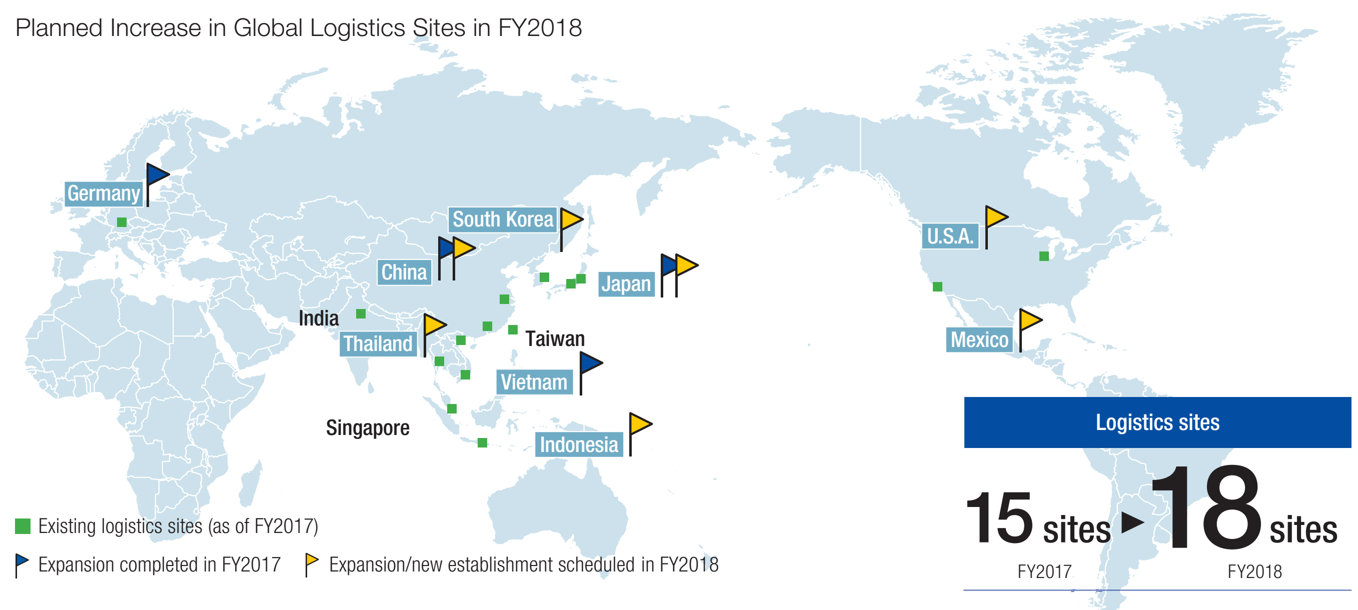
Business foundation that supports reliable and quick delivery

POINT We have established world-class competitiveness by realizing MISUMI's unique "Q (high quality), C (low cost), T (reliable and quick delivery time)" business model at our production and logistics sites worldwide.

Global Reliable and Quick Production System



Planned Increase in Global Logistics Sites in FY2018



Logistics sites

15 sites ▶ 18 sites

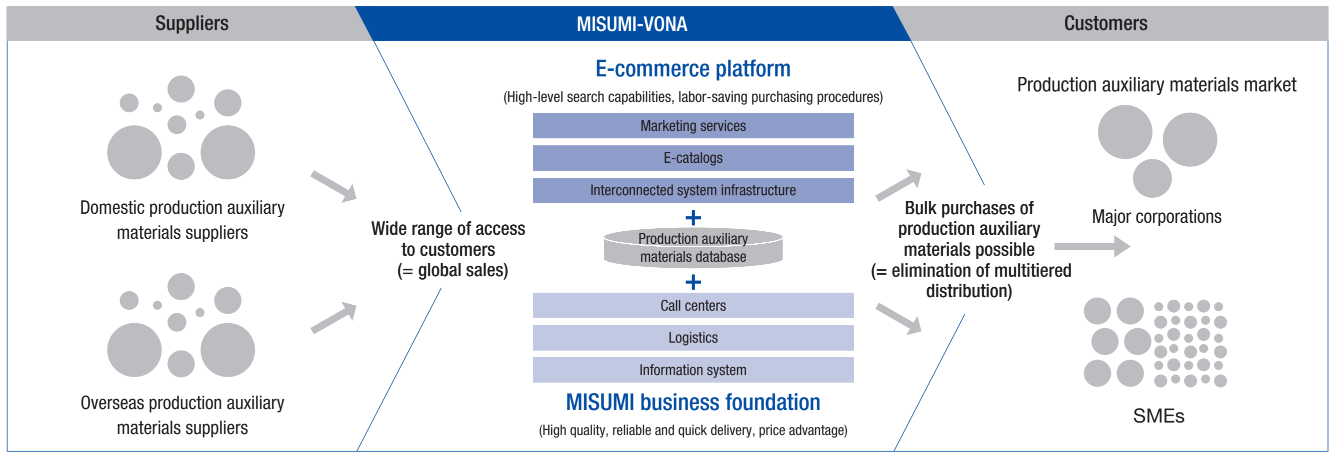
FY2017 FY2018

Innovations Through the VONA Business

MISUMI's distribution business, VONA started in 2010 as a platform to handle products of third-party brands, including production auxiliary materials and consumables used at production facilities, such as tools and gloves, alongside MISUMI branded products. We are currently accelerating the growth of this business through a global rollout.

Enabling one-stop purchasing of production auxiliary materials

POINT MISUMI's e-commerce site MISUMI-VONA is a platform that creates a global link between the needs of customers for efficient, one-stop procurement of various products used at their manufacturing sites and the needs of manufacturers of production auxiliary materials to expand sales channels outside their own sales networks, as suppliers.



3,324 participating manufacturers 20.7 million products handled

POINT We take pride in our lineup of more than 20.7 million products handled, top-level scale for the manufacturing industry.

An Extensive Product Lineup

We are strengthening and expanding our product lineup for immediate response to customer needs that differ by region. In addition, we have established e-commerce sites in respective regions around the world. We currently operate e-commerce sites in 11 languages in 16 countries, facilitating searches ranging from our 80 sextillion (1 trillion × 80 billion) MTO items to consumables and enabling instant estimates and order placement.

Main Products Handled by MISUMI Group

		Product category	20.7 million high-precision mechanical components			
Manufacturing business	FA Business	FA standardized mechanical components	Shafts	Timing pulleys	Linear bushings	Flat belt conveyors
Manufacturing business	FA Business	FA standardized mechanical components	Set collars	Locating pins	Gears	Couplings
Manufacturing business	FA Business	Locator devices and measurement equipment (OST* Business)	Automatic stage units	Actuators	Optical measurement devices	Optical waveguide alignment
Manufacturing business	Die Components Business	Standardized metal press/ plastic mold components	Punches	Button dies	Ejector pins	Sprue bushings
Distribution business	VONA Business	Mechanical components and screws, bolts, washers and nuts	Sensors and switches	Pipe fittings	Screws, bolts and nuts	Castors
Distribution business	VONA Business	Wiring, control and PC components	Connectors	Switches	Cables	Transformers
Distribution business	VONA Business	Cutting tools and components for production machining	End mills	Hexagonal wrenches	Milling chips	Calipers
Distribution business	VONA Business	Packaging, logistics & storage materials & safety & protection, environmental & sanitary and office supplies	Carts	Work gloves	Parts cleaners	Laboratory equipment & supplies

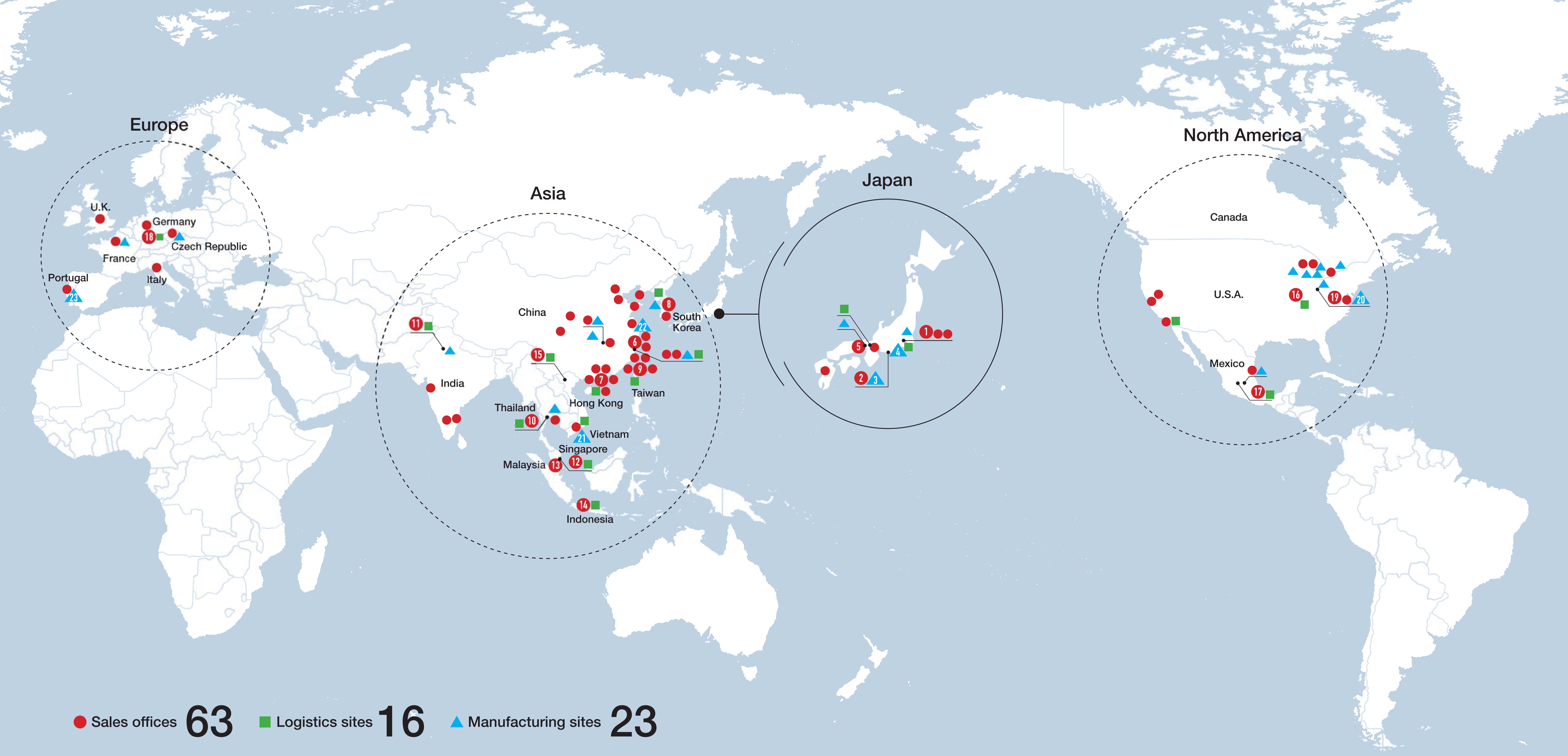
*Optical & Scientific Technology

Operation of E-Commerce Sites in 11 Languages in 16 Countries

Catalogs

Global Network

(As of July 2018)



Sales offices 63 Logistics sites 16 Manufacturing sites 23

1 MISUMI Group Inc./MISUMI Corporation
2 SURUGA SEIKI CO., LTD.
3 SURUGA Production Platform Co., Ltd.
4 MISHIMA SEIKI CO., LTD.
5 DAISEKI CO., LTD.
6 MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD.
7 MISUMI E.A. HK LTD.
8 MISUMI KOREA CORP.
9 MISUMI TAIWAN CORP.
10 MISUMI (THAILAND) CO., LTD.
11 MISUMI INDIA Pvt. Ltd.
12 MISUMI SOUTH EAST ASIA PTE. LTD.
13 MISUMI MALAYSIA SDN. BHD.
14 PT. MISUMI INDONESIA
15 MISUMI VIETNAM CO., LTD.
16 MISUMI USA, Inc.
17 MISUMI Mexico S. de R.L. de C.V.
18 MISUMI Europa GmbH
19 20 Dayton Lamina Corporation
21 SAIGON PRECISION CO., LTD. Linh Trung Factory 1-4
22 SURUGA SEIKI (NANTONG) CO., LTD.
23 Dayton Progress Perfuradores Lda (Portugal)

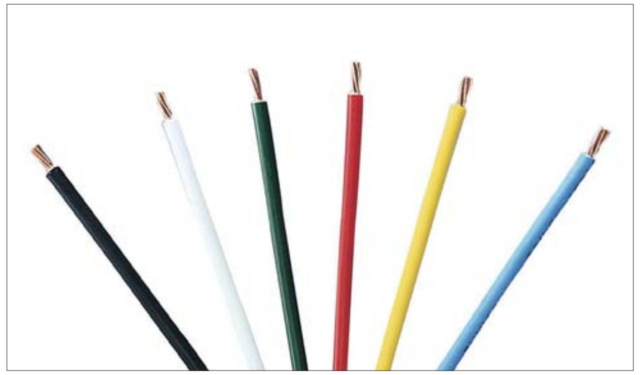
Environmental and Social Contributions

Basic Approach

MISUMI Group aims to contribute to the sustainable development of society. In addition to contributing to society through our core business, we conduct procurement that takes into account environmental conservation and other societal demands as we strive to provide highly reliable products and services based on our Group-wide Environmental Policy. We also focus on helping to cultivate talent for the next generation of the manufacturing industry.

Environmentally Conscious Products

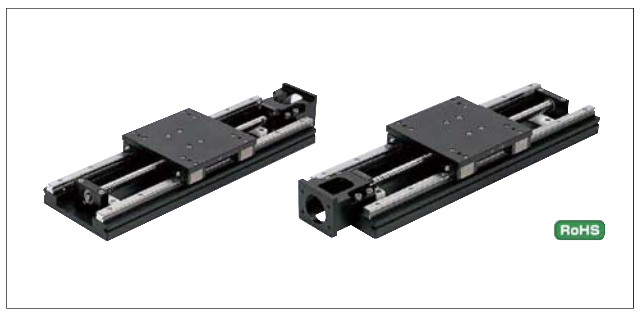
Interest in reducing environmental load is increasing globally, and MISUMI Group is also experiencing a stronger interest on the part of our customers in environmentally conscious products. One example of our response to such customer needs is our non-halogen-type cable (electrical wiring). Non-halogen-type cable does not produce harmful halogen gases when the cable is incinerated upon disposal, and its use is expected to grow in the future. We currently carry not only MISUMI branded products, but also third-party brands, and our selection continues to expand. MISUMI Group will continue to expand its product lineup as the use of environmentally conscious products becomes more popular.



Non-halogen-type cables

Management of Environmental Chemical Substances

Controls over environmental chemical substances are tightening each year under the Restriction of Hazardous Substances (RoHS) Directive in Europe and similar directives in China, as well as Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Directive in Europe. MISUMI Group recognizes that compliance with these standards is an important factor in a customer's product selection and is responding accordingly in the marketplace. As such, MISUMI Group has been testing product content on the basis of RoHS and REACH, and discloses RoHS directive compliance in its catalogs and on its website.



Single axis units

Green Procurement Guidelines

MISUMI Group formulated its Green Procurement Guidelines in September 2006 (revised in 2013) to ensure adherence to environmental chemical substances legislation and other requirements.

ISO Environmental Activities

In April 2003, MISUMI Group Inc. received certification under the ISO 14001 standard for environmental management systems and is currently working in compliance with ISO 14001:2015. Its subsidiary SURUGA Production Platform Co., Ltd. received ISO 14001 certification in January 2001.

Sponsorship of "ROBO-ONE"

32nd ROBO-ONE MISUMI Award Winners

(Left) Robot name: Maxy Onepo Mk II
Team name: Kobe Municipal High School of Science and Technology
(Center) Robot name: HAM JIYUN Team name: BLUETOOTH
(Right) Robot name: MP-01A8 Frau Team name: Prototype

ROBO-ONE is a bipedal robot fighting tournament that began in 2002. As the main sponsor of ROBO-ONE since 2016, MISUMI Group supports the passion of people involved in manufacturing.

"MISUMI presents the 32nd ROBO-ONE" was held at Miraikan – The National Museum of Emerging Science and Innovation in Odaiba, Tokyo on February 24–25, 2018. The venue was packed with enthusiastic spectators of the 256 participating robots, the highest number ever. In addition to the first- and second-place winners, we also presented MISUMI Awards to three robots that fascinated spectators with excellent design and dynamic movements.

Student Manufacturing Support

Every year, MISUMI Group broadly solicits applications from student groups that take on challenges in manufacturing at universities, technical colleges and other schools and provides MISUMI products free of charge to groups that express their enthusiasm. We have provided support to a total of 1,519 student groups since the program began in FY2008. We will continue to actively support students who are set to become the next generation of the manufacturing industry.

Some of the groups we supported in FY2017

Institution	Team name
Tokyo Metropolitan University	Rocket Circle CORE

Comment from team member

Our group was able to obtain items otherwise unaffordable due to budget constraints, which led to our progress. In addition, we were able to easily obtain dimensional data and CAD data for MISUMI products, which has helped to save labor in design.

Institution	Team name
National Institute of Technology, Wakayama College	Robot Contest Club (Robocon Club)

Comment from team member

Previously, we disassembled old robots and reused their parts, but this year we were able to produce a high-precision body using new parts. I was glad that it was a good experience for lower-year students too.

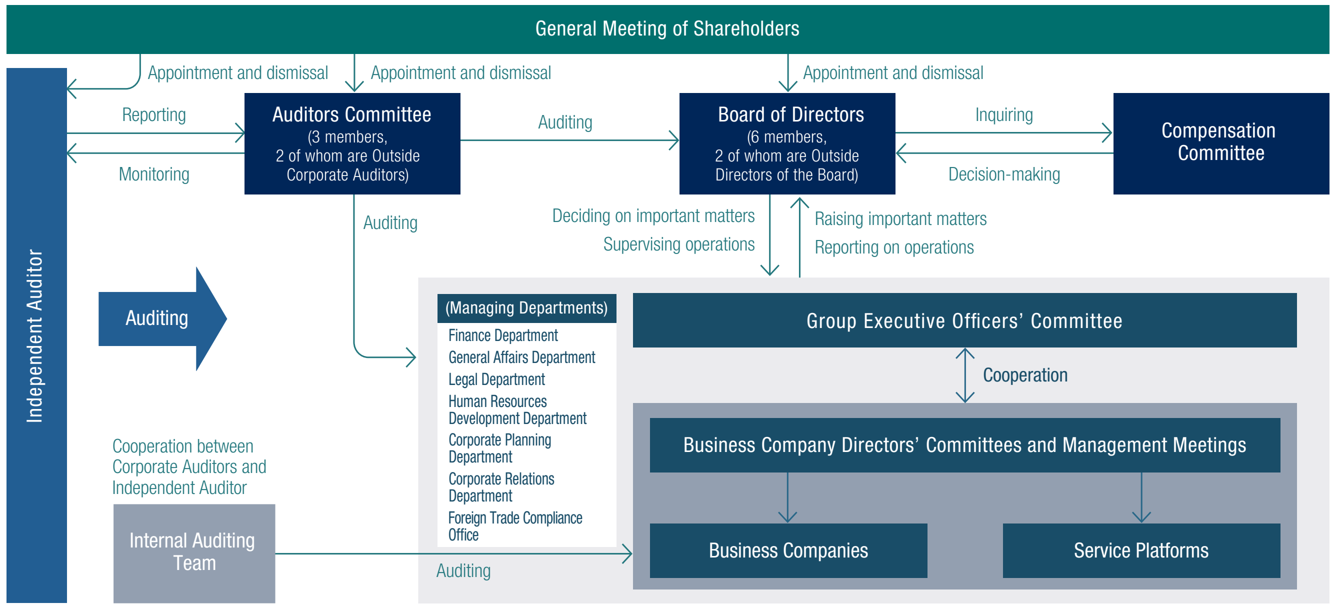
Reinforcing Corporate Governance and Maintaining Transparency

Basic Approach to Corporate Governance

In 2015, MISUMI Group Inc. enacted and disclosed the MISUMI Group Corporate Governance Basic Policy (available at https://www.misumi.co.jp/english/company/governance_compliance/corporate_governance.html) with the aim of contributing to MISUMI Group's continuous growth and medium- to long-term enhancement of its corporate value.

Said policy states that each principle provided in the Corporate Governance Code that became applicable at the Tokyo Stock Exchange as of June 2015 will be implemented.

Corporate Governance System



Corporate Management Body and Organization

MISUMI Group directs and audits its business practices through its Board of Directors, Group Executive Officers' Committee and Auditors Committee.

Board of Directors

The Board of Directors determine the strategic direction of MISUMI Group and decide upon important business executional matters. Concurrently, they are responsible for supervising and instructing Corporate Officers and Representative Corporate Officers in charge of the Business Companies and Service Platforms, as well as for putting in place suitable internal control systems.

The Board of Directors also regularly review MISUMI Group's operation pertaining to the Internal Control System and Code of Conduct, as well as the Internal Reporting System, making evaluations and changes as required.

The Board of Directors comprise six Directors, including two Outside Directors of the Board (as of this writing). As a general rule, they hold regular meetings once a month, as well as extraordinary meetings as deemed necessary, during which they make decisions regarding management and business, and supervise operational execution.

Group Executive Officers' Committee

The Group Executive Officers' Committee is composed of four full-time Directors and Corporate Officers from MISUMI Group Inc., Business Companies and Service Platforms. They hold regular meetings once a month to reinforce both supervision and execution. A "Business Company" structure was established for MISUMI Group's business side, and "Service Platforms" were established to function as support infrastructure of the business. Authority and responsibility have been delegated to these entities. In so doing, MISUMI Group has attempted to realize integrated management of manufacturing and sales with SURUGA Production Platform Co., Ltd., thereby expediting the decision-making process. In an effort to clarify the decision-making process, committee structures such as Business Company directors' meetings and management meetings take place within MISUMI Group's respective Business Companies and Service Platforms. At Business Company directors' meetings, the Executive Directors of MISUMI Group Inc. and the Representative Corporate Officers of the Business Companies and other entities participate as Outside Business Company Directors and oversee the management and duties of the management teams of the Business Companies.

Auditors Committee

The Auditors Committee comprises three Corporate Auditors including two Outside Corporate Auditors (as of this writing). The Corporate Auditors audit Directors' execution of their duties and closely cooperate with the Independent Auditor and the Internal Auditing Team to improve the effectiveness and efficiency of the auditing process.

Compensation Committee

A Compensation Committee, which includes Outside Directors of the Board, has been established as an advisory body to the Board of Directors to deliberate and make decisions regarding appropriate compensation standards.

Status of the Internal Control System

MISUMI Group's Board of Directors agreed on "Basic Policy on the Internal Control System" at the Board of Directors' meeting held on May 14, 2015, on the basis of the Companies Act Article 362, Paragraph 4(6) and the Ordinance for Enforcement of the Companies Act Article 100, Paragraphs 1 and 3. The decisions are as follows:

System for storing and managing information related to the execution of duties by MISUMI Group Inc.'s Directors	• Minutes of important meetings such as Board of Directors' meetings and Group Executive Officers' Committee meetings shall be prepared according to laws and regulations, and shall be stored in a suitable manner.
Regulations and other systems related to controlling risk of loss of MISUMI Group Inc. and its subsidiaries	• Regarding risks such as those related to compliance with the Act, the environment, information, export management and natural disasters by MISUMI Group Inc. and its subsidiaries (hereinafter collectively referred to as "MISUMI Group"), various regulations and company rules and manuals shall be maintained to ensure a proper risk management system is in place. • In the event of unforeseen contingencies related to MISUMI Group, a contingency countermeasures task force shall be established to swiftly respond to the situation, and progress shall be reported to the Board of Directors.
System for ensuring duties of executives such as the Directors of MISUMI Group Inc. and its subsidiaries are being executed efficiently	• Management plans of MISUMI Group are ultimately approved at the Board of Directors' meetings, and their progress is checked at the Group Executive Officers' Committee meeting held during the following month. • Important matters discovered during the progress check and the like are discussed at the Board of Directors' meeting or the Group Executive Officers' Committee meeting. • In the monthly Board of Directors' meeting, business performance reports are prepared, and the Board monitors business performance and advises and gives instructions on important matters.
System for ensuring execution of duties by employees of MISUMI Group Inc. and its subsidiaries, such as its Directors, is in compliance with laws and regulations as well as the Articles of Incorporation	• Executives of MISUMI Group shall abide by the MISUMI Group Code of Conduct, and ensure that they are in compliance with laws and regulations as well as the Articles of Incorporation. • A system shall be established wherein duties can be implemented appropriately by MISUMI Group's decision-making rules, such as the official regulations of administrative authority. • An Internal Reporting System shall be established that covers the entire MISUMI Group for early detection of violations against laws, regulations or company rules, as well as behaviors that suggest violations, and ensure prevention of detrimental treatment of whistle-blowers.
System for ensuring the suitability of reports by the Directors of subsidiaries related to the execution of duties and other work in the corporate group comprising MISUMI Group Inc. and its subsidiaries	• MISUMI Group Inc. shall have each of its subsidiaries report once a month on their business performance and state of implementation of duties. • MISUMI Group Inc. shall ensure the suitability of duties of each of its subsidiaries through reports made by each subsidiary on its business performance and confirmation of progress on its management plan at the Group Executive Officers' Committee. • An internal audit division shall regularly audit the work of each subsidiary. • MISUMI Group shall not associate in any way with anti-social forces, stipulating as such within its Code of Conduct, and shall respond in a resolute manner, unified in this stance as a Group.
Matters related to employees that are to assist the work of MISUMI Group Inc. Corporate Auditors	• Corporate Auditors shall be able to freely appoint auditing assistants, and the Corporate Auditor shall take part in the relocation and evaluation of the auditing assistants. • Auditing assistants shall carry out their auditing duties under the instructions of Corporate Auditors.
System related to reporting to Corporate Auditors of MISUMI Group Inc.	• Corporate Auditors shall attend important meetings such as those of the Board of Directors and the Group Executive Officers' Committee. Directors and employees shall immediately report incidents or potential incidents that would have a serious impact on MISUMI Group to the internal audit division. • Executives of MISUMI Group shall submit reports related to the execution of their duties in an appropriate manner when requested by the Corporate Auditors. • Corporate Auditors shall hold regular meetings with the Independent Auditor and Internal Audit Section to exchange opinions and information, and shall request reports from the Independent Auditor as needed. • The section in charge of the Internal Reporting System shall submit regular reports to the Corporate Auditors regarding the state of internal reporting within MISUMI Group. • Prevention of detrimental treatment of executives of MISUMI Group who have submitted reports to the Corporate Auditors shall be ensured.
Matters related to policies for accounting for expenses, etc. arising in the execution of duties by the Corporate Auditors of MISUMI Group Inc.	• An annual budget will be set each year for expenses related to the Corporate Auditors performing their duties. In addition, any expenses necessary for the execution of the other duties by the Corporate Auditors will either be prepaid or reimbursed promptly upon request from the Corporate Auditors.

Operation of the Internal Control System and Risk Management System

The “Basic Policy on the Internal Control System” on the preceeding page is revised as deemed necessary, such as in response to changes in the environment outside of the company. As mentioned previously, a decision was made at the Board of Directors’ meeting on May 14, 2015 to adopt an amendment that reflects the revisions made in the Companies Act.

MISUMI Group evaluated the state of operation of the “Basic Policy on the Internal Control System” for the fiscal year and verified that the Internal Control System is operating appropriately and that there are no significant deficiencies.

Major accomplishments related to the Internal Control System in FY2017 are as follows:

Status of Operation of the Internal Control System

- MISUMI Group held 15 Board of Directors’ meetings (during FY2017). The Board of Directors’ meetings and Group Executive Officers’ Committee meetings play an important role in the important decision-making as a Group, and are suitably achieving the role of verification as well as supervision and instruction of implementation by the Business Companies, Service Platforms and subsidiaries.
- We conducted a comprehensive risk evaluation related to operational execution, information, finance, human resources management, and legal matters at each major base of MISUMI Group. The results of the evaluation clarified the main divisions responsible for significant risks and are implementing countermeasures.
- We have conducted compliance training at MISUMI Group’s important bases in an attempt to impart thorough knowledge regarding the MISUMI Group Code of Conduct.
- We have established an Internal Reporting System for MISUMI Group as a whole, and are operating it appropriately.
- With regards to improvements and cooperation of the Corporate Auditors and the Auditors Committee, functions of Corporate Auditors’ auditing assistants have been enhanced. In addition, we are enriching the audit environment by setting up opportunities to interview members of the Board of Directors, including Outside Directors of the Board, thereby reinforcing cooperation with MISUMI Group’s management divisions.

Enactment of the MISUMI Group Code of Conduct

MISUMI Group enacted the MISUMI Group Code of Conduct in April 2008 as a guideline shared by the entire Group with the aim of achieving its social mission and becoming a trusted corporate entity. This Code of Conduct also includes strict adherence to laws and regulations, and along with a guideline, has been distributed to all MISUMI Group employees to ensure thorough knowledge thereof. Company regulations and rules, such as decision-making rules of company business, are reviewed as deemed necessary in order to conduct business both appropriately and efficiently, and a system is maintained wherein lines of authority are clarified and a suitable system of checks and balances is in effect.

Enactment of a Basic Policy on Information Security

The “Basic Policy on Information Security,” which states the basic approach to information and security of MISUMI Group, and Confidentiality Rules, which describe the basic rules, were enacted in April 2008, and distributed to all MISUMI Group companies, along with “Information Security Guidelines,” which set detailed procedures, in an attempt to ensure all employees are thoroughly knowledgeable about these matters.

Status of Execution of Internal and Other Audits

The Internal Auditing Team, which is a division that operates directly under the CEO, began reinforcing internal control to comply with the internal control reporting system of the Financial Instruments and Exchange Act (J-SOX). Also, every year MISUMI Group Inc. and all its subsidiaries are scrutinized for internal audit themes carrying high management risk. In doing so, we are ensuring that risk detection, improvement and preventative measures are in place, and striving to reduce risk occurrence. Furthermore, a system for early detection of misconduct through the Internal Reporting System has also been established.

MISUMI Group also receives advice and support as required from outside experts such as corporate attorneys, certified public accountants and tax accountants regarding legal matters, compliance and other important management matters.

Auditing of Corporate Auditors and Internal Audits

Two of the three Corporate Auditors of MISUMI Group Inc. are Outside Corporate Auditors, one of whom is a certified public accountant and the other an attorney. By carrying out audits from perspectives of those well-versed in accounting as well as laws and regulations, they greatly enhance the transparency of corporate conduct and the reliability of financial reporting. Each Corporate Auditor conducts auditing activities in accordance with the policies and implementation plan determined at the Auditors Committee meetings, and attends all important meetings related to management decision-making as permanent members, thus supporting corporate governance.

MISUMI Group Inc. has an Internal Auditing Team that operates directly under the CEO as the Company’s internal auditing division. The Internal Auditing Team conducts an internal audit of the Executive Division, prepares an Internal Audit Report containing the findings and proposals to improve on them, and submits the report to the CEO, as well as the Corporate Auditors and the division being audited. In the event that the findings include misconduct, a remediation plan is proposed and implemented, and the Internal Auditing Team audits the results of any improvement.

Corporate Auditors and the Internal Auditing Team share information at regular monthly meetings and in doing so, cooperate closely with the Independent Auditor to improve the effectiveness and efficiency of audits.

Outside Directors and Outside Corporate Auditors

Functions and Roles Taken on by Outside Directors and Outside Corporate Auditors in Corporate Governance

MISUMI Group’s Board of Directors has the function of supervising management decision-making and operational execution by the Executive Directors and Corporate Officers. The Board of Directors comprise six Directors, two of whom are Outside Directors, and of the three Corporate Auditors, two are Outside Corporate Auditors. With respect to corporate governance, MISUMI Group believes that the function of management monitoring by an external and neutral party with an objective viewpoint is important, and has determined that the current system of supervision and checking of management by Outside Directors and independent auditing by Outside Corporate Auditors allows for sufficient monitoring from the outside.

Standards or Policies Related to Autonomy for Appointment as an Outside Director or Outside Corporate Auditor

MISUMI Group’s standards for appointment as an Outside Director or Outside Corporate Auditor are the same as those of an independent executive as stipulated by the Tokyo Stock Exchange rules.

MISUMI Group’s reasoning for the appointment of respective Outside Directors and Outside Corporate Auditors is as indicated in the table below. We determine that these individuals can carry out the role of supervising and checking MISUMI Group’s management and carry out the role of auditing fairly and objectively from an independent standpoint on the basis of their expert knowledge and experience.

Supervision or Auditing by Outside Directors and Outside Corporate Auditors

Outside Directors participate in the monthly Board of Directors’ meetings and primarily ask questions and provide advice regarding proposals and deliberations from an objective standpoint independent from the management team that is engaged in operational execution.

Outside Corporate Auditors attend the monthly Board of Directors’ meetings and the Auditors Committee meetings and ask questions and provide advice regarding proposals and deliberations from the standpoint of having expert knowledge and experience.

Outside Director	Reason for Appointment	Number of Board of Directors’ Meetings Attended in the Fiscal Year Ended March 2018	
Takehiko Ogi	Abundant experience and extensive insight as a manager	14 out of 15	
Kosuke Nishimoto*	Abundant experience as a manager and extensive insight into various manufacturing industries in Japan	12 out of 12	
Outside Corporate Auditor	**Reason for Appointment**	**Number of Board of Directors’ Meetings Attended in the Fiscal Year Ended March 2018**	**Number of Auditors Committee Meetings Attended in the Fiscal Year Ended March 2018**
Juichi Nozue	As an attorney-at-law, possesses legal expertise and experience	15 out of 15	18 out of 18
Nanako Aono*	As a certified public accountant, possesses expertise in financial accounting and extensive insight as a manager and an auditor	12 out of 12	13 out of 13

*This reflects the situation that Kosuke Nishimoto, Outside Director and Nanako Aono, Outside Corporate Auditor, assumed their positions as of June 15, 2017.

Top Management

(As of October 15, 2018)

Directors

Ryusei Ono
Representative Director, President and CEO

Tokuya Ikeguchi
Executive Vice President and Director

Ichiro Otokozawa
CFO and Executive Director

Toshinari Sato
CIO and Executive Director

Takehiko Ogi
Outside Director

Kosuke Nishimoto
Outside Director

Senior Chairman

Tadashi Saegusa
Second-Era Founder

Corporate Officers

MISUMI Group Inc.

Representative Director, President and CEO	Ryusei Ono
Executive Vice President and Director	Tokuya Ikeguchi
CFO and Executive Director	Ichiro Otokozawa
CIO and Executive Director	Toshinari Sato
Senior Corporate Officer	Takaaki Wada
Senior Corporate Officer	Takeshi Marui
Senior Corporate Officer	Koichi Tsunematsu
Corporate Officer	Makoto Ariga
Corporate Officer	Kazumi Hagihira
Corporate Officer	Hiroshi Shiraishi

Business Companies and Service Platforms

Representative Corporate Officer, President, China Business Company	Tomoki Kanatani
Representative Corporate Officer, President, Asia Business Company	Shigetaka Shimizu
Representative Corporate Officer, President, Europe Business Company	Takako Sasaki
Representative Corporate Officer, President, FA Business Company	Rie Nakagawa
Representative Corporate Officer, VONA Business Company, VONA Electronics Global Business Group	Shigehito Nakamura
Representative Corporate Officer, VONA Business Company, VONA Mechanical Global Business Group	Takao Kosaka
Representative Corporate Officer, VONA Business Company, VONA Tool & Supply Global Business Group	Masakazu Kato
Representative Corporate Officer, President, 3D2M Business Company	Mitsunobu Yoshida
Representative Corporate Officer, Logistics Service Platform	Michiaki Okamoto
Representative Corporate Officer, Production Service Platform	Takumi Toya

Corporate Auditors

Corporate Auditor Hiroshi Miyamoto
Outside Corporate Auditor Juichi Nozue
Outside Corporate Auditor Nanako Aono

Advisor

Special Advisor and Founder Hiroshi Taguchi

Ten-Year Summary of Financial Data (Consolidated)

MISUMI Group Inc. and consolidated subsidiaries Years ended March 31, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2009

(Million Yen)

For the year:	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3
Net sales	110,041	89,180	121,203	130,213	134,844	173,904	208,563	240,140	259,015	312,969
Factory Automation (FA) Business[5,6]	62,030	51,445	74,831	80,724	84,299	98,843				
Die Components Business[5,6]	28,139	23,007	26,622	27,686	37,020	56,310				
Electronics Business[5,6]	10,262	8,081	11,376	12,401	12,381	13,801				
Other Business[5,6]	5,555	4,353	5,798	6,415	6,747	7,654				
Adjustments[5,6]	4,055	2,294	2,576	2,987	(5,603)	(2,704)				
FA Business[6]						82,377	99,094	109,654	84,669	105,184
Die Components Business[6]						56,309	64,737	69,732	69,797	76,523
VONA Business[6]						37,921	48,249	60,474	104,548	131,262
Adjustments[6]						(2,703)	(3,517)	280	–	–
Operating income	11,017	8,408	15,563	16,646	16,809	18,989	23,759	25,691	27,127	34,848
Earnings before amortization	11,017	8,408	15,563	16,646	17,109	21,093	25,999	28,229	29,421	36,465
Income before income taxes (and minority interests)	9,640	7,778	15,409	17,022	15,890	18,964	22,943	25,004	26,071	34,516
Net income attributable to owners of parent	4,687	3,886	9,007	9,414	9,881	11,679	14,292	16,908	18,387	25,601
At year-end:										
Total assets	86,080	92,941	107,552	115,721	136,303	163,202	184,785	194,186	212,041	243,685
Total equity[1]	71,696	75,667	83,815	90,824	103,014	115,966	132,138	141,463	154,530	185,203
Interest-bearing debt	1,862	1,200	900	1,000	1,000	900	–	–	–	–
CAPEX, depreciation and amortization:										
Capital expenditures (CAPEX)	3,493	3,863	5,362	4,231	3,451	6,989	8,487	9,126	7,219	15,421
Depreciation and amortization	3,192	2,664	2,453	3,521	3,560	6,249	7,250	8,113	7,439	8,105
Major indicators:										
Return on equity[3] (%)	6.6	5.3	11.3	10.8	10.2	10.7	11.5	12.4	12.4	15.1
Return on assets[3] (%)	10.8	8.7	15.4	15.2	12.6	12.7	13.2	13.2	12.8	15.1
Current ratio (%)	529.2	463.6	398.7	408.4	349.5	397.5	429.2	445.8	430.3	368.5
Interest coverage ratio[4] (times)	499.1	362.1	854.1	1,150.6	2,095.6	1,691.2	1,470.3	5,179.8	4,972.6	22,306.7
Per share data:										
Net income per share[2] (yen)	17.63	14.61	33.72	35.05	36.76	42.94	52.28	61.65	66.94	91.01
Cash dividends per share[2] (yen)	4.33	3.33	6.73	7.73	9.15	10.72	13.05	15.42	16.71	22.6
Equity per share[2] (yen)	269.63	284.57	312.27	339.04	379.98	425.06	482.17	515.39	560.79	653.71
Cash flow per share[2] (yen)	46.68	24.12	43.72	29.06	42.63	56.76	41.26	60.89	70.80	85.86
Stock valuations:										
Price/Earnings ratio (PER) (times)	22.4	43.7	20.4	19.1	23.5	22.2	30.9	26.1	30.1	32.1
Price/Cash flow ratio (PCFR) (times)	8.5	26.5	15.7	23.1	20.3	16.8	39.2	26.5	28.4	34.0
Price/Book value ratio (PBR) (times)	1.5	2.2	2.2	2.0	2.3	2.2	3.4	3.1	3.6	4.5
Number of customers (companies):										
In Japan (machine-related only)[7]	61,430	59,779	60,936	61,648	63,007	64,955	66,230	79,571	90,223	100,598
Overseas	47,990	52,375	61,993	67,608	91,817	100,481	108,849	133,053	152,374	161,400
Total number of customer companies	109,420	112,154	122,929	129,256	154,824	165,436	175,079	212,624	242,597	261,998
Number of employees (persons):										
	4,049	3,581	4,831	5,615	7,238	8,038	8,876	9,628	10,167	11,241

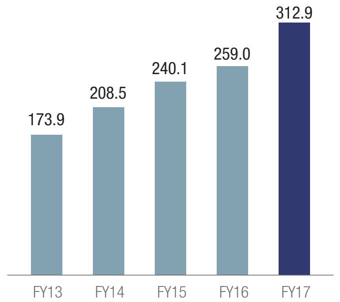
Notes:
1. In accordance with enforcement of the Companies Act on May 1, 2006, Shareholders' Equity is listed instead of Equity.
2. After adjustment for stock split dated July 1, 2015.
3. ROE was calculated on the basis of net income attributable to owners of parent for the relevant period, and ROA was calculated on the basis of income before income taxes (and minority interests) for the relevant period prior to adjustments such as taxes.
4. Interest coverage ratio = Net cash provided by operating activities / Interest payment
5. Figures for the past fiscal years have been revised retroactively in accordance with changes in disclosure standards by segment.
6. Segments were changed in April 2014.
7. Stock for Diversified Businesses was transferred, so this former segment has been excluded from the report.

Financial Analysis

Net Sales (Billion Yen)

¥ **312.9** billion

20.8%
increase year on year



With continued sales growth in all segments, net sales increased a substantial 20.8% year on year (18.7% on a local currency basis) to ¥312.9 billion.

FA Business: Superiority of reliable and quick delivery model captured robust demand.

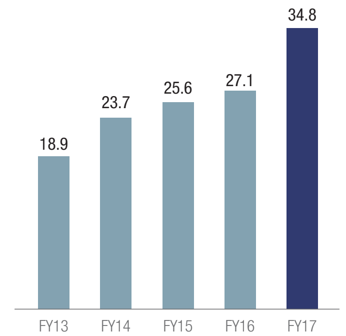
Die Components Business: Despite a stagnant automotive industry, growth continued with expansion of market share in China and elsewhere in Asia.

VONA Business: Expanded product lineup for the manufacturing industry and accelerated global rollout.

Operating Income (Billion Yen)

¥ **34.8** billion

28.5%
increase year on year



Operating income increased a substantial 28.5% year on year to ¥34.8 billion.

FA Business: Income continued to grow due to increased sales and effects of cost reductions.

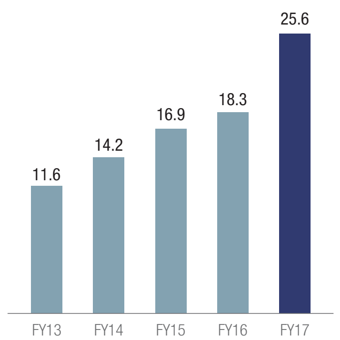
Die Components Business: Income increased substantially due to cost reductions and improved product mix.

VONA Business: Accelerated international rollout and prioritized competitive measures.

Net Income Attributable to Owners of Parent (Billion Yen)

¥ **25.6** billion

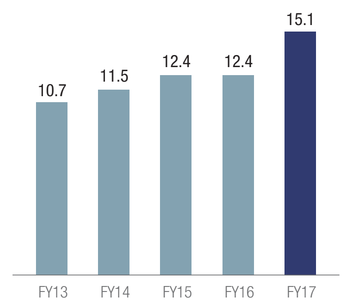
39.2%
increase year on year



Net income attributable to owners of parent increased a substantial 39.2% year on year to ¥25.6 billion, and the ratio of net income to net sales was 8.2%, compared to 7.1% in the previous fiscal year.

ROE (%)

15.1 %



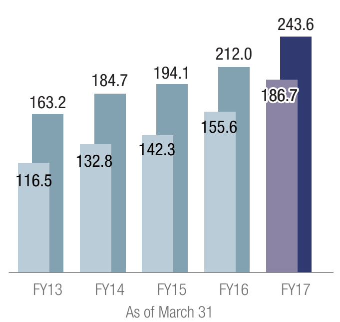
Return on equity (ROE) was 15.1%, an increase of 2.7 percentage points from 12.4% in the previous fiscal year.

Total Assets and Equity (Billion Yen)

Total assets

¥ **243.6** billion

Total assets
Equity

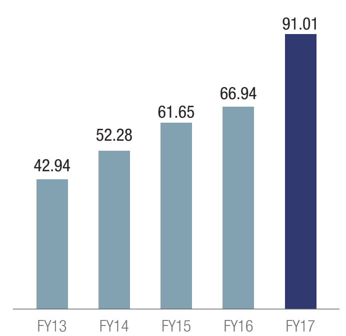


Total assets were ¥243.6 billion, a 14.9% increase from the end of the previous fiscal year.

Equity was ¥186.7 billion, a 20.0% increase from the end of the previous fiscal year. Main factors to which this change is attributable was an increase in shareholders' equity due to an increase in retained earnings and an increase in accumulated other comprehensive income, including foreign currency translation adjustments.

Earnings per Share* (Yen)

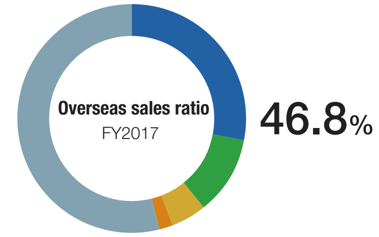
¥ **91.01**



Earnings per share increased from ¥66.94 in the previous fiscal year to ¥91.01 due to the substantial increase in net income attributable to owners of parent. Cash dividends for the fiscal year was ¥22.6 per share, for a payout ratio of 25.0% and a dividend on equity ratio of 3.4%.

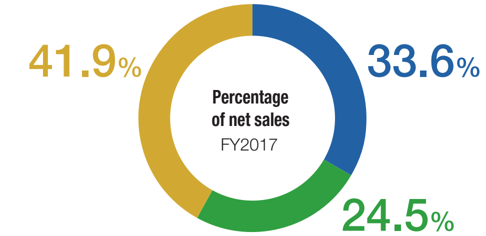
*After adjusting for stock split as of July 1, 2015.

Net Sales by Region



	FY2016		FY2017
China and other Asia	¥ 76.0 billion	→	¥ 99.1 billion
U.S.A.	¥ 25.7 billion	→	¥ 26.9 billion
Europe	¥ 12.5 billion	→	¥ 15.4 billion
Others	¥ 4.2 billion	→	¥ 4.8 billion
Japan	¥ 140.3 billion	→	¥ 166.4 billion

Net Sales by Segment



	FY2016		FY2017
FA Business	¥ 84.6 billion	→	¥ 105.1 billion
Die Components Business	¥ 69.7 billion	→	¥ 76.5 billion
VONA Business	¥ 104.5 billion	→	¥ 131.2 billion

Business and Other Risks

Material risks that may significantly impact the business and financial situations of MISUMI Group are as follows.

Please note that forward-looking statements provided are based on evaluations made by MISUMI Group at the end of FY2017.

Impact to earnings from market trends in specific industries
In the FA Business and Die Components Business, MISUMI Group primarily manufactures and sells products and goods to customers in the automotive and electronics (including liquid crystal panels and semiconductors) industries. Furthermore, in the VONA Business, MISUMI Group sells production auxiliary materials, including third-party brands and original MISUMI branded products related to production equipment to a wide range of customers in the manufacturing industry. Thus, production and capital investment trends in these industries, as well as in the manufacturing industry in general, may impact the business performance of MISUMI Group.

Expansion of overseas business operations
MISUMI Group is actively pursuing business expansion overseas by strengthening the establishment of "Regional Business Companies" in China, Asia, the Americas and Europe. Political and economic changes in these regions may have a significant impact on local business operations. If business conditions do not progress according to plan, delays in the recovery of expenses and up-front investments may adversely affect the business performance and financial position of MISUMI Group.

Quality control
MISUMI Group manufactures and sells a diverse range of products and goods used in a wide range of fields. As such, in the event of a product defect or regulation violation (including regulations relating to the presence of hazardous constituents as well as restrictions on imports and exports), MISUMI Group may potentially experience economic damages and/or losses of credibility, such as through product recalls, product discontinuations or various expenses and fees.

Management of customer information
MISUMI Group handles a considerable amount of customer information as it conducts sales through e-catalogs via the Internet and through paper catalogs. Any information leaks could greatly impair trust in and cause economic losses for MISUMI Group.

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

Impact due to system and Internet failure
MISUMI Group primarily accepts product orders over the Internet using its e-catalogs. A major malfunction of the Internet or MISUMI Group's core system will impede product orders, production and distribution. This in turn is likely to negatively impact MISUMI Group's business performance and financial position.

Foreign exchange rate fluctuations
MISUMI Group conducts transactions using various currencies and based on a number of terms and conditions. Foreign currency denominated transactions and foreign currency claims/outstanding obligations are likely to be impacted by fluctuations in foreign currency rates. MISUMI Group is implementing measures to alleviate foreign exchange rate risk to a certain degree. However, this risk cannot be fully averted.

Human resources
MISUMI Group recognizes the necessity of recruiting, securing and training capable human resources at an appropriate time for its medium-to-long-term growth. However, competition in recruiting and securing capable human resources is intensifying. Failure to proceed as planned in recruiting and securing such capable human resources may adversely affect MISUMI Group's performance and business growth.

Consolidated Balance Sheet

MISUMI Group Inc. and Consolidated Subsidiaries
March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	**¥ 51,713**	¥ 47,841	**$ 486,759**
Time deposits (Note 12)	**13,790**	15,339	**129,798**
Receivables:			
Trade notes (Note 12)	**11,936**	9,563	**112,353**
Trade accounts (Note 12)	**55,881**	48,285	**525,985**
Other	**713**	742	**6,710**
Allowance for doubtful receivables	**(319)**	(302)	**(3,004)**
Inventories (Note 3)	**41,281**	33,311	**388,567**
Deferred tax assets (Note 9)	**3,179**	3,010	**29,921**
Other	**4,909**	2,493	**46,213**
Total current assets	**183,083**	160,282	**1,723,302**
PROPERTY, PLANT AND EQUIPMENT (Note 19):			
Land	**3,728**	3,712	**35,094**
Buildings and structures	**18,064**	17,374	**170,029**
Machinery and vehicles	**26,180**	24,662	**246,422**
Other	**8,272**	7,593	**77,865**
Total	**56,244**	53,341	**529,410**
Accumulated depreciation and impairment loss	**(26,530)**	(25,467)	**(249,721)**
Net property, plant and equipment	**29,714**	27,874	**279,689**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 12)	**6**	6	**58**
Investments in unconsolidated subsidiaries and associated companies	**211**	198	**1,987**
Software	**17,058**	9,568	**160,561**
Goodwill (Notes 2.w and 19)		1,012	
Deferred tax assets (Note 9)	**2,832**	1,924	**26,653**
Other assets	**10,781**	11,178	**101,475**
Total investments and other assets	**30,888**	23,886	**290,734**
TOTAL	**¥243,685**	¥212,042	**$2,293,725**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current portion of convertible bonds (Notes 5 and 12)	**¥ 106**		**$ 1,000**
Payables:			
Trade notes and accounts (Note 12)	**19,524**	¥ 16,974	**183,778**
Accounts payable—other	**14,002**	9,033	**131,794**
Income taxes payable (Note 9)	**4,495**	3,333	**42,308**
Provision for bonuses (Note 2.m)	**3,787**	2,529	**35,643**
Other	**7,773**	5,378	**73,165**
Total current liabilities	**49,687**	37,247	**467,688**
LONG-TERM LIABILITIES:			
Convertible bonds (Notes 5 and 12)		10,389	
Liability for retirement benefits (Note 6)	**4,878**	4,510	**45,916**
Deferred tax liabilities (Note 9)	**1,700**	2,663	**15,999**
Other	**700**	1,574	**6,592**
Total long-term liabilities	**7,278**	19,136	**68,507**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 13)			
EQUITY (Notes 7, 8, 15, 16, 17 and 18):			
Common stock—authorized, 1,020,000,000 shares in 2018 and 1,020,000,000 shares in 2017 issued, 283,439,597 shares in 2018 and 275,689,140 shares in 2017	**12,813**	7,594	**120,597**
Capital surplus	**23,201**	17,982	**218,383**
Stock acquisition rights	**987**	675	**9,290**
Retained earnings	**148,059**	128,226	**1,393,629**
Treasury stock—at cost, 129,536 shares in 2018 and 129,178 shares in 2017	**(78)**	(77)	**(733)**
Accumulated other comprehensive income:			
Foreign currency translation adjustments	**1,291**	863	**12,159**
Defined retirement benefit plans	**(83)**	(57)	**(782)**
Non-controlling interests	**530**	453	**4,987**
Total equity	**186,720**	155,659	**1,757,530**
TOTAL	**¥243,685**	¥212,042	**$2,293,725**

Consolidated Statement of Income

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2018	2017	2016	**2018**
NET SALES (Note 19)	**¥312,969**	¥259,016	¥240,140	**$2,945,870**
COST OF SALES	**178,918**	151,565	139,096	**1,684,093**
Gross profit	**134,051**	107,451	101,044	**1,261,777**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**99,202**	80,324	75,353	**933,757**
Operating income (Note 19)	**34,849**	27,127	25,691	**328,020**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**201**	192	253	**1,894**
Interest expense	**(1)**	(4)	(3)	**(11)**
Exchange loss—net	**(644)**	(909)	(912)	**(6,062)**
Impairment loss (Notes 4 and 19)	**(261)**			**(2,459)**
Gain on reversal of foreign currency translation adjustments resulting from liquidation of a foreign subsidiary			110	
Contribution for establishing an educational institute		(100)		
Loss on business restructuring		(392)	(225)	
Gain on liquidation of subsidiaries and associates	**99**			**930**
Other—net	**274**	157	90	**2,583**
Other expenses—net	**(332)**	(1,056)	(687)	**(3,125)**
INCOME BEFORE INCOME TAXES	**34,517**	26,071	25,004	**324,895**
INCOME TAXES (Note 9):				
Current	**10,664**	8,602	8,858	**100,371**
Deferred	**(1,826)**	(889)	(805)	**(17,186)**
Total income taxes	**8,838**	7,713	8,053	**83,185**
NET INCOME	**25,679**	18,358	16,951	**241,710**
NET INCOME ATTRIBUTABLE TO: Non-controlling interests	**77**	(29)	43	**728**
Owners of parent	**¥ 25,602**	¥ 18,387	¥ 16,908	**$ 240,982**

	Yen			U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.u, 7, 15 and 18):	**2018**	2017	2016	**2018**
Net income	**¥91.01**	¥66.94	¥61.65	**$0.86**
Diluted net income	**89.76**	64.70	57.94	**0.84**
Cash dividends applicable to the year	**22.60**	16.71	15.42	**0.21**

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The amounts of net income per share and diluted net income per share are calculated on the assumption that the stock split had been conducted on April 1, 2015, and the amounts of cash dividends applicable to the year are adjusted to reflect the stock split.

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2018	2017	2016	**2018**
NET INCOME	**¥25,679**	¥18,358	¥16,951	**$241,710**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 14):				
Unrealized gain (loss) on available-for-sale securities		6	(14)	
Foreign currency translation adjustments	**446**	(2,226)	(4,193)	**4,194**
Defined retirement benefit plans	**(26)**	15	(28)	**(240)**
Share of other comprehensive income (loss) in associates	**8**	(11)	(4)	**70**
Total other comprehensive income (loss)	**428**	(2,216)	(4,239)	**4,024**
COMPREHENSIVE INCOME (Note 14)	**¥26,107**	¥16,142	¥12,712	**$245,734**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 14):				
Owners of the parent	**¥26,005**	¥16,206	¥12,701	**$244,774**
Non-controlling interests	**102**	(64)	11	**960**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MISUMI Group Inc. and Consolidated Subsidiaries
March 31, 2018

	Thousands	Millions of Yen									
								Accumulated Other Comprehensive Income			
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Non-Controlling Interests	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2015	274,178	¥ 6,841	¥17,229	¥229	¥517	¥100,947	¥(73)	¥8	¥7,230	¥(44)	¥132,884
Net income attributable to owners of parent						16,908					16,908
Cash dividends, ¥13.44 per share						(3,685)					(3,685)
Increase in treasury stock (1,897 shares)							(3)				(3)
Disposal of treasury stock (78 shares)			0				0				0
Exercise of stock acquisition rights	429	156	156								312
Net change in the year				113	11			(14)	(4,165)	(28)	(4,083)
BALANCE, MARCH 31, 2016	274,607	6,997	17,385	342	528	114,170	(76)	(6)	3,065	(72)	142,333
Net income attributable to owners of parent						18,387					18,387
Cash dividends, ¥15.66 per share						(4,300)					(4,300)
Effect resulting from change of accounting period of certain consolidated subsidiaries						(31)					(31)
Increase in treasury stock (366 shares)							(1)				(1)
Issuance of new shares (Notes 5, 8, 16 and 17)	1,082	597	597								1,194
Net change in the year				333	(75)			¥6	(2,202)	15	(1,923)
BALANCE, MARCH 31, 2017	275,689	7,594	17,982	675	453	128,226	(77)		863	(57)	155,659
Net income attributable to owners of parent						**25,602**					**25,602**
Cash dividends, ¥20.62 per share						**(5,769)**					**(5,769)**
Increase in treasury stock (364 shares)							**(1)**				**(1)**
Disposal of treasury stock (6 shares)			**0**				**0**				**0**
Issuance of new shares (Notes 5, 8, 16 and 17)	**7,751**	**5,219**	**5,219**								**10,438**
Net change in the year				**312**	**77**				**428**	**(26)**	**791**
BALANCE, MARCH 31, 2018	**283,440**	**¥12,813**	**¥23,201**	**¥987**	**¥530**	**¥148,059**	**¥(78)**		**¥1,291**	**¥(83)**	**¥186,720**

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The number of shares of common stock and the amount of cash dividends per share are adjusted to reflect the stock split.

	Thousands of U.S. Dollars (Note 1)									
							Accumulated Other Comprehensive Income			
	Common Stock	Capital Surplus	Stock Acquisition Rights	Non-Controlling Interests	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2017	$ 71,474	$169,260	$6,354	$4,266	$1,206,948	$(723)		$ 8,126	$(542)	$1,465,163
Net income attributable to owners of parent					**240,982**					**240,982**
Cash dividends, $0.19 per share					**(54,301)**					**(54,301)**
Increase in treasury stock (364 shares)						**(10)**				**(10)**
Disposal of treasury stock (6 shares)		**0**				**0**				**0**
Issuance of new shares (Notes 5, 8, 16 and 17)	**49,123**	**49,123**								**98,246**
Net change in the year			**2,936**	**721**				**4,033**	**(240)**	**7,450**
BALANCE, MARCH 31, 2018	**$120,597**	**$218,383**	**$9,290**	**$4,987**	**$1,393,629**	**$(733)**		**$12,159**	**$(782)**	**$1,757,530**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2018	2017	2016	**2018**
OPERATING ACTIVITIES:				
Income before income taxes	**¥34,517**	¥26,071	¥25,004	**$324,895**
Adjustments for:				
Income taxes paid	**(8,667)**	(9,455)	(10,525)	**(81,582)**
Income taxes refund	**96**	713	779	**906**
Depreciation and amortization	**7,187**	5,902	6,029	**67,651**
Amortization of goodwill	**1,000**	1,707	1,893	**9,416**
Exchange (gain) loss	**(862)**	633	(43)	**(8,113)**
Impairment loss	**261**			**2,459**
Gain on reversal of foreign currency translation adjustments resulting from liquidation of a foreign subsidiary			(110)	
Loss on business restructuring		392	225	
Gain on liquidation of subsidiaries and associates	**(99)**			**(930)**
Changes in assets and liabilities:				
(Increase) decrease in receivables	**(7,638)**	(8,785)	(6,344)	**(71,895)**
(Increase) decrease in inventories	**(8,153)**	(4,453)	(1,916)	**(76,744)**
Increase (decrease) in payables	**2,333**	2,851	1,586	**21,960**
Increase (decrease) in other current liabilities	**3,563**	2,991	(1,338)	**33,538**
Other—net	**786**	941	1,474	**7,395**
Total adjustments	**(10,193)**	(6,563)	(8,290)	**(95,939)**
Net cash provided by operating activities	**24,324**	19,508	16,714	**228,956**
INVESTING ACTIVITIES:				
Proceeds from sales and redemption of marketable securities		24	1,600	
Purchase of fixed assets	**(15,421)**	(7,220)	(9,126)	**(145,154)**
Proceeds from sales of fixed assets	**40**	5	497	**379**
Refund from time deposits	**26,605**	30,286	24,349	**250,423**
Payment into time deposits	**(25,169)**	(31,743)	(24,597)	**(236,906)**
Other—net (Note 17)	**(942)**	2,592	(2,193)	**(8,874)**
Net cash used in investing activities	**(14,887)**	(6,056)	(9,470)	**(140,132)**
FINANCING ACTIVITIES:				
Proceeds from issuance of stock	**54**	292	263	**510**
Dividends paid	**(5,769)**	(4,300)	(3,685)	**(54,301)**
Other—net	**(11)**	(1)	(160)	**(101)**
Net cash used in financing activities	**(5,726)**	(4,009)	(3,582)	**(53,892)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**161**	(25)	(1,724)	**1,518**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,872**	9,418	1,938	**36,450**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**47,841**	39,205	37,267	**450,309**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGES IN CLOSING DATES OF CONSOLIDATED SUBSIDIARIES		(782)		
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥51,713**	¥47,841	¥39,205	**$486,759**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MISUMI Group Inc. and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in 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 2016 and 2017 financial statements to conform them to the classifications used in 2018.

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 ¥106.24 to $1, the rate of exchange at March 31, 2018. 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, 2018 include the accounts of the Company and its 47 (46 as of March 31, 2017) subsidiaries (together, the "Group").

Under the control and influence concepts, 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 2018 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 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.

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 four 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 equity; (c) expensing capitalized development costs of R&D; and (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.

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; and (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.

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 which mature or become due within three months of the date of acquisition.

e. Inventories — Merchandise and materials are principally stated at cost determined by the moving-average method (balance sheet 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 the periodic average method (balance sheet amounts are written down on the basis of any decreased profitability).

f. Investment Securities — 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 the 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 (except for facilities attached to buildings) acquired on and after April 1, 1998, and facilities attached to buildings as well as structures acquired on and after April 1, 2016 are computed by the straight-line method. 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
Machinery and vehicles	2 to 12 years

i. Impairment of 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. Retirement Plan — The Company and consolidated subsidiaries have funded/non-funded defined benefit plans and defined contribution plans for payments to terminated employees.

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 (the “BAC”) 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 benefits to periods and relating to the discount rate and expected future salary increases.

m. Provision for Bonuses — The Company and certain consolidated subsidiaries provide provisions for employees’ and directors’ bonuses based on future projections for the current fiscal year.

n. 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.

o. Stock Options — On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, “Accounting Standard for Share-Based Payment,” 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.

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

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

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 are 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.

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

r. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated 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 income tax rates to the temporary differences.

The Company and certain consolidated subsidiaries in Japan have applied a consolidated tax system from the year ended March 31, 2018.

s. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

t. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the 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” under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into yen at the average exchange rate.

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

Diluted net income per share reflects the potential dilution that could occur if stock option rights were exercised or convertible bonds were converted.

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, retroactively adjusted for stock splits.

On July 1, 2015, the Company executed a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on May 14, 2015. Reflecting the impact of the stock split, the Company restated figures such as weighted-average number of common shares, basic net income per share, diluted net income per share, stock option data of the Company’s common stock, and cash dividends per share.

v. 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, in which case the 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.

w. Business Combinations — In October 2003, 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."

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 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.

x. Unapplied Accounting Standards

(1) Accounting standards for revenue recognition
In March 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" and the related guidance, ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition."

(a) Overview
This is a comprehensive standard concerning revenue recognition. Revenue is recognized through the following five steps:
Step 1: Identify the contracts with customers.
Step 2: Identify the performance obligations under the contracts.
Step 3: Determine the transaction prices.
Step 4: Allocate the transaction prices to the performance obligations under the contracts.
Step 5: Recognize revenue when or as each performance obligation is satisfied.

(b) Date to be adopted
The timing of the adoption is currently under consideration.

(c) Effect of applying the above standards
Possible effects on the consolidated financial statements are currently under review.

(2) Implementation guidance on accounting standard for tax effect accounting
In February 2018, the ASBJ issued ASBJ Guidance No. 28, "Implementation Guidance on Tax Effect Accounting" and ASBJ Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets."

(a) Overview
The treatment of taxable temporary difference pertaining mainly to shares of subsidiaries in the unconsolidated financial statements was revised, and the treatment concerning recoverability of deferred tax assets held by companies which fall under Category 1 was clarified.

(b) Date to be adopted
The Company plans to adopt the guidances from the beginning of the year ending March 31, 2019.

(c) Effect of applying the above standards
Possible effects on the consolidated financial statements are currently under review.

3. INVENTORIES

Inventories at March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Merchandise	**¥31,708**	¥24,832	**$298,457**
Finished goods	**1,500**	617	**14,118**
Materials	**4,759**	4,283	**44,802**
Supplies	**1,542**	1,364	**14,513**
Work in process	**1,772**	2,215	**16,677**
Total	**¥41,281**	¥33,311	**$388,567**

4. IMPAIRMENT

For the year ended March 31, 2018, the Group recognized an impairment loss of ¥261 million ($2,459 thousand) for the idle assets located in Tokyo. As a result of consideration of future collectability, the carrying amounts of the relevant assets were written down to the recoverable values and the decreased amounts were recorded as an impairment loss of ¥261 million ($2,459 thousand) for software. As there is no possibility for sale or future use, the recoverable value is deemed zero.

For the years ended March 31, 2017 and 2016, there were no impairment losses recognized.

5. LONG-TERM DEBT

Long-term debt at March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Zero-coupon convertible bonds due 2018	**¥106**	¥10,389	**$1,000**
2018: 1,000,000 U.S. Dollars			
2017: 92,600,000 U.S. Dollars			
Total	**106**	10,389	**1,000**
Less current portion	**¥106**		**$1,000**
Long-term debt, less current portion		¥10,389	

Annual maturities of long-term debt as of March 31, 2018 for the next five years and thereafter were as follows:

	2018	
Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	**¥106**	**$1,000**
2020		
2021		
2022		
2023 and thereafter		
Total	**¥106**	**$1,000**

For the years ended March 31, 2018 and 2017, portions of convertible bonds were converted into 7,491 thousand shares and 604 thousand shares of common stock, respectively.

Under specific conditions, the convertible bonds outstanding at March 31, 2018, are convertible into 82 thousand shares of common stock of the Company through October 8, 2018 at $12.23 per share. The conversion prices of the convertible bonds are subject to adjustments in certain circumstances. Pursuant to the terms and conditions of the convertible bonds, the conversion price of $12.21 is applied to any conversion requests from March 28, 2018.

6. RETIREMENT PLANS

The Company and certain consolidated subsidiaries had participated in the Social Welfare Pension Fund of Nippon Sheet Metal Presswork (the "Fund"), which is a multi-employer plan. However, ordinary dissolution of the Fund was resolved at a meeting of the board members of the Fund on August 4, 2014. On September 29, 2016, the dissolution was approved by the Minister for Health, Labour and Welfare and, as of March 31, 2018, the Fund is in the process of liquidation. No additional expenses are expected to arise from the dissolution of the Fund.

a. Defined Benefit Plan

(1) The changes in defined benefit obligations for the years ended March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥5,956**	¥5,262	**$56,058**
Current service cost	**898**	780	**8,450**
Interest cost	**25**	23	**235**
Actuarial losses	**42**	152	**399**
Benefits paid	**(422)**	(268)	**(3,969)**
Others	**(14)**	7	**(134)**
Balance at end of year	**¥6,485**	¥5,956	**$61,039**

(2) The changes in plan assets for the years ended March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥1,446**	¥1,269	**$13,610**
Expected return on plan assets	**26**	23	**245**
Actuarial losses	**(18)**	(3)	**(166)**
Contributions from the employer	**253**	211	**2,382**
Benefits paid	**(99)**	(59)	**(932)**
Others	**(1)**	5	**(16)**
Balance at end of year	**¥1,607**	¥1,446	**$15,123**

(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, 2018 and 2017 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Funded defined benefit obligations	**¥2,046**	¥1,662	**$19,262**
Plan assets	**(1,607)**	(1,446)	**(15,123)**
	439	216	**4,139**
Unfunded defined benefit obligations	**4,439**	4,294	**41,777**
Net liability for defined benefit obligations	**¥4,878**	¥4,510	**$45,916**

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Liability for retirement benefits	**¥4,878**	¥4,510	**$45,916**
Net liability for defined benefit obligations	**¥4,878**	¥4,510	**$45,916**

(4) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Service cost	**¥898**	¥780	**$8,450**
Interest cost	**25**	23	**235**
Expected return on plan assets	**(26)**	(23)	**(245)**
Recognized actuarial losses	**16**	178	**155**
Others	**(12)**	2	**(117)**
Net periodic benefit costs	**¥901**	¥960	**$8,478**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Actuarial differences	**¥(37)**	¥23	**$(350)**
Total	**¥(37)**	¥23	**$(350)**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unrecognized actuarial differences	**¥125**	¥88	**$1,179**
Total	**¥125**	¥88	**$1,179**

(7) Plan assets as of March 31, 2018 and 2017

(a) Components of plan assets

Plan assets consisted of the following:

	2018	2017
Cash and cash equivalents	**27%**	23%
General accounts	**73**	74
Others	**0**	3
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 current and expected assets allocation and 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 years ended March 31, 2018 and 2017 were set forth as follows:

	2018	2017
Discount rate	**0.35% — 0.50%**	0.35% — 0.50%
Expected rate of return on plan assets	**2.04%**	2.18%

b. Multi-Employer Plan

For the year ended March 31, 2018, there was no required amount of contribution paid to the Social Welfare Pension Fund under the multi-employer plan which is accounted for in the same way as the defined contribution plan. The amount of contribution in the year ended March 31, 2017 was ¥225 million.

As of March 31, 2018, the above-mentioned Fund is currently in the process of liquidation, after ordinary dissolution of the Fund was resolved at a meeting of its board members on August 4, 2014, and the dissolution was approved by the Minister for Health, Labour and Welfare on September 29, 2016.

c. Defined Contribution Plan

The amounts required to be contributed to the defined contribution plan are ¥189 million ($1,778 thousand) and ¥81 million for the years ended March 31, 2018 and 2017, respectively.

7. EQUITY

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 being prescribed as one year rather than the normal two-year 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.

On July 1, 2015, the Company executed a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on May 14, 2015.

8. STOCK OPTIONS

Information related to the stock options for the year ended March 31, 2018 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2010 Stock Option (1)	6 directors	1,560,000 shares	2010.7.2	¥609 ($5.73)	From August 1, 2012 to July 31, 2018
2010 Stock Option (2)	38 employees of the Group	465,000 shares	2010.7.2	¥609 ($5.73)	From August 1, 2012 to July 31, 2018
2012 Stock Option (1)	6 directors	1,440,000 shares	2012.7.3	¥631 ($5.94)	From August 1, 2014 to July 31, 2021
2012 Stock Option (2)	33 employees of the Group	375,000 shares	2012.7.3	¥631 ($5.94)	From August 1, 2014 to July 31, 2021
2014 Stock Option (1)	5 directors	39,000 shares	2014.11.7	¥ 1 ($0.01)	From November 8, 2014 to November 7, 2044
2014 Stock Option (2)	4 directors	133,800 shares	2014.11.7	¥ 1 ($0.01)	From November 7, 2017 to November 6, 2024
2014 Stock Option (3)	58 employees of the Group	117,300 shares	2014.11.7	¥ 1 ($0.01)	From November 7, 2017 to November 6, 2024
2016 Stock Option (1)	5 directors	31,400 shares	2016.2.25	¥ 1 ($0.01)	From February 26, 2016 to February 25, 2046
2016 Stock Option (2)	5 directors	170,500 shares	2016.2.25	¥ 1 ($0.01)	From February 25, 2019 to February 24, 2026
2016 Stock Option (3)	69 employees of the Group	135,400 shares	2016.2.25	¥ 1 ($0.01)	From February 25, 2019 to February 24, 2026
2016 Stock Option (4)	5 directors	28,500 shares	2016.10.3	¥ 1 ($0.01)	From October 4, 2016 to October 3, 2046
2016 Stock Option (5)	5 directors	181,800 shares	2016.10.3	¥ 1 ($0.01)	From October 3, 2019 to October 2, 2026
2016 Stock Option (6)	84 employees of the Group	180,000 shares	2016.10.3	¥ 1 ($0.01)	From October 3, 2019 to October 2, 2026
2017 Stock Option (1)	4 directors	16,700 shares	2017.10.6	¥ 1 ($0.01)	From October 7, 2017 to October 6, 2047
2017 Stock Option (2)	4 directors	98,600 shares	2017.10.6	¥ 1 ($0.01)	From October 6, 2020 to October 5, 2027
2017 Stock Option (3)	90 employees of the Group	140,400 shares	2017.11.6	¥ 1 ($0.01)	From November 6, 2020 to November 5, 2027

(Note) The number of shares is adjusted to reflect a three-for-one stock split executed effective July 1, 2015.

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)	2016 Stock Option (1)
				(Shares)				
For the Year Ended March 31, 2017								
Non-vested:								
March 31, 2016—outstanding						133,800	111,600	
Granted								
Canceled							3,300	
Vested								
March 31, 2017—outstanding						133,800	108,300	
Vested:								
March 31, 2016—outstanding	164,100	24,000	423,600	92,100	39,000			31,400
Vested								
Exercised	120,000	9,000	329,100	9,000				
Canceled								
March 31, 2017—outstanding	44,100	15,000	94,500	83,100	39,000			31,400
For the Year Ended March 31, 2018								
Non-vested:								
March 31, 2017—outstanding						133,800	108,300	
Granted								
Canceled								
Vested						133,800	108,300	
March 31, 2018—outstanding								
Vested:								
March 31, 2017—outstanding	44,100	15,000	94,500	83,100	39,000			31,400
Vested						133,800	108,300	
Exercised	32,100	9,000	18,900	27,000	8,700	116,100	35,700	6,800
Canceled							6,900	
March 31, 2018—outstanding	12,000	6,000	75,600	56,100	30,300	17,700	65,700	24,600
				Yen (U.S. Dollars)				
Exercise price	¥609	¥609	¥631	¥631	¥ 1	¥ 1	¥ 1	¥ 1
	($5.73)	($5.73)	($5.94)	($5.94)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)
Fair value price at grant date...........	¥110	¥110	¥141	¥141	¥1,172	¥1,136	¥1,136	¥1,483
	($1.04)	($1.04)	($1.33)	($1.33)	($11.03)	($10.69)	($10.69)	($13.96)

	2016 Stock Option (2)	2016 Stock Option (3)	2016 Stock Option (4)	2016 Stock Option (5)	2016 Stock Option (6)	2017 Stock Option (1)	2017 Stock Option (2)	2017 Stock Option (3)
				(Shares)				
For the Year Ended March 31, 2017								
Non-vested:								
March 31, 2016—outstanding	170,500	135,400						
Granted			28,500	181,800	180,000			
Canceled		3,300			3,100			
Vested			28,500					
March 31, 2017—outstanding	170,500	132,100		181,800	176,900			
Vested:								
March 31, 2016—outstanding								
Vested			28,500					
Exercised								
Canceled								
March 31, 2017—outstanding			28,500					
For the Year Ended March 31, 2018								
Non-vested:								
March 31, 2017—outstanding	170,500	132,100		181,800	176,900			
Granted						16,700	98,600	140,400
Canceled		14,600			16,600			3,100
Vested						16,700		
March 31, 2018—outstanding	170,500	117,500		181,800	160,300		98,600	137,300
Vested:								
March 31, 2017—outstanding			28,500					
Vested						16,700		
Exercised			5,400					
Canceled								
March 31, 2018—outstanding ...			23,100			16,700		
				Yen (U.S. Dollars)				
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)
Fair value price at grant date...........	¥1,428	¥1,428	¥1,876	¥1,809	¥1,809	¥2,786	¥2,726	¥3,073
	($13.44)	($13.44)	($17.66)	($17.03)	($17.03)	($26.22)	($25.66)	($28.93)

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The number of shares, exercise price and fair value price at grant date are adjusted to reflect the stock split.

The Assumptions Used to Measure Fair Value of Stock Options Granted for the Year Ended March 31, 2018

Resolved on September 21, 2017 (Granted on October 6, 2017)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	33.60%
Estimated remaining outstanding period:	2.8 years
Estimated dividend:	¥16.71 per share
Risk-free interest rate:	(0.14)%

Notes:
1. Volatility of stock price is calculated based on the actual stock prices marked in the period from December 2014 to October 2017.
2. Estimated remaining outstanding period is a weighted average of the standard amount of stock option compensation corresponding to each position of directors, which are specified in the Stock Option Compensation Rule.
3. Estimated dividend is determined based on the actual dividend paid for the last full year.
4. For the risk-free interest rate, the Company uses the average compound yield of long-term Japanese government bonds with a residual maturity period that approximates the estimated remaining outstanding period.

Resolved on September 21, 2017 (Granted on October 6, 2017)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	31.03%
Estimated remaining outstanding period:	6.5 years
Estimated dividend:	¥16.71 per share
Risk-free interest rate:	(0.07)%

Notes:
1. Volatility of stock price is calculated based on the actual stock prices marked in the period from April 2011 to October 2017.
2. Estimated remaining outstanding period is the period from the start of estimation to the middle date of the exercise period.
3. Estimated dividend is determined based on the actual dividend paid for the last full year.
4. For the risk-free interest rate, the Company uses the average compound yield of long-term Japanese government bonds with a residual maturity period that approximates the estimated remaining outstanding period.

Resolved on October 19, 2017 (Granted on November 6, 2017)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	31.18%
Estimated remaining outstanding period:	6.5 years
Estimated dividend:	¥20.62 per share
Risk-free interest rate:	(0.05)%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from May 2011 to November 2017.
2. Estimated remaining outstanding period is the period from the start of estimation to the middle date of the exercise period.
3. Estimated dividend is determined based on the actual dividend paid for the last full year.
4. For the risk-free interest rate, the Company uses the average compound yield of long-term Japanese government bonds with a residual maturity period that approximates the estimated remaining outstanding period.

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.

9. 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 30.9% for each of the years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Current deferred tax assets:			
Devaluation of inventories	**¥1,108**	¥ 977	**$10,430**
Accrued enterprise tax	**270**	200	**2,544**
Provision for bonuses	**780**	588	**7,341**
Unrealized income	**356**	455	**3,348**
Other—net	**853**	794	**8,030**
Subtotal	**3,367**	3,014	**31,693**
Valuation allowance	**(188)**		**(1,772)**
Current deferred tax assets	**3,179**	3,014	**29,921**
Current deferred tax liabilities:			
Other—net	**(3)**	(4)	**(25)**
Current deferred tax liabilities	**(3)**	(4)	**(25)**
Net current deferred tax assets	**¥3,176**	¥3,010	**$29,896**
Non current deferred tax assets:			
Liabilities for retirement benefits	**¥1,455**	¥1,329	**$13,693**
Depreciation	**749**	303	**7,050**
Tax losses carried forward	**846**	1,211	**7,960**
Other—net	**763**	699	**7,187**
Subtotal	**3,813**	3,542	**35,890**
Valuation allowance	**(741)**	(809)	**(6,974)**
Non current deferred tax assets	**3,072**	2,733	**28,916**
Non current deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	**(86)**	(90)	**(809)**
Valuation of intangible assets	**(1,329)**	(2,507)	**(12,506)**
Other—net	**(525)**	(879)	**(4,947)**
Non current deferred tax liabilities	**(1,940)**	(3,476)	**(18,262)**
Net non current deferred tax assets	**¥1,132**	¥ (743)	**$10,654**

A 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, 2018 is as follows:

	2018
Normal effective statutory tax rate	**30.9%**
(Adjustments)	
Directors' bonus expenses not deductible for income tax purposes	**0.2**
Entertainment and other expenses not deductible for income tax purposes	**0.2**
Inhabitants tax on per capita basis	**0.1**
Decrease in valuation allowance	**(0.7)**
Amortization of goodwill	**1.0**
Difference in applicable tax rates for subsidiaries	**(3.0)**
Effect of change in statutory tax rate	**(2.1)**
Tax credit	**(0.3)**
Other—net	**(0.7)**
Actual effective tax rate	**25.6%**

A 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, 2017 is not presented because the differences in amounts between them were less than 5% of the statutory tax rate.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 was enacted into law in the United States of America. Beginning with the 2018 tax year, the Act cuts the federal corporate tax rate applied to consolidated subsidiaries in the U.S. from 35% to 21%.

Accordingly, for the year ended March 31, 2018, deferred tax liabilities (net of deferred tax assets) decreased by ¥685 million ($6,451 thousand); foreign currency translation adjustments increased by ¥30 million ($280 thousand); and income taxes—deferred decreased by ¥715 million ($6,731 thousand).

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,845 million ($17,367 thousand), ¥1,743 million and ¥1,336 million for the years ended March 31, 2018, 2017 and 2016, respectively.

11. LEASES

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

The minimum rental commitments under non-cancelable operating leases at March 31, 2018 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2018	**2018**
Due within one year	**¥ 444**	**$4,176**
Due after one year	**583**	**5,491**
Total	**¥1,027**	**$9,667**

12. 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 the Group's funds. Temporary excess funds are operated by highly rated financial assets and it is our policy not to enter into derivative transactions for speculative purposes. Derivative transactions are only utilized to hedge foreign currency exchange rate 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 trade 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 exchange rate fluctuation risk. The Group utilizes foreign currency forward contracts to hedge foreign currency exchange rate fluctuation risk of the net amount of receivables and payables denominated in foreign currencies.

(3) Risk management for financial instruments

(a) Credit risk (risk of default by counterparties) 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 customers from an early stage to mitigate risk from bad debts. The Group enters into derivative transactions only with highly rated financial institutions to mitigate credit risk and the Company determined that there is no material credit risk. The maximum credit risk as of March 31, 2017 is represented by financial assets, which are exposed to credit risk on the balance sheet.

(b) 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 conditions 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.

(c) 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 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) Fair value of financial instruments

Fair values of financial instruments are based on market prices and the value fluctuates according to the market. The contract amount regarding derivative transactions described in Note 13. DERIVATIVES does not indicate market risk related to derivative transactions.

(a) Fair value of financial instruments

Carrying amounts on the consolidated balance sheet, fair values and the differences between them for financial instruments as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		
	2018		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**¥ 51,713**	**¥ 51,713**	
Time deposits	**13,790**	**13,790**	
Trade notes receivable	**11,936**	**11,936**	
Trade accounts receivable	**55,881**	**55,881**	
Trade notes payable and accounts payable	**(19,524)**	**(19,524)**	
Convertible bonds	**(106)**	**(239)**	**¥ 133**
Derivatives, net	**226**	**226**	

	Millions of Yen		
	2017		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 47,841	¥ 47,841	
Time deposits	15,339	15,339	
Trade notes receivable	9,563	9,563	
Trade accounts receivable	48,285	48,285	
Trade notes payable and accounts payable	(16,974)	(16,974)	
Convertible bonds	(10,389)	(15,492)	¥5,103
Derivatives, net	(1,739)	(1,739)	

	Thousands of U.S. Dollars		
	2018		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**$486,759**	**$486,759**	
Time deposits	**129,798**	**129,798**	
Trade notes receivable	**112,353**	**112,353**	
Trade accounts receivable	**525,985**	**525,985**	
Trade notes payable and accounts payable	**(183,778)**	**(183,778)**	
Convertible bonds	**(1,000)**	**(2,249)**	**$1,249**
Derivatives, net	**2,123**	**2,123**	

Financial instruments for which fair values cannot be reliably determined are excluded from the table above.

Valuation methods of fair values of financial instruments and information on derivatives are as follows:

Cash and cash equivalents, and time deposits

The carrying values of cash and cash equivalents, and time deposits 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.

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.

Convertible bonds

Fair value is based on the price presented by counterparty financial institutions.

Derivatives

Please refer to Note 13. DERIVATIVES.

(b) Financial instruments whose fair value cannot be reliably determined as of March 31, 2018 and 2017

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unlisted stocks	**¥6**	¥6	**$58**

(5) Maturity analysis for financial assets subsequent to March 31, 2018 and 2017

	Millions of yen			
	2018			
	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	**¥ 51,713**			
Time deposits	**13,790**			
Trade notes receivable	**11,936**			
Trade accounts receivable	**55,881**			
Total	**¥ 133,320**			

	Millions of yen			
	2017			
	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	¥ 47,841			
Time deposits	15,339			
Trade notes receivable	9,563			
Trade accounts receivable	48,285			
Total	¥ 121,028			

	Thousands of U.S. Dollars			
	2018			
	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	**$ 486,759**			
Time deposits	**129,798**			
Trade notes receivable	**112,353**			
Trade accounts receivable	**525,985**			
Total	**$1,254,895**			

(6) Redemption amounts of bonds subsequent to March 31, 2018 and 2017

	Millions of yen			
	2018			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Convertible bonds	¥ 106			

	Millions of yen			
	2017			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Convertible bonds		¥10,389		

	Thousands of U.S. Dollars			
	2018			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Convertible bonds	$ 1,000			

13. DERIVATIVES

Derivative transactions to which hedge accounting is not applied at March 31, 2018 and 2017 are as follows:

	Millions of Yen			
	2018			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying	¥ 3,751		¥ (30)	¥ (30)
Selling	¥ 7,648		¥ 256	¥ 256

	Millions of Yen			
	2017			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying	¥ 6,465		¥ (101)	¥ (101)
Selling	¥19,703		¥(1,638)	¥(1,638)

	Thousands of U.S. Dollars			
	2018			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying	$35,305		$ (281)	$ (281)
Selling	$71,984		$ 2,404	$ 2,404

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

14. COMPREHENSIVE INCOME

Reclassifications and income from tax effects attributable to other comprehensive income for the years ended March 31, 2018, 2017 and 2016 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	2018
Unrealized gain (loss) on available-for-sale securities:				
Gains (losses) arising during the year		¥(3)	¥(22)	
Reclassification adjustments to profit or loss		15		
Amount before income tax effect		12	(22)	
Income tax effect		(6)	8	
Total		6	(14)	
Foreign currency translation adjustments:				
Adjustments arising during the year	¥545	(2,226)	(4,083)	$5,124
Reclassification adjustments to profit or loss	(99)		(110)	(930)
Amount before income tax effect	446	(2,226)	(4,193)	4,194
Income tax effect				
Total	446	(2,226)	(4,193)	4,194
Defined retirement benefit plans:				
Adjustments arising during the year	(62)	(5)	(68)	(585)
Reclassification adjustments to profit and loss	25	28	25	235
Amount before income tax effect	(37)	23	(43)	(350)
Income tax effect	11	(8)	15	110
Total	(26)	15	(28)	(240)
Share of other comprehensive income in associates				
Adjustments arising during the year	8	(11)	(4)	70
Total other comprehensive income (loss)	¥428	¥(2,216)	¥(4,239)	$4,024

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the years ended March 31, 2018, 2017 and 2016 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2018	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—				
Net income available to common shareholders	¥25,602	281,294	¥91.01	$0.86
Effect of dilutive securities—				
Stock options		967		
Convertible bonds	(78)	2,083		
Diluted EPS—				
Net income for computation	¥25,524	284,344	¥89.76	$0.84
Year ended March 31, 2017				
Basic EPS—				
Net income available to common shareholders	¥18,387	274,692	¥66.94	
Effect of dilutive securities—				
Stock options		870		
Convertible bonds	(32)	8,157		
Diluted EPS—				
Net income for computation	¥18,355	283,719	¥64.70	

Year ended March 31, 2016			
Basic EPS—			
Net income available to common shareholders	¥16,908	274,250	¥61.65
Effect of dilutive securities—			
Stock options		781	
Convertible bonds..	(501)	8,157	
Diluted EPS—			
Net income for computation...	¥16,407	283,188	¥57.94

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The amounts of basic net income per share and diluted net income per share are calculated on the assumption that the stock split had been conducted on April 1, 2015.

16. RELATED PARTY TRANSACTIONS

Related party transactions between the Company and related parties for the years ended March 31, 2018 and 2017 were as follows:

2018						
Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount Millions of Yen	Amount Thousands of U.S. Dollars
Board member	Tokuya Ikeguchi	Director of the Company	(Owned) Direct 0.05	Exercise of stock option (Note)	**¥20**	**$184**

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

2017					
Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount Millions of Yen
Board member	Ryusei Ono	Director of the Company	(Owned) Direct 0.09	Exercise of stock option (Note)	¥137
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.05	Exercise of stock option (Note)	24
Board member	Tokuya Ikeguchi	Director of the Company	(Owned) Direct 0.04	Exercise of stock option (Note)	25

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

17. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2018, 2017 and 2016, the difference between exchange receipts and payments from loans to foreign subsidiaries of ¥(501) million ($(4,720) thousand), ¥2,915 million and ¥(2,250) million, respectively, are included in "Other—net" of INVESTING ACTIVITIES.

Significant non-cash transactions resulting from exercise of stock acquisition rights attached to convertible bonds for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Increase in capital from exercise of stock acquisition rights................................	**¥ 5,085**	¥417	**$47,862**
Increase in earned legal reserve from exercise of stock acquisition rights...........	**5,085**	417	**47,862**
Decrease in convertible bonds from exercise of stock acquisition rights.............	**¥10,170**	¥834	**$95,724**

18. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2018 were approved at the shareholders meeting held on June 14, 2018:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11.08 ($0.10) per share	**¥3,139**	**$29,547**

19. 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 headquarters 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 presses 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

The accounting policies of the reportable segments are the same as those described in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. Income by reportable segment is based on operating income.

(3) Net sales and Segment profit by reportable segment

	Millions of Yen					
	2018					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers...	**¥105,184**	**¥76,523**	**¥131,262**	**¥312,969**		**¥312,969**
Total	**105,184**	**76,523**	**131,262**	**312,969**		**312,969**
Segment profit..	**20,172**	**5,870**	**9,010**	**35,052**	**¥(203)**	**34,849**
Segment profit before amortization of goodwill* ...	**¥ 20,172**	**¥ 7,487**	**¥ 9,010**	**¥ 36,669**	**¥(203)**	**¥ 36,466**

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

	Millions of Yen					
	2017					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers...	¥84,669	¥69,798	¥104,549	¥259,016		¥259,016
Total	84,669	69,798	104,549	259,016		259,016
Segment profit..	14,418	3,097	9,950	27,465	¥(338)	27,127
Segment profit before amortization of goodwill* ...	¥14,418	¥ 5,392	¥ 9,950	¥ 29,760	¥(338)	¥ 29,422

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

	Millions of Yen					
	2016					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers...	¥76,370	¥69,732	¥93,758	¥239,860	¥ 280	¥240,140
Total	76,370	69,732	93,758	239,860	280	240,140
Segment profit..	12,160	3,464	10,249	25,873	(182)	25,691
Segment profit before amortization of goodwill* ...	¥12,160	¥ 6,002	¥10,249	¥ 28,411	¥(182)	¥ 28,229

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

	Thousands of U.S. Dollars					
	2018					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers	**$990,060**	**$720,284**	**$1,235,526**	**$2,945,870**		**$2,945,870**
Total	**990,060**	**720,284**	**1,235,526**	**2,945,870**		**2,945,870**
Segment profit	**189,872**	**55,250**	**84,809**	**329,931**	**$(1,911)**	**328,020**
Segment profit before amortization of goodwill*	**$189,872**	**$ 70,467**	**$ 84,809**	**$ 345,148**	**$(1,911)**	**$ 343,237**

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

(4) Details of adjustments

	Net sales			
	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	**2018**
Total of reportable segments	**¥312,969**	¥259,016	¥239,860	**$2,945,870**
Adjustments due to different closing date of consolidated subsidiaries			(709)	
Other			989	
Net sales in consolidated statement of income	**¥312,969**	¥259,016	¥240,140	**$2,945,870**

	Operating income			
	Millions of Yen			Thousands of U.S. Dollars
	2018	2017	2016	**2018**
Total of reportable segments	**¥ 35,052**	¥ 27,465	¥ 25,873	**$ 329,931**
Adjustments due to different closing date of consolidated subsidiaries			(257)	
Other	**(203)**	(338)	75	**(1,911)**
Operating income in consolidated statement of income	**¥ 34,849**	¥ 27,127	¥ 25,691	**$ 328,020**

(5) Change in reportable segment

Following changes in the Group's organizational management structure, from the year ended March 31, 2017, a portion of "FA Business" was transferred to "VONA Business."

Net sales and segment profit by reportable segment for the year ended March 31, 2016 have been re-categorized under the new classification.

(6) Information by region

	Millions of Yen						
	2018						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales	**¥ 166,440**	**¥ 56,872**	**¥ 42,316**	**¥ 26,986**	**¥ 15,490**	**¥ 4,865**	**¥ 312,969**

	Millions of Yen						
	2017						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales	¥ 140,302	¥ 43,402	¥ 32,638	¥ 25,795	¥ 12,588	¥ 4,291	¥ 259,016

	Thousands of U.S. Dollars						
	2018						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales	**$1,566,646**	**$535,320**	**$398,305**	**$254,009**	**$145,797**	**$ 45,793**	**$2,945,870**

	Millions of Yen					
	2018					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment	**¥ 11,262**	**¥ 7,482**	**¥ 6,253**	**¥ 2,605**	**¥ 2,112**	**¥ 29,714**

	Millions of Yen					
	2017					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment	¥ 10,424	¥ 6,962	¥ 5,866	¥ 3,182	¥ 1,440	¥ 27,874

	Thousands of U.S. Dollars					
	2018					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment	**$106,000**	**$ 70,427**	**$ 58,861**	**$ 24,522**	**$ 19,879**	**$ 279,689**

(7) Impairment losses by reportable segment

For the year ended March 31, 2018, impairment loss was not allocated to reportable segments. The amount of impairment loss was ¥261 million ($2,459 thousand).

There are no applicable matters for the years ended March 31, 2017 and 2016.

(8) Goodwill by reportable segment

	Millions of Yen	
	2018	
	Reportable Segment	
	Die Components Business	Total
Amortization for the year ended March 31, 2018	**¥1,000**	**¥1,000**
Balance as of March 31, 2018		

	Millions of Yen	
	2017	
	Reportable Segment	
	Die Components Business	Total
Amortization for the year ended March 31, 2017	¥1,707	¥1,707
Balance as of March 31, 2017	¥1,012	¥1,012

	Thousands of U.S. Dollars	
	2018	
	Reportable Segment	
	Die Components Business	Total
Amortization for the year ended March 31, 2018	**$9,416**	**$9,416**
Balance as of March 31, 2018		

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3 Konan
Minato-ku, Tokyo 108-6221
Japan

Tel: +81 (3) 6720 8200
Fax: +81 (3) 6720 8205
www.deloitte.com/jp/en

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, 2018, 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, 2018, 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 14, 2018

Company Profile and Stock Information

(As of March 31, 2018)

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	12,812 million yen

Stock listing	First Section of the Tokyo Stock Exchange (Code: 9962)
Fiscal year	From April 1 through March 31 of the following calendar year
Annual general shareholders' meeting	June
Description of business	Development of Group management strategies, administration, and all functions related to Group management
Website	https://www.misumi.co.jp/english/

Stock Information

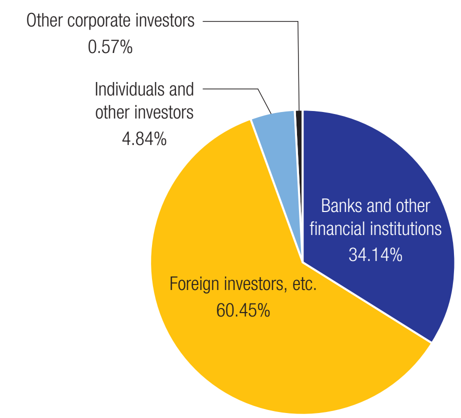
Authorized number of shares	1,020,000,000 shares
Issued number of shares	283,439,597 shares
Number of shareholders	6,711

Major Shareholders

Name of shareholder	Number of shares held (thousands)	Percentage of shares outstanding (%)
Japan Trustee Services Bank, Ltd.	45,233	15.96%
The Master Trust Bank of Japan, Ltd.	23,401	8.26%
STATE STREET BANK AND TRUST COMPANY	12,215	4.31%
Trust & Custody Services Bank, Ltd. (as trustee for Mizuho Bank Ltd. Retirement Benefit Trusts Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	10,678	3.77%
STATE STREET BANK AND TRUST COMPANY 505223	6,152	2.17%
Hiroshi Taguchi	5,530	1.95%
THE CHASE MANHATTAN BANK 385036	5,302	1.87%
STATE STREET BANK WEST CLIENT – TREATY 505234	5,043	1.78%
Trust & Custody Services Bank, Ltd.	4,656	1.64%
MSCO CUSTOMER SECURITIES	4,535	1.60%

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

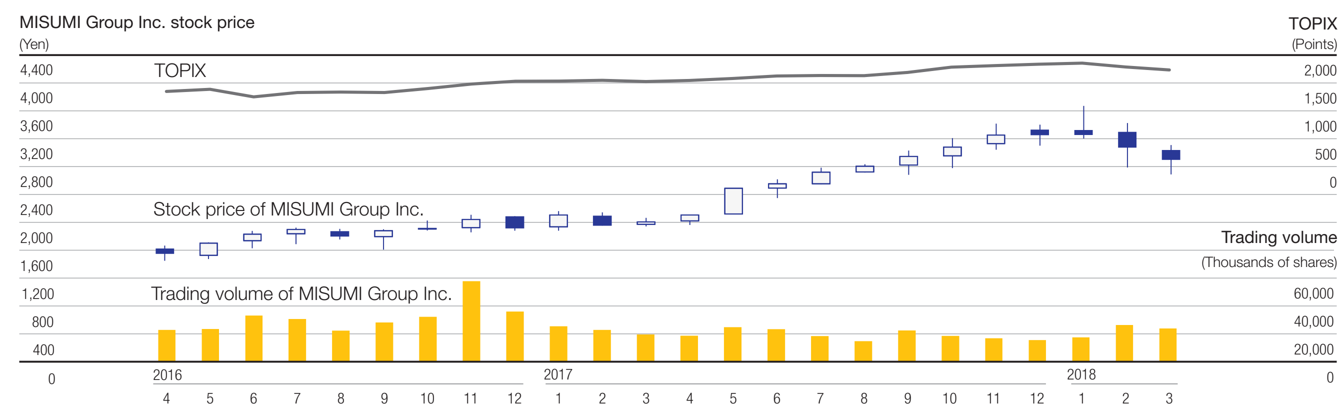
Composition of Shareholders



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



Please direct any inquiries to: MISUMI Group Inc. Corporate Relations Department | Tel: +81-3-5805-7037 Email: cc@misumi.co.jp