



ANNUAL REPORT 2022

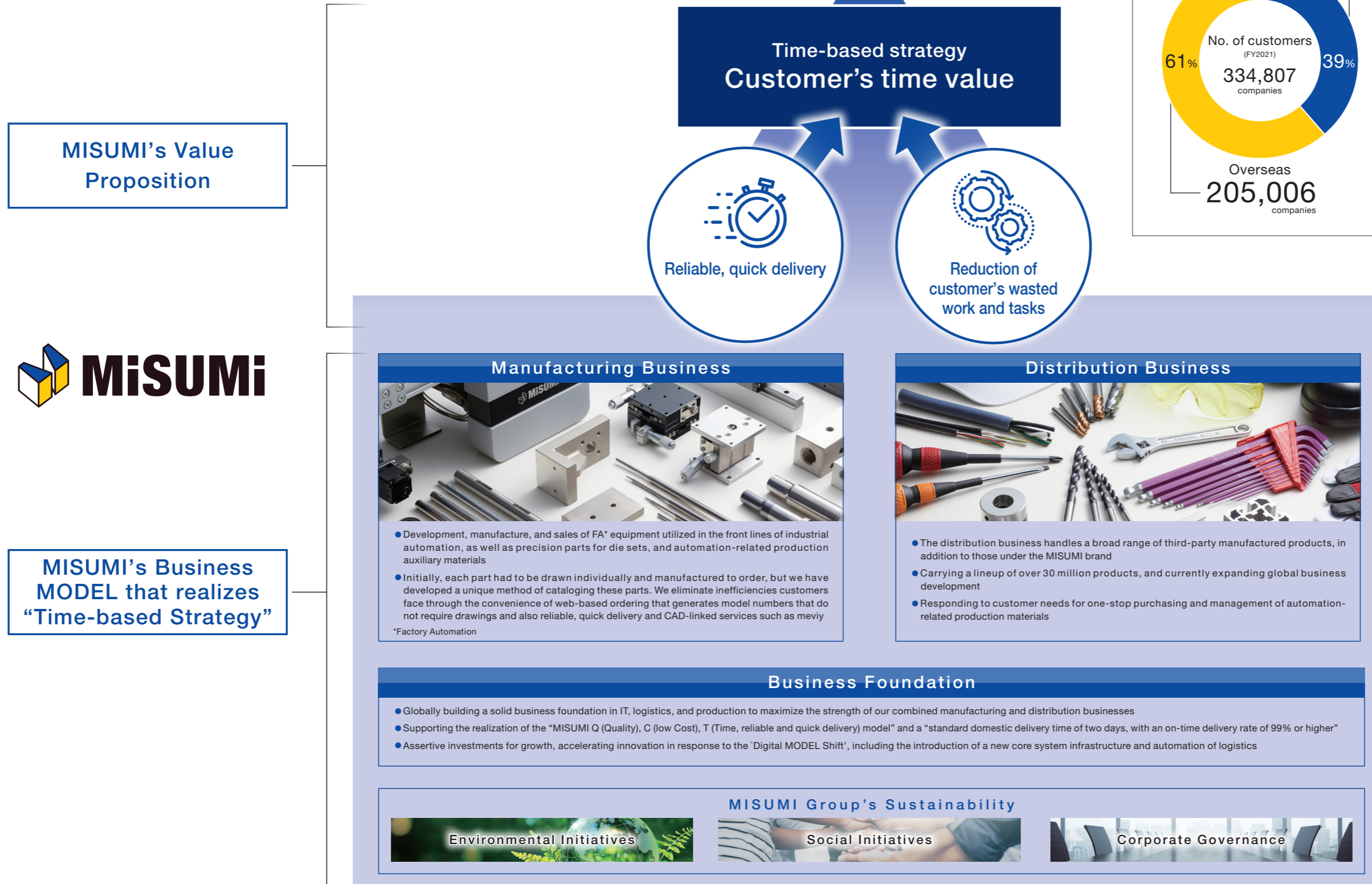
MISUMI Group Inc.

It's all about TIME



MISUMI Group's Value Creation Process

MISUMI, a company that provides "time value" to customers. Under the banner of 'Digital MODEL Shift', we are working to innovate the MISUMI MODEL to create new "time value" to address the global megatrends behind business innovation. In our pursuit of "reliable, quick delivery" and reduction of customer's wasted work and tasks, we are contributing to the sustainable development and the elimination of inefficiencies in the industrial automation industry.



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Forward-looking statements:

This Annual Report contains forward-looking statements regarding MISUMI Group's business performance forecast and business environment projections. All forward-looking statements are based on judgments from information available to MISUMI Group at the time of publication, and these forecasts and projections may include uncertainties. Specific risks and uncertainties could cause MISUMI's actual results to differ materially from any projections presented in this report. Accordingly, please be advised that actual future business performance and business environment may differ from the forecasts and projections indicated in this document.

Steadily recovering from the COVID-19 pandemic while further strengthening Business MODEL resilience

Competitive advantages that allow us to offer reliable and quick delivery in the global market

MISUMI Group has developed a unique Business MODEL as both a “manufacturing business” with functions for manufacturing and selling components for FA equipment required for industrial automation as well as die sets and automation-related production auxiliary materials and a “distribution business” that sells a wide range of third-party manufactured products from automation-related auxiliary production materials to consumables.

At industrial automation sites, failure to supply even a single mechanical part can delay the start-up and operation of automation lines and significantly affect business plans. Moreover, as the demand for automation in the global industrial world accelerates, very few suppliers can provide customers with “reliable and quick delivery” of made-to-order machined parts that meet micron-level dimensional specifications and a wide selection of third-party brand products through a global network.

Our greatest mission is to provide our customers with “reliable and quick delivery,” or “time value,” by eliminating inefficient procurement processes for parts used in automation facilities and equipment and by providing them with “predictable delivery dates” when they place an order with MISUMI. Therefore, we believe that our most extraordinary mission is to provide our customers with “time value”. To realize this social mission on a global scale, we are pursuing a “time-based strategy” to become a Company with a competitive advantage in terms of Business MODEL, organization, business strategy, and operations.



Kosuke Nishimoto
Representative Director and Chairman

Ryusei Ono
Representative Director and President

Achieved record-high earnings as recovery from COVID-19 progressed

The global economy during FY2021 saw demand for automation remain at generally elevated levels amid the recovery from the COVID-19 pandemic. However, uncertainty in supply chains persisted, as there continued to be shortages of parts and materials, making it a challenge to source specific items. Those mentioned above, coupled with the peaking out of production facility setup and utilization rates, along with the impacts of the Ukraine situation and the resurgence of COVID-19 in China toward the end of the fiscal year, resulted in further supply chain disruptions.

Under this economic environment, MISUMI Group is leveraging its unique Business MODEL, which encompasses manufacturing and distribution businesses. By advancing the business foundation that supports these businesses globally, we contribute to industries worldwide related to automation demand, particularly the manufacturing industry, by responding to customers' needs for reliable and quick delivery. Furthermore, by utilizing the strong business foundation built to date in IT, logistics, and production, as well as our global network, we have continued to implement profitability improvement measures since last year while dedicating efforts to appropriately capturing demand for automation that has recovered across all regions. As a result, despite some supply constraints, we displayed our "globally reliable, quick delivery" forte. Consequently, consolidated net sales for FY2021 were a record-high ¥366,160 million

(17.8% increase year-on-year).

By segment, sales in the Factory Automation (FA) Business were ¥119,253 million (16.6% increase year-on-year) due to solid growth across all regions owing to robust demand for automation. In the Die Components business, sales totaled ¥75,108 million (12.3% increase year-on-year) amid the recovery in automobile-related demand worldwide, driven by the U.S. and Asia. Furthermore, with our acquisition of automation-related demand worldwide, significant growth was achieved in the VONA business as sales totaled ¥171,799 million (21.3% increase year-on-year) despite the impacts from the termination of low-profit and shortages of certain products.

In terms of profits, operating income was ¥52,210 million (92.0% increase year-on-year) due to increased sales, the effects of profitability improvement measures, and forex. Ordinary income was ¥52,500 million (93.1% increase year-on-year), and net income attributable to owners of the parent totaled ¥37,557 million (119.1% increase year-on-year). Both sales and profits reached record highs.

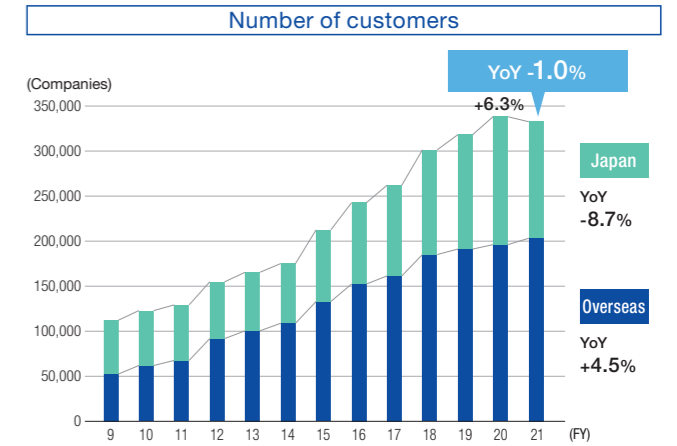
Record high earnings also forecast for FY2022

Continuing from FY2021, record highs are also forecast for both sales and profit in FY2022, with sales at ¥403.5 billion, operating income at ¥57.3 billion, and net income attributable to owners of the parent at ¥42.0 billion.

As for dividends, the dividend payout ratio is currently set at 25%. For FY2022, we anticipate an annual dividend of ¥36.94 per share. This will be an increase of ¥3.90 (+11.8%) year on year, and as with performance, is expected to reach a record high.

Continue to strengthen the global customer base

MISUMI Group strove to expand its global customer base even in a challenging environment by building on its superiority by fortifying "globally reliable, quick delivery" and working to develop an EC MODEL optimized to customer needs. As a result, the number of customers in Japan declined by 8.7% year-on-year due to a rebound from the extraordinary demand that transpired due to COVID-19, but the unit price per customer increased. In terms of overseas, although sales in China, where the timing of the fiscal year-end was during the lockdown, remained at the same level as the previous year, other regions continued to increase, resulting in an overall overseas sales growth of 4.5% year-on-year.



Aiming for sustainable growth by further refining "globally reliable, quick delivery"

We expect the global and Japanese economies in FY2022 to continue to face an uncertain business environment as the shift in the market structure post COVID-19 and the regional blocs in the global supply chain further progress. On the other hand, in the industrial world, demand for automation is expected to increase globally in anticipation of post-COVID-19.

To meet the needs of these customers, we will continue to advance our IT, logistics, and manufacturing business

foundations and refine our globally reliable, quick delivery. We will also accelerate our focus on regions, businesses, and services with higher growth and profitability potential and innovate our MODEL in anticipation of changes in the competitive environment and geopolitical risks.

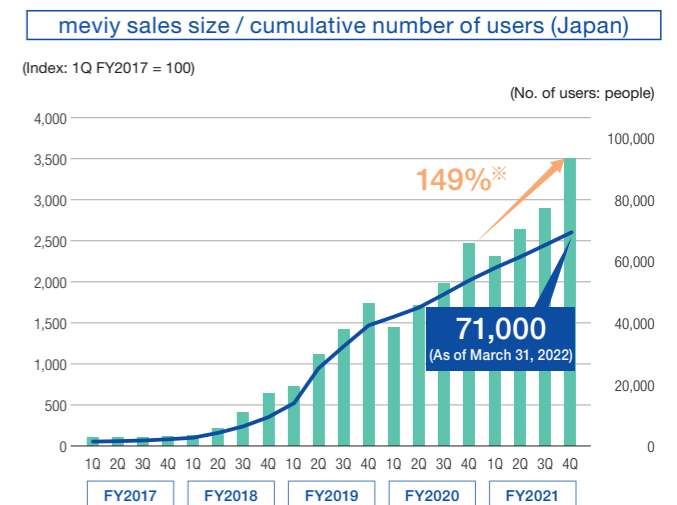
Principal initiatives for FY2022 are as below.

Manufacturing Business

Full-fledged global roll out of meviy

We will accelerate the development of "meviy," a service that enables immediate quotation and as fast as 1-day shipment by simply uploading product design data (3D-CAD data). In Japan, where the service is already available, sales and the number of users has continued to grow, with sales 149% year-on-year and surpassing 71,000 users at the end of the fiscal year 2021.

We are also working on global expansion, having started full-scale development in Europe at the end of FY2021, and plan to complete expansion in the U.S., South Korea, and China in FY2022. In conjunction with this, we have revamped our globally familiar user interface, reducing work time to one-third of that required in the past. In addition, we will continue to expand delivery date variations and product areas.



*Excluding die and mold components terminated in FY2020

Distribution Business

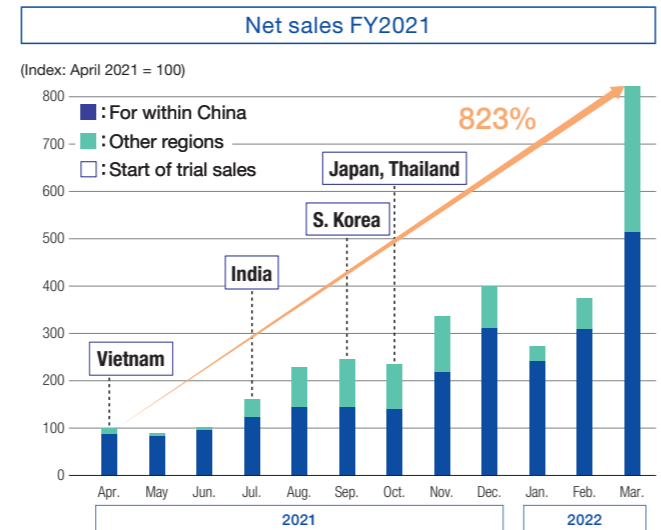
Decisive reform of product lineup and reinforcement of unique products with highly competitive pricing

In the VONA Business, we are engaged in product lineup reform. In light of expanding mid-range demand in China, we are striving to capture existing and potential demand through sales growth measures tailored to customer characteristics in each region. We will also launch the highly competitive “Economy Series” originating in China. By reinforcing our product range, we aim to accelerate

market penetration in China, Japan, and the Asian markets. The second catalog of the “Economy Series,” published in June, has 1,060 pages, which is 410 pages more than the first edition. In addition, the number of product series has increased by 201 to 801, greatly enhancing the product lineup.



“Economy Series” catalog from China



Business Foundation

New logistics and production sites launched in China to further bolster our competitive advantage

We are making concerted efforts to heighten our competitive advantages in China, a market of utmost importance. We will set up new logistics and production sites in East and South China, which have large concentrations of customers, and reinforce our response capabilities in each of those regions. In East China, a new logistics site with a land area of approximately 40,000 m² will be constructed in Shanghai. In South China, a new production site with a total floor area of approximately 30,000 m² will be established in Foshan, Guangdong Province. We will also focus on capturing wide-ranging local demand throughout China with assertive pricing strategies.



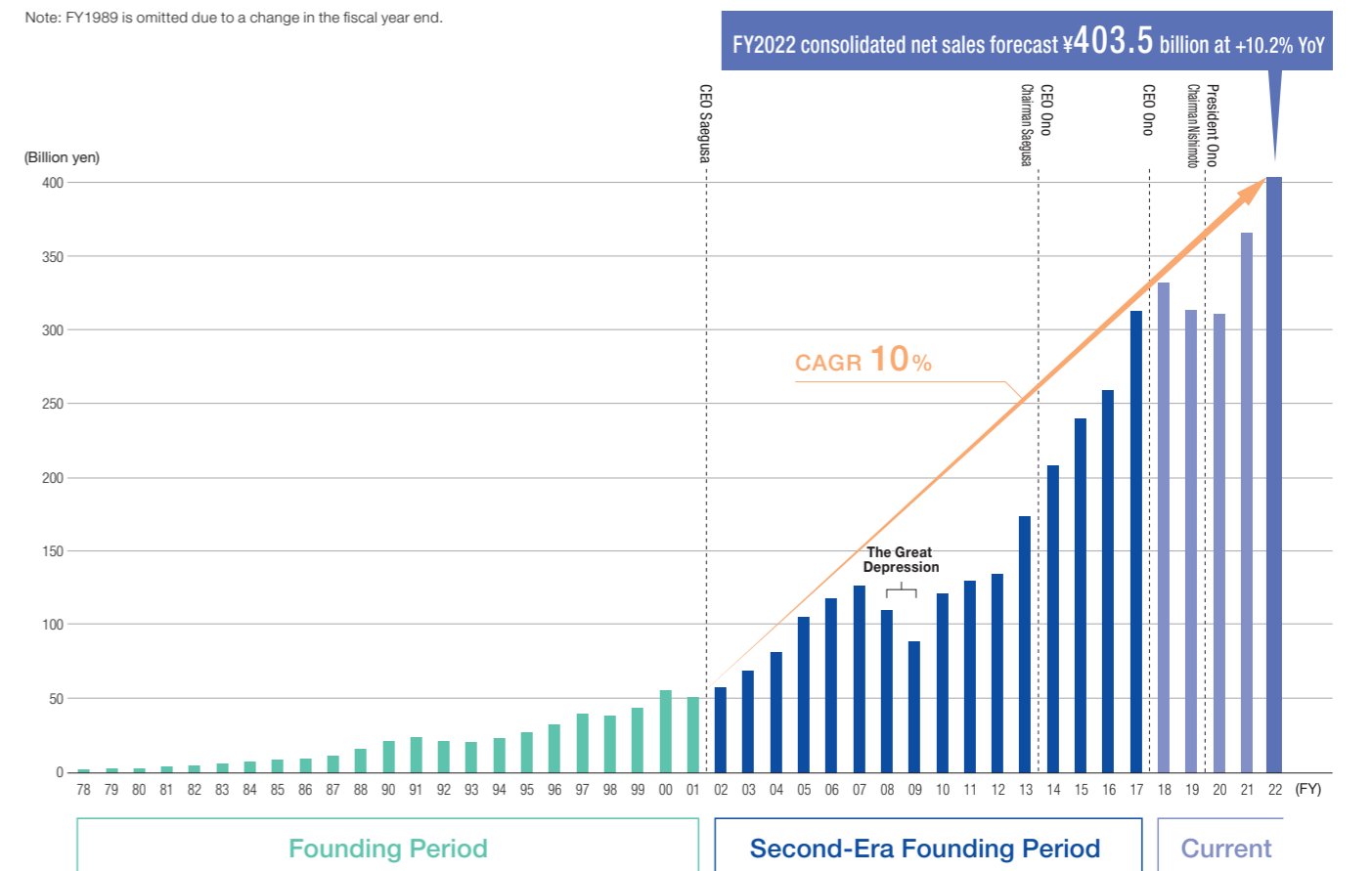
Promoting further resilience of the Business MODEL

Amid the ongoing recovery from the COVID-19 pandemic, MISUMI Group will strive to accurately capture the demand for automation that has recovered in all regions and will thoroughly continue the measures to improve profitability that we have been working on since last fiscal year. Although some materials and parts are restricted, we will leverage our

strengths in reliable and quick delivery to strengthen our Business MODEL. We look forward to your continued support.

MISUMI Group's Business Performance

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



Kosuke Nishimoto, Representative Director and Chairman
Ryusei Ono, Representative Director and President

The Reasons Why Customers Favor MISUMI

Manufacturing Business

MTO Advantages

MISUMI's catalog allows customers to specify the size of parts in microns, and including this variation, MISUMI oversees 800 sextillion (80 billion times 1 trillion) product items. Regardless of when, where, and in what quantity, MISUMI can deliver them via reliable and quick delivery.

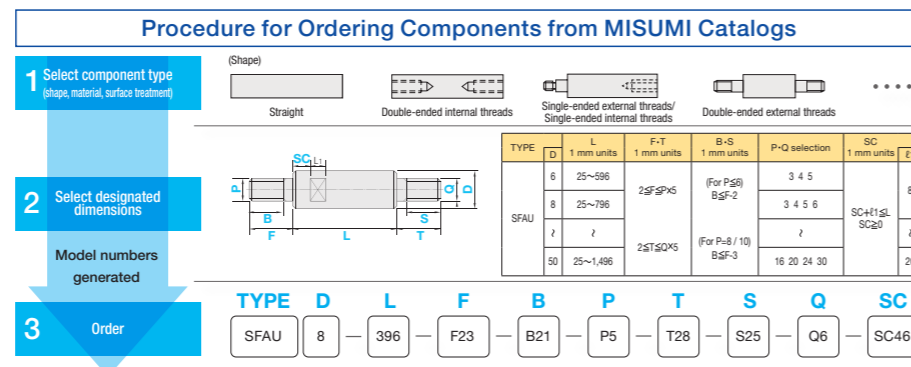
Fundamental Reform through Product Standardization

Underlying problems preventing streamlined manufacturing of automation-related equipment

Each structural component of equipment, jig, machine part, and die set is designed differently, and the designer must draw a diagram for each part, which requires a quotation, and orders must be placed with multiple parts processing manufacturers.

MTO (Make To Order) shortens standard delivery lead time

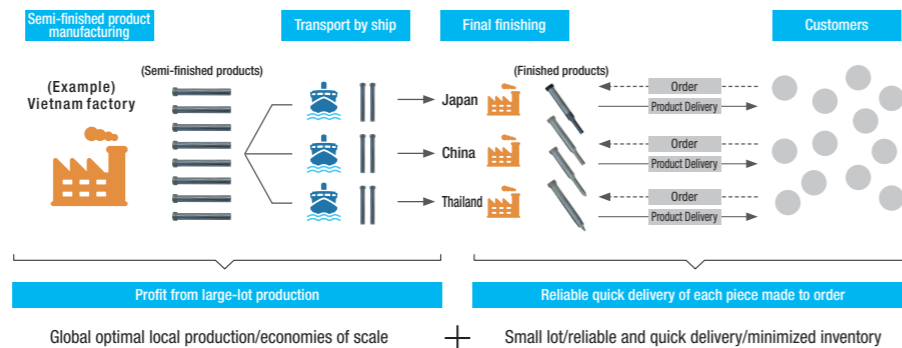
MISUMI's catalog lists "standardized" parts that are custom orders, and orders can be placed simply by selecting the dimensions and specifications of the parts from a list.



Realizing considerable time savings

Two contradictory yet co-existing competitive advantages

Semi-finished products are mass-produced at factories in Vietnam and other countries and finalized at the place of consumption by way of "reliable and quick delivery, with each piece made to order" according to the customer's specified order.

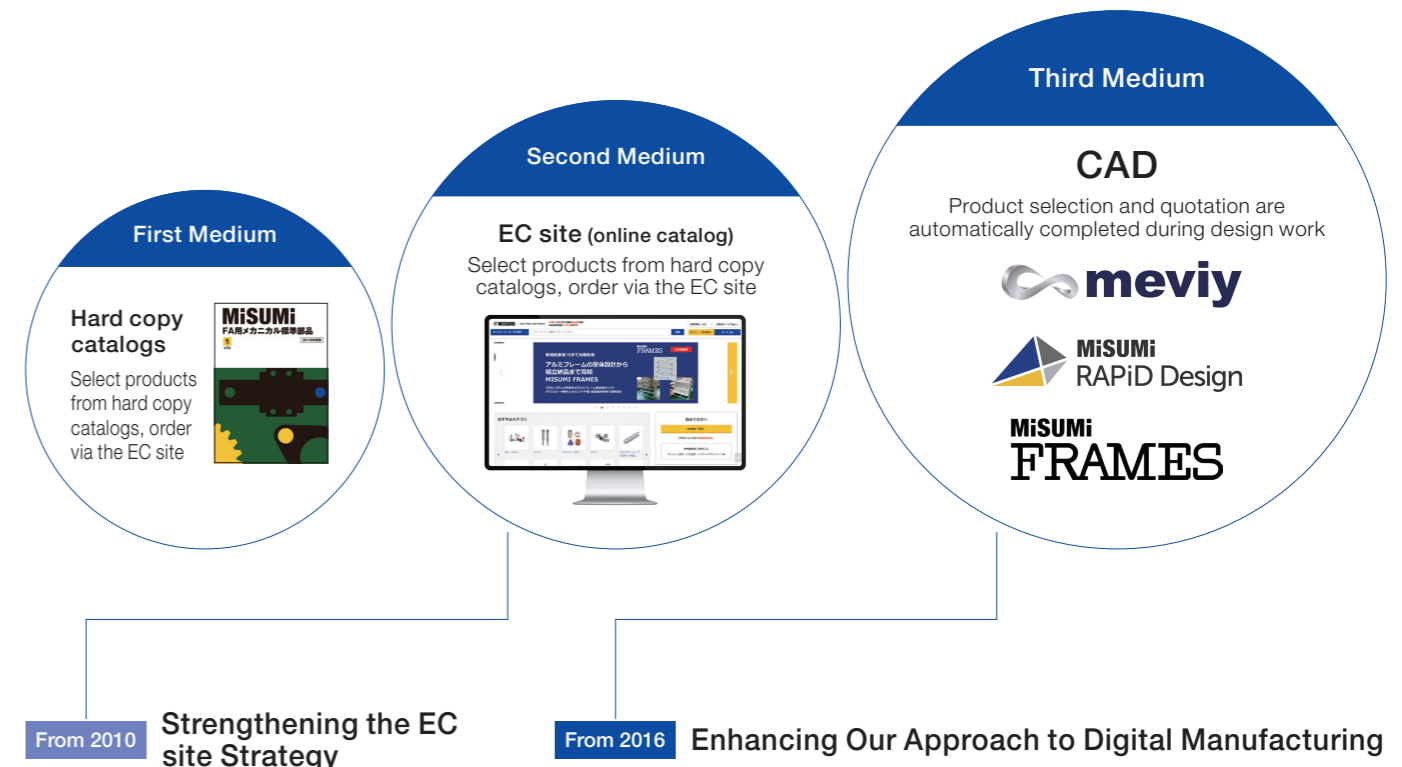


Abundant product variation, low cost, and reliable, quick delivery while minimizing inventory

Advanced Response to Digital Manufacturing

As use of digital manufacturing becomes increasingly pervasive at manufacturing and automation sites around the world, MISUMI is transforming the way it approaches digital manufacturing to aid customers' efforts in eliminating inefficiencies, such as, by offering a proprietary 3D-CAD linked (software) tool that provides superior time value that goes beyond the traditional hard copy and online catalogs.

Further Advancement of MISUMI's EC Infrastructure



We have been strengthened our EC site (online catalog) as the second medium after hard copy catalogs. Online catalogs enable an overwhelming advantage in product search and selection by securing full and instantaneous search responses for approximately 80 sextillion part configurations.

Positioning CAD, which is used by facility designers, as a third medium following the EC site, has driven the expansion of our 3D-CAD linked services. Utilized by numerous customers are "meviy," "RAPiD Design," and "MISUMI FRAMES" services. Going forward, we will promote digital transformation (DX) in manufacturing in parts procurement, and work to dramatically reduce time required for procurement by bolstering the way we approach digital manufacturing. By enabling customers to devote the time they save to their higher value-added core operations, we contribute to improving the quality and productivity of the manufacturing industry.

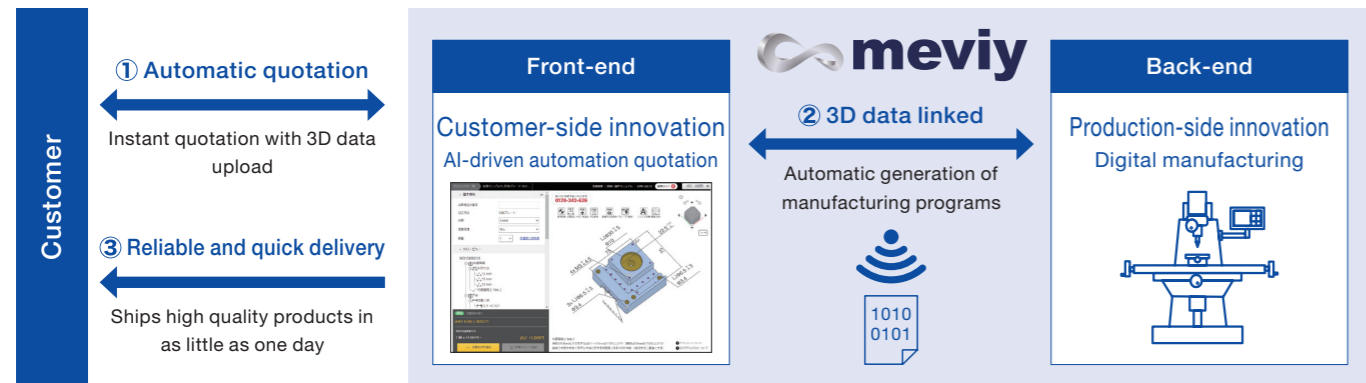
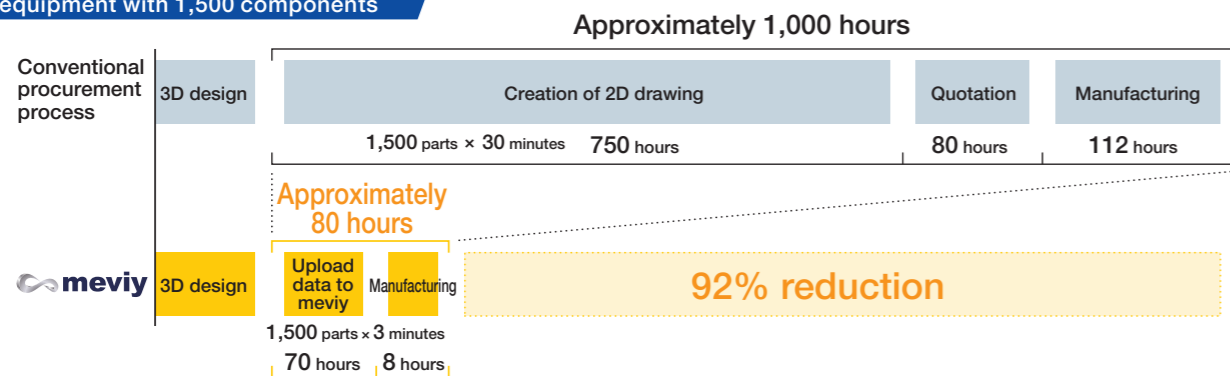


Procurement Reforms Realized by “meviy” Digital Parts Procurement Service

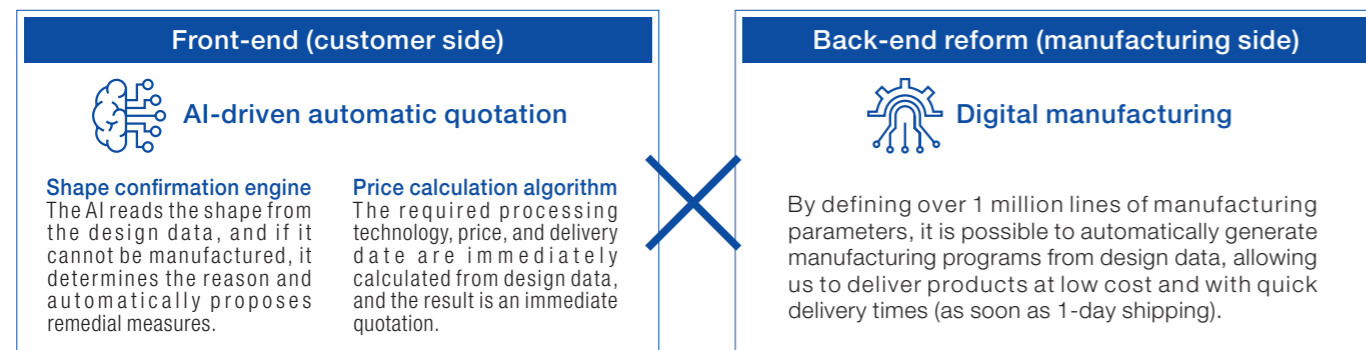
meviy digitalizes the process of providing quotation and manufacturing of mechanical parts, reducing the process from completing the 3D-CAD design to creating 2D drawings and obtaining quotes from them from dozens of hours to one minute. Furthermore, once the part’s design data (3D-CAD data) is uploaded, the AI immediately responds with the price and delivery date, and the automatic generation of manufacturing programs has made it possible to ship the part in as little as one day.

Even complex parts that are difficult to list in catalogs can now be procured easily using only data without human intervention.

Example: Parts procurement for equipment with 1,500 components



meviy, supported by two in-house innovations, “front-end innovation x back-end innovation”



Labor production reform is an urgent issue; reality at parts procurement sites

In Japan’s manufacturing industry, total working hours are shrinking significantly due to the decline in the working-age population and the trend toward reform of work styles, and “lack of time” is becoming a severe issue. In the value chain of manufacturing, while design, manufacturing, and sales productivity have been improved through digitalization, the “procurement” area, which remains an analog process, has become a bottleneck in improving productivity. Manufacturing equipment comprises thousands of parts, and when procuring complex machine parts that cannot be standardized, a lot of time is spent on drawing, estimating, and waiting. In this procurement area, it will be essential to solve issues faced through DX promotion in the future.



Starting Overseas Rollout, Accelerating the Pace of Further Innovation

Since its launch in 2016, meviy has expanded its product range and updated its service functions in response to customer needs. Currently, the number of meviy users exceeds 70,000 in Japan, and both users and sales continue to grow. 2021 marks the start of our global expansion, and we plan to further expand our business in regions with high demand for automated equipment design during the current fiscal year. In line with the global expansion, we are accelerating the innovation of our services, including a major revamp of the user interface, the launch of new pricing and delivery services, and the enhancement of CAD-linked functions, etc. Furthermore, through meviy, we will develop a platform that allows customers to easily procure parts from anywhere in the world and provide them with even more extraordinary “time value” to our customers.

Accelerating meviy Technology, Establishment of “DT DYNAMICS”

To expedite the development of meviy, MISUMI has established a joint venture company, DT DYNAMICS, with system development company Core Concept Technologies Inc. (CCT), with business operations starting on October 1, 2022. By combining the digital strategy promoted by MISUMI with CCT’s technological prowess in developing systems for the manufacturing industry using sophisticated 3D shape processing technology, we aim to accelerate meviy’s system development further and achieve further growth on a global scale. In addition, the two companies will work to advance existing services and create premium value by leveraging their respective forte.

Becoming a DX Driver in the Parts Procurement Domain

Working to find solutions to the issues of parts procurement by putting digital technology to use, “meviy” has received high acclaim in many fields for its innovation and contribution to the development of industrial society. In addition to receiving 10 prestigious awards, the Company has also grown to become a leader in DX in the industrial automation field, winning the No. 1 share* in Japan for two consecutive years for its online machine parts procurement service.

meviy Awards

- 2015 ● GOOD DESIGN AWARD
- 2019 ● CEATEC AWARD 2019 Smart X Category Grand Prix
“Award for Individuals Contributing to the Promotion of Information Technology”
The Minister of Economy, Trade and Industry Award
- 2020 ● “62nd Best 10 New Products Award” Main Award
“49th Japan Industrial Technology Awards”
The Minister of Education, Culture, Sports, Science and Technology Award
“Impress DX Awards 2019” Application Category Grand Prix
“The 3rd Nihon Service Award” JETRO Chairman’s Award
“36th Sokeizai Industry Technology Award” Director-General’s Award of the Manufacturing Industries Bureau, METI
- 2021 ● “9th Technology Management and Innovation Awards” Award of the Society for Science, Technology and Economics Chairman’s Award
“The 9th Robot Award” Japan Machinery Federation President’s Award



“62nd Best 10 New Products Award” presented at a ceremony held at the Keidanren Kaikan

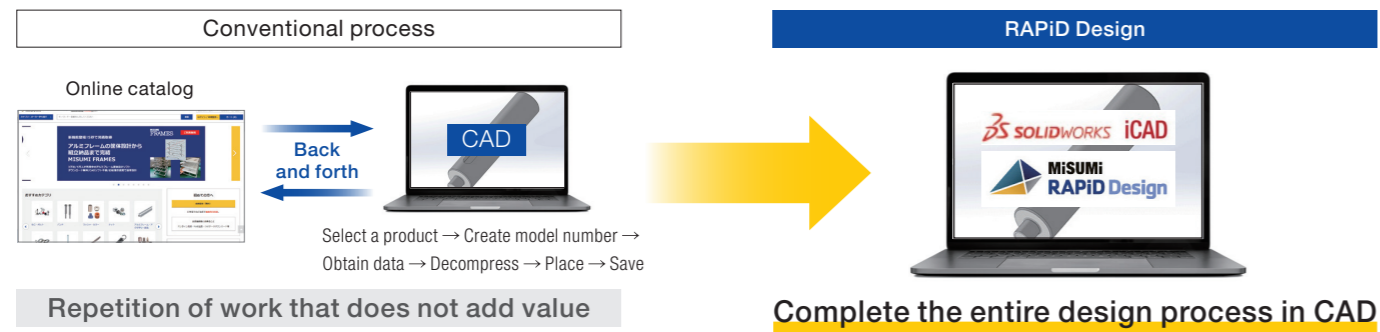
*Techno Systems Research Co., Ltd. data (2021)

MISUMI RAPID Design (RAPiD Design)

Reducing Design Time and Procurement Cost, 3D-CAD Data Library

RAPiD Design is a 3D-CAD data library software for components used in production, automation facilities, and equipment, and it is a service for factory automation designers. In the past, when customers were designing parts, selecting products, or quoting required a back and forth between CAD and online catalogs to download individual components, and was an inefficient and time-consuming process.

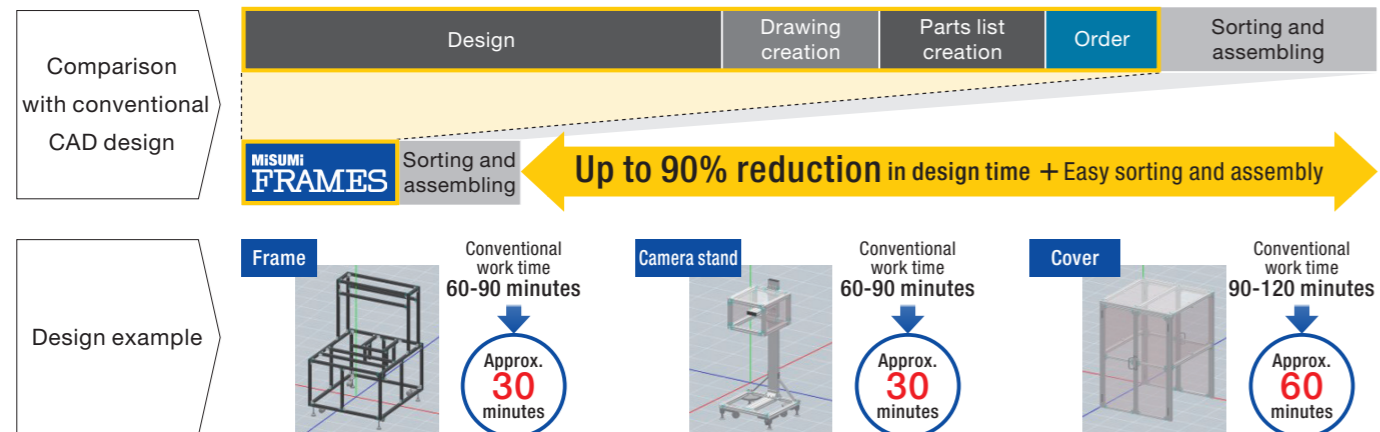
With RAPiD Design, the entire process from design to quotation is completed on CAD, eliminating the need for downloading and making specification changes overwhelmingly easy. By drastically reducing the number of burdensome operations, customers can concentrate on their core business of design and development.



MISUMI FRAMES (MISUMI FRAMES)

Enables Full-scale Enclosure Design with a Drawing Feel

MISUMI FRAMES is a free installation-type software that allows users to intuitively design and order casings using aluminum frames with simple mouse operations. It automates time-consuming tasks and reduces the time from design to order by up to 90% compared to conventional CAD software-based methods. Approximately two and a half years after the service was first launched, the number of users has exceeded 50,000 as the service continues to be updated with a renewed UI design and additional functions.



* Time required from design to creation of product model numbers, parts list, and drawings, based on MISUMI data

Distribution Innovation Driven by the VONA Business

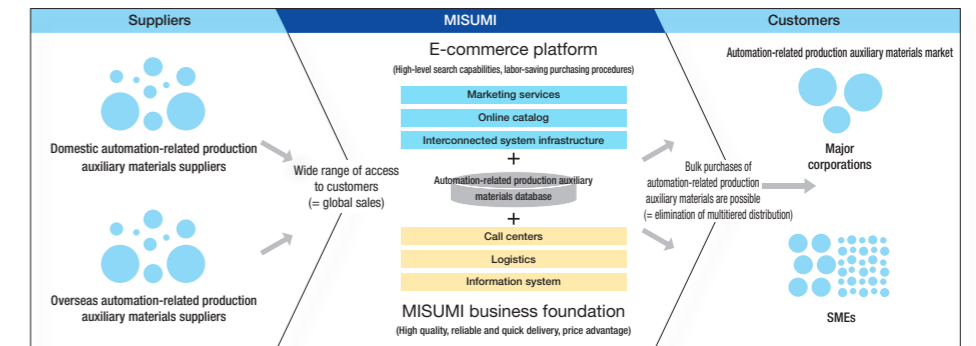
VONA, MISUMI's distribution business, was launched in 2010 as a platform to handle not only MISUMI brand products, but also third-party brand products, including tools, gloves, and other production auxiliary materials and consumables used in production and automation sites. We will continue to strengthen the brands and product lineups we handle to realize our vision embodied in the brand name VONA, or Variation & One-stop by New Alliance, and aim for global business expansion by continuously innovating our EC site.

Enabling One-Stop Purchasing of Automation-Related Production Auxiliary Materials

Having started the VONA Business, it has become possible to globally connect the requirements of customers who want to efficiently procure various products used at manufacturing and automation sites on a one-stop basis, with the needs of manufacturers of automation-related production auxiliary materials who seek expanded sales channels beyond their own sales network as suppliers.

Domestic manufacturers handled
Over 3,000 companies

We do business with more than 3,000 manufacturers in Japan, and boast the largest scale of product lineups for the manufacturing and automation industries.



Extensive Product Lineup

We are reinforcing our product lineup to promptly respond to customer needs, which vary by region.

In addition, we have built EC sites that are rooted in each region around the world. Today, we have EC sites available in 16 countries and in 12 languages, handling more than 30 million products with 80 sextillion part configurations, making it possible to easily search, make quotations and order from a rich product lineup.

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

* Optical & Scientific Technology

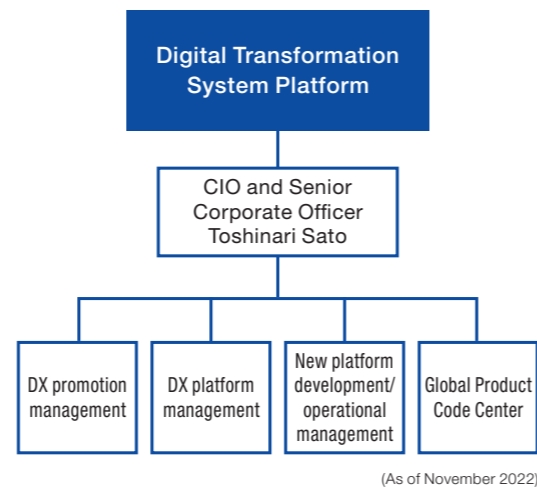
A Solid IT Infrastructure Supporting MISUMI's Business MODEL

Whether it be for made-to-order or in-stock items, we have the capability to instantly provide our customers with prices and delivery dates for a product variation of 80 sextillion part configurations via our e-commerce platform. Indispensable to achieving this is digital innovation, both on the customer-facing front end and Company-side back end, which at its core consists of the automation-related production materials database accumulated since the Company's founding. In accelerating a shift toward a Digitalized MODEL, we have built a robust IT infrastructure that supports manufacturing and distribution businesses.

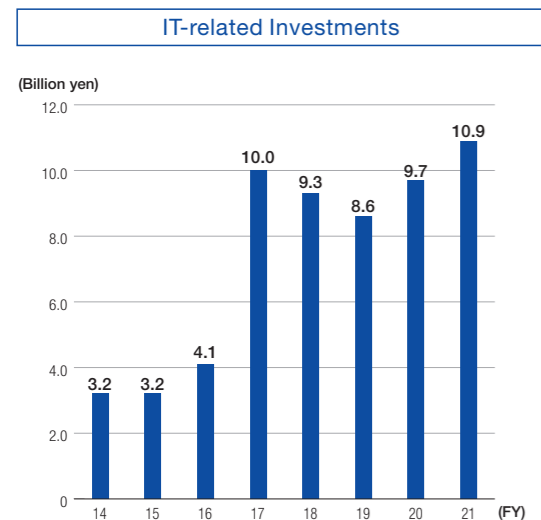
Establishment of the Digital Transformation System Platform

In October 2020, the Digital Transformation System Platform was established, where CIO and Senior Corporate Officer Toshinari Sato serves as Representative Corporate Officer, fortifying our IT organizational structure in pursuit of digital innovation. This platform is tasked to develop the core system, at the heart of MISUMI's Business MODEL and takes the lead in promoting DX throughout the Company. We are also working to build a stable IT infrastructure common to all regions, including an IT organization of cross-divisional collaboration that spans the globe.

In addition, the organization supports MISUMI's mission of "globally reliable, quick delivery" through a wide range of initiatives, such as ramping up development cycle speed and enhancing security. We will continue to proactively bolster our organizational structure and secure IT talent in line with building the IT infrastructure that will support further growth.



Accelerate IT Infrastructure Reinforcement through Proactive Investments that Support Further Business Growth



We have positioned "fortification of the IT infrastructure" as an essential assertive measure for sustainable growth and are actively working on IT-related investments. As a main initiative, in fiscal 2017, we will globally develop EC sites optimized for customer needs in each region, customize screen designs and functions according to the business practices of each country, and improve searchability to enhance convenience further. In addition, in fiscal 2019, we finished moving the system entirely to the cloud. In addition to reducing costs, the realization of cloud computing has further improved the reliability and flexibility of core systems and networks. In addition, by utilizing this stable network, from fiscal 2021, we will start the full-scale renovation of the core system at all subsidiaries. We aim to improve the development efficiency of more innovative services that realize the thorough elimination of inefficiencies for industrial automation customers.

We will continue our efforts to further fortify our IT infrastructure by incorporating the most appropriate cutting-edge technologies in anticipation for sustainable growth.

The "Core System" that Governs Time-based Strategy is being Completely Revamped

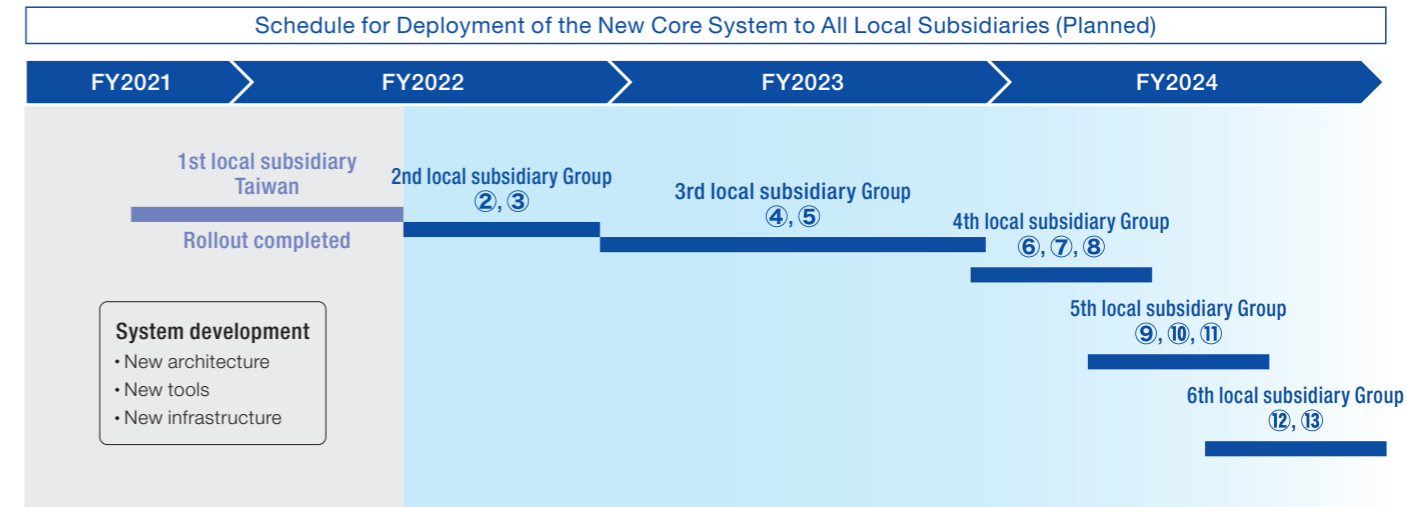
As a significant step in a series of transformations to become an automation-related production materials 'platformer', we have begun a full-scale renewal of our core system. Furthermore, as an important initiative for future Business MODEL innovation, we plan to invest 20 billion yen to expand our business worldwide.

This will provide to customers a simplified, user-friendly interface, while also incorporating reliable and quick deliveries within decoupled global supply chains, as well as operational reengineering that further advances visibility for this. In this way we can offer higher value-added services to customers.

In addition, we aim to triple the speed of function development and reduce development costs to one-third of the previous level to support the quick turnaround of the business, and to improve stability and reliability; advancing to a more robust global IT infrastructure that covers the world.

In terms of technology, MISUMI is actively exploring and introducing advanced technologies from around the world and is promoting technological innovation to contribute to the future advancement of the MISUMI MODEL.

The rollout in Taiwan is complete, and we will continue our efforts to expand to other Asian subsidiaries, as well as Japan, the Americas, Europe, China, and other regions.



Enhancing In-house Training to Heighten IT Literacy

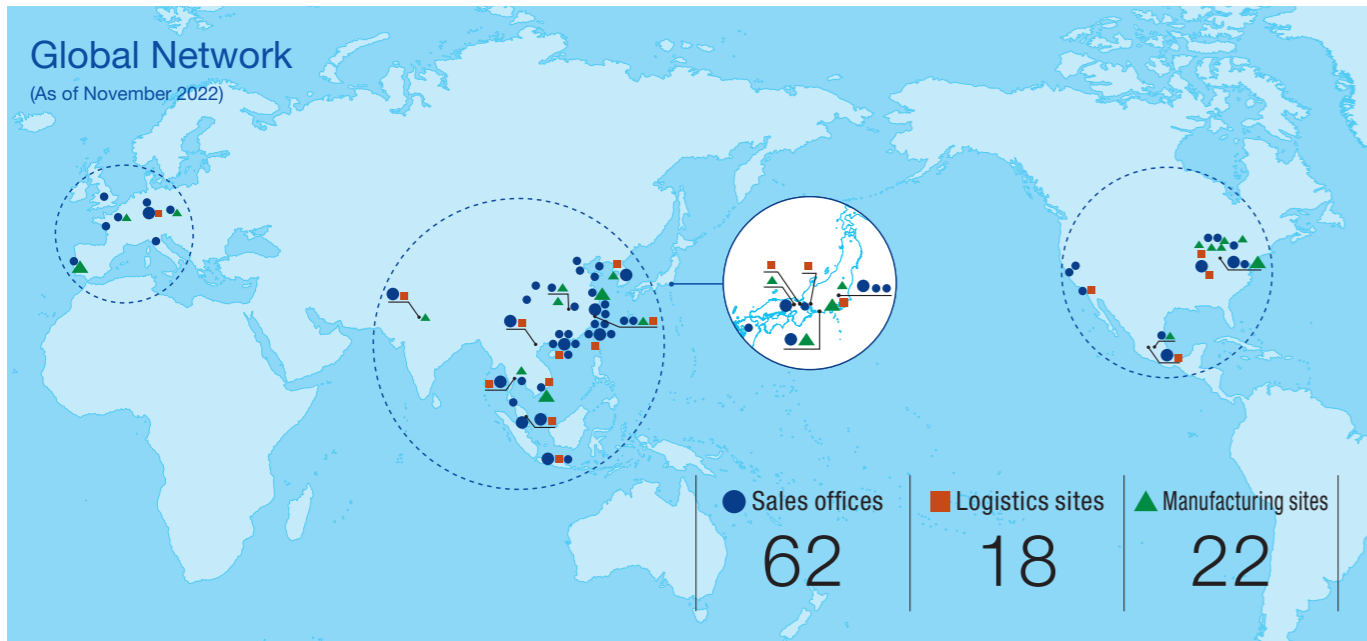
To promote DX Company-wide, we are endeavoring to raise the level of IT literacy among employees throughout the Group. It is essential that employees not only increase their security awareness, but also boost their IT literacy, including the ability to utilize IT.

We are enhancing our educational content to be more practical, directly related to actual work, and tailored to each application, such as courses for all employees and courses for developers. We are also ramping up efforts to streamline business processes by enhancing employees' project management skills and promoting the use of RPA and data analysis.



Enhancing Our “Globally Reliable, Quick Delivery”

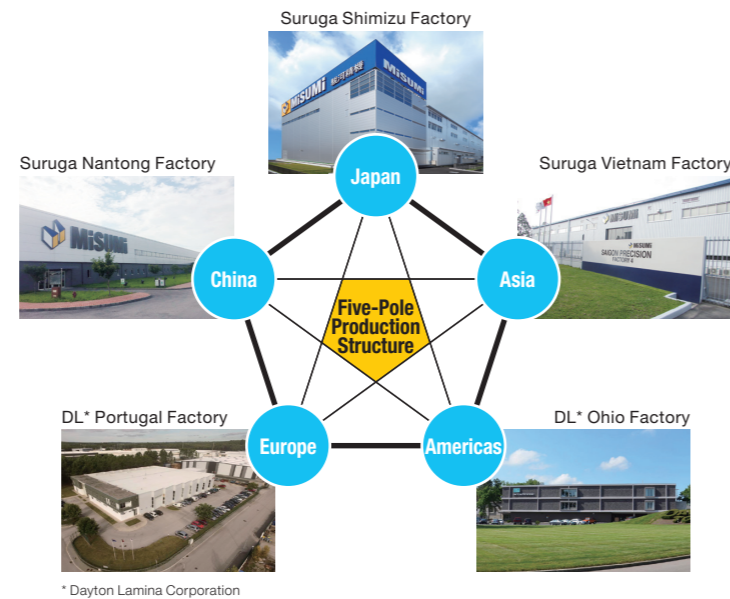
To further bolster competitiveness and ensure a stable supply of products, it is essential to establish a reliable and quick system on a global basis. Therefore, to stay ahead of the curve in responding to strong demand for automation, we will enhance our five-pole production capacity in the five regions of Japan, China, Asia, the Americas, and Europe, as well our global logistics system to capture demand for quick delivery.



Manufacturing Foundation

Five-Pole Global Production Structure

MISUMI Production System (MPS), developed in Japan, has been horizontally expanded overseas, transforming into a global five-pole production system. This system ensures reliable and quick delivery of products by manufacturing at the factory closest to the customer, which allows us to switch production factories immediately in case of emergency, raising the level of supply assurance to our customers.



Thorough Pursuit of “Time Value” with In-house Developed Machinery

MISUMI has constantly innovated its proprietary technologies to reduce lead times in its unique “variable mix and quantity” production system. It has been accelerating process improvements through in-house development.

Our in-house developed machine (punch processing) has realized automation and process integration, enabling processing “anywhere,” “by anyone,” and “at the same time.” In the past, different manufacturing processes had to be handled by different facilities and employees. After introducing the machinery developed in-house, we significantly reduced the required equipment and human resources, dramatically reducing lead time.

We will continue to thoroughly pursue “time value” and further bolster reliable and quick delivery.



Logistics Foundation

Leveraging Automation to Dramatically Improve Productivity Developing a New Logistics Site MODEL for Global Roll Out

We are working to innovate our logistics operations on a global scale to build a more stable supply system.

In 2017, with the opening of the Central Japan Distribution Center, we introduced state-of-the-art automated operations to create a new logistics MODEL for global expansion. The use of automation has resulted in productivity improvements of more than 50% compared to existing locations. In addition to sites in Europe and the Americas where the MODEL’s rollout has already been concluded, plans are for deployment to East Japan and China. In addition, we will continue to increase the number of stock able items by expanding our sites and strengthening our global logistics infrastructure through productivity improvement (quality) and site expansion (quantity).

In addition to demanding quick delivery, customers strictly evaluate whether delivery is “reliable” or not. By introducing automation and operational innovation, we will achieve a higher level of reliable, quick delivery to win further customer trust.



Central Japan (Aichi)



Europe (Germany)



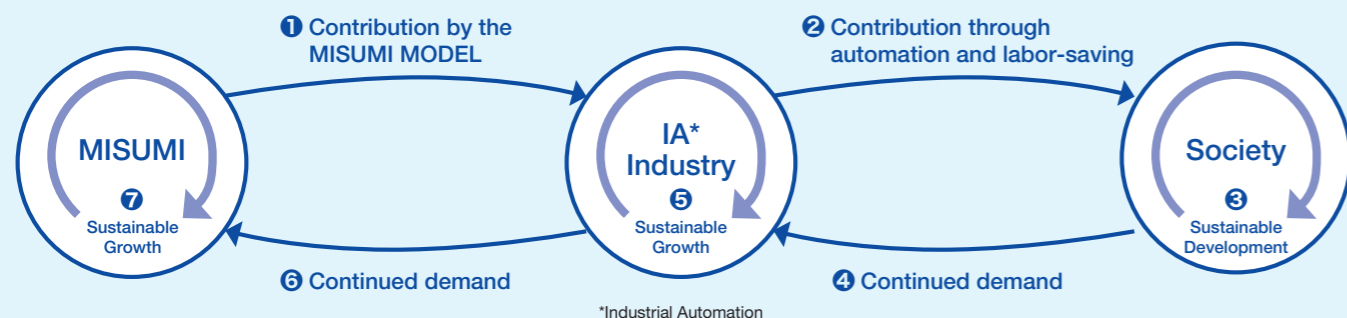
Americas (Ohio)

Basic Policy of Sustainability

MISUMI Group has developed a unique Business MODEL which encompasses businesses like “FA” and “Die components” with business like “VONA” which distributes a wide range of products from production auxiliary materials to consumables.

Our business is focused on the industrial automation industry. We contribute to eliminating inefficiencies in this industry by helping customers and suppliers eliminate waste of all kinds. In addition, the industrial automation industry has realized automation and labor-saving of various economic activities and is indispensable in contributing to the sustainable development of society. The sustainable development of society creates demand in the industrial sector, creating new opportunities for MISUMI.

By contributing to the establishment of this cycle, the MISUMI Group aims to support the sustainable development of society and industry and achieve sustainable growth for the company itself.



Our approach to sustainability

We contribute to the development of the industrial automation industry by eliminating inefficiencies in the entire supply chain and business processes from the “time” perspective. We have built a supply chain that serves more than 300,000 customers globally. We provide “time value” that reduces various wastes and man-hours in the industrial world by realizing “reliable and quick delivery”. To continuously improve the value of time, we are constantly innovating and developing our Business MODEL, including businesses, products, and services. At the same time, we are working to strengthen our business infrastructure, including production, logistics, and IT, and the establishment of human resources infrastructure to support this Business MODEL.

Initiatives to support the sustainable growth of the industrial automation industry

The parts for automation equipment and devices are unique. Creating drawings, quotations, processing, and procuring parts are complicated and require extended delivery times, resulting in highly inefficient work. By standardizing the parts to be manufactured to order for automation equipment and devices, we eliminate the need to create drawings and significantly reduce the time spent on inefficient work for our customers. In addition, by realizing reliable, quick delivery on a global scale, even for a single part, we can reduce unnecessary inventory and eliminate production and operation opportunity losses. Furthermore, by providing digital services linked to 3D CAD, we have reduced the amount of waste and man-hours involved in the procurement process by approximately 90%, reducing energy consumption. We have also contributed to promoting the effective use of resources by eliminating paper drawings.

We will continue to contribute to the sustainable development of society through “time innovation” in the industrial automation industry.

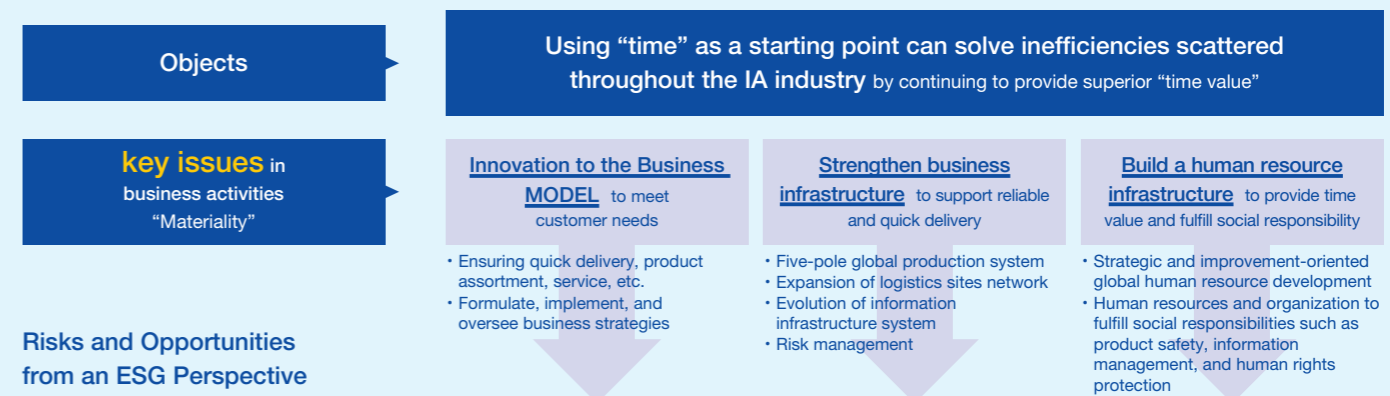
Contributing to the Sustainable Development of Society

Our business development provides added value that reduces resource input and consumption in the industrial automation industry. By fundamentally eliminating all kinds of “waste” for our customers and suppliers, we contribute to accelerating the transition from conventional mass production, mass consumption, and mass disposal to a circular economy.

In addition, we are actively adapting to ESG promotion, which is a social demand, and we strive to prevent global warming and other climate changes through our business activities. In addition to our own company, we respect the diversity of cultures, histories, human rights, and human resources in the countries where our customers and suppliers are involved. We will continue to contribute to developing a sustainable society in cooperation with our stakeholders.

Our Key Issues in Sustainability

- In determining the key issues, we identify the most important issues for the sustainable growth of our business activities. We set out the issues for our business as well as the issues for fulfilling our social responsibilities for each issue.
- In addition, risks and opportunities associated with key issues are extracted from the many issues from an ESG perspective.
- Based on the process described above, the key issues decided through discussions at the Board of Directors meeting.



Risks and Opportunities from an ESG Perspective

ESG Category	Risks	Opportunities
Environment	<ul style="list-style-type: none"> Risk: Impact on IA industrial activities and execution of MISUMI's business strategy Risk: Impact on MISUMI's supply chain (Threat to the continuity of reliable and quick delivery) 	<ul style="list-style-type: none"> Opportunity: Increasing demand for automation Opportunity: Labor productivity reform and efficiency demands
Society	<ul style="list-style-type: none"> Risk: Restrictions on supplier transactions, product assortment Risk: Increased production costs, product assortment Risk: Under-utilization of human resources 	<ul style="list-style-type: none"> Opportunity: Diversification of automated equipment components due to globalization and blocking Opportunity: Interest in products and services to solve social issues Opportunity: Importance of human capital such as specific knowledge
Governance	<ul style="list-style-type: none"> Risk: Execution and oversight of MISUMI's business strategy Risk: Technology threats to information assets Risk: Technology threats to information assets 	<ul style="list-style-type: none"> Opportunity: Increased need for BCP measures

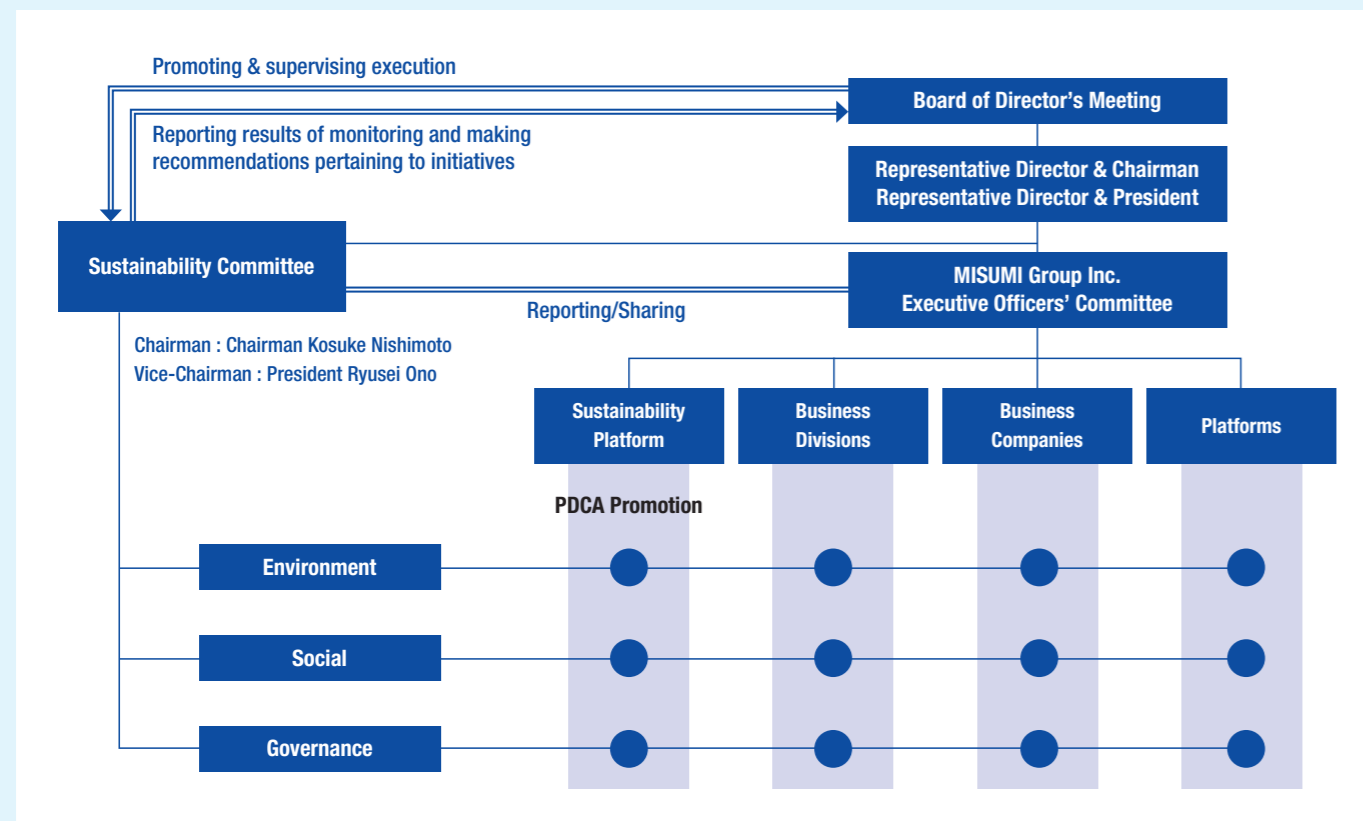
Establishment of the Sustainability Committee

MISUMI Group Inc. has resolved at the Board of Directors meeting to establish a “Sustainability Committee” from October 1, 2021, chaired by the Representative Director and Chairman, the Representative Director and President as Vice-Chairman, to further strengthen its sustainability initiatives.

This Committee formulates the basic sustainability policy of the Company, verifies the management plan and management policy, reports and makes recommendations regarding initiatives that address social issues to the Board of Directors.

To promote ESG management horizontally across the entire Group, the Sustainability Committee, under the supervision of the Board of Directors, cooperates with Business Divisions, Business Companies, and Platforms which are the Group’s executive organizations to monitor ESG-related goal setting, progress, and evaluations, etc. and continue to develop sustainability initiatives.

Sustainability Management System



Supporting the Task Force on Climate-related Financial Disclosure (TCFD) recommendations

MISUMI Group Inc. declared its support for the TCFD recommendations established by the Financial Stability Board, and its participation in the “TCFD Consortium” organized by companies that support TCFD recommendations.



Environmental Initiatives

MISUMI Group's Basic Environmental Policy

Our business development provides added value that reduces resource input and consumption in the industrial automation industry. By fundamentally eliminating all forms of "waste" for our customers and suppliers, we contribute to accelerating the transition from conventional mass production, mass consumption, and mass disposal to a circular economy.

We will work to prevent global warming and other climate change measures through our business activities, manage and implement environmental measures in the total supply chain, including suppliers, and promote environmental management that includes product quality and safety.

1. Reduce social/environmental impact and prevent pollution in business activities
2. Comply with environmental laws, regulations, and other requirements
3. Regularly review environmental goals and continuously improve on them

*Our activities comply with ISO 14001: 2015

Environmental Promotion Structure

Efforts to address environmental issues focus on environmental policy formulation, GHG emissions, toxic substances, water resources, waste, and environmentally conscious products. The Sustainability Committee cooperates with Business Divisions, Business Companies, and Platforms, which are the Group’s executive organizations, to monitor progress and evaluations and develop sustainability initiatives.

Climate Change Initiatives (Align with TCFD, Greenhouse Gas (GHG) Emissions)

Approach to Climate Change Initiatives

MISUMI Group Inc. announced its support for the TCFD recommendations in September 2021. That same month, the Company made an announcement to join the TCFD Consortium of companies that support the TCFD recommendations. MISUMI then began formulating strategies for climate change initiatives focusing on the Manufacturing Businesses, which have significant environmental impact. These initiatives include conducting an analysis based on the two scenarios of temperatures rising 1.5 to 2 degrees Celsius or temperatures rising 4 degrees Celsius, identifying transition risks, physical risks, and opportunities under each scenario and addressing the impacts on the businesses of each scenario.

This document represents the primary components of a corporate climate change policy. These components include the establishment of risk management processes for risk identification, assessment, and mitigation, quantified risk and opportunity assessments, as well as action to establish a progress assessment mechanism. These disclosures according to the TCFD recommendations are based on details approved by the MISUMI Board of Directors on March 17, 2022.

During the current fiscal year, we will further compile analyses and results, with the intention of updating the details in May 2023.

Going forward, MISUMI will fully disclose information related to climate change, in line with the TCFD framework, and through our business activities, we will act to counter climate change by mitigating global warming and contribute to the development of a sustainable society.

Identifying Risks and Opportunities

Transition Risks

MISUMI views major risks as including increased sales prices and transportation expenses due to power consumption constraints and rate hikes; a reputational damage from insufficient disclosure of information on GHG emission reductions.

Category	Subcategory	Specific Potential Business Impact	Severity
Policy, regulations	Introduction of carbon pricing	Increased costs of introducing carbon taxes and emissions trading schemes for production auxiliary materials	Small
	Strong regulations on power conservation and GHG/emissions	Suspended power supply due to Chinese government energy consumption regulations	Large
		Requests by EU companies to disclose GHG emissions to non-EU companies	Large
Technology	Degraded performance of existing products and lower market competitiveness	Production auxiliary materials and services become less competitive due to lower environmental performance compared to rivals	Medium
	Delayed product development investments and lower market competitiveness	Lower market competitiveness and lower revenue due to delayed technology development investments to make production auxiliary materials and services more sustainable	Large
Market	Changes in customer behavior	Decline in customers due to environmental consciousness impacting purchasing decisions	Small
		Decline in customers due to insufficient disclosure of climate change information	Large
		Decline in customers from higher product sales prices accompanying rising costs caused by soaring metal prices	Large
	Increased cost of enhancing environmental performance of own products	Higher costs associated with calculating GHG emissions from production auxiliary materials and services	Small
	Higher raw material costs	Higher transportation costs from higher gasoline prices and the introduction of fuel-efficient vehicles	Large
Reputation	Reputational damage among investors and other stakeholders due to insufficient responses	Damaged reputation among stakeholders due to insufficient disclosure of climate change information	Medium

Physical Risks

Although enormous damage to business locations is projected, we are hedging risks by dispersing production between multiple locations. On the other hand, some suppliers of externally procured products have not taken measures against anticipated harm, so we believe there are still risks from disaster damage.

Category	Subcategory	Specific Potential Business Impact	Severity
Sudden	Suspended business from violent storm and flood damage	Delayed procurement and suspended production from disaster damage to our production sites at risk from typhoons, tsunamis, flooding, etc.	Large
		Suspended functions from disaster damage to our non-factory locations at risk from typhoons, tsunamis, flooding, etc.	Large
		Delayed procurement and suspended production for suppliers from disaster damage caused by typhoons, tsunamis, flooding, etc.	Large
	Damage at our business locations from violent storm and flood damage	MISUMI assets lost from typhoons, tsunamis, flooding, etc.	Medium
Increased recovery costs accompanying damage to facilities caused by typhoons, tsunamis, flooding, etc.		Medium	
Chronic	Higher costs from revising procurement networks due to rising sea levels	Costs from relocation and other responses to reorganizing current business locations due to rising sea levels	Small
	Higher energy costs from rising average temperatures	Higher energy costs from increased air-conditioning use that accompanies rising temperatures	Small
	Altered long-term weather patterns due to climate change	Suspended factory operations due to intensified water and raw material shortages accompanying the effects of climate change	Medium
Costs arising when we expand our global network to cope with frequent natural disasters		Medium	

Opportunities

MISUMI views changes to products and production processes for customers' decarbonization as a future opportunity to expand sales. Furthermore, the Business MODEL MISUMI has built can contribute to strengthening social resilience against natural disasters.

Category	Subcategory	Specific Potential Business Impact	Severity
Resource efficiency	Lower costs from MISUMI implementing energy and resource conservation	Receipt of tax exemptions, subsidies, and grants for reusing and conserving energy at our business locations that use our technology	Small
		Installation of equipment to reduce power consumption in the production phase	Small
		Improved processes at our factories and logistics facilities from data analysis that utilizes equipment diagnostic systems to reduce CO ₂ emission	Medium
Energy sources	Renewable energy sources	Lower costs and expenses by using affordable renewable energy sources	Large
Products and services	Higher demand for our products that contribute to conserving energy and reducing GHGs for customers	Higher demand for products and services that contribute to conserving energy and reducing CO ₂ for customers	Large
	Promoting value from our products' improved environmental friendliness	Development and sale of products that reduce GHG emissions, such as by recycling our products	Large
		Increased demand for products that use carbon-free metals	Medium
	Higher demand for our products that contribute to improving disaster resilience	Increased demand for highly corrosion-resistant and durable products that don't age easily, even under higher temperature from global warming	Medium
Expanded sales by establishing globally optimal production and reliable quick delivery that contribute to prompt recoveries for customers suffering disaster damage		Large	
Market	Expanded market for environmentally friendly products	Efficiencies gained by a modal shift from a focus on quick delivery and its costly shipments (i.e., from shipping by air to highly efficient rail and ships)	Small
Resilience	Efficiency gains and process design	Sustained delivery functions through logistics sites that are resilient against storms and flooding	Small

Scenario

Scenario: Temperatures 1.5-2 Degrees

An analysis of a scenario in which temperatures rise 1.5 to 2 degrees Celsius shows that our industry would also be affected by national decarbonization policies in response to the rising temperatures.

First of all, a zero-carbon society would likely impose a greater burden. Although our main products would incur some degree of carbon taxation, we believe this would be limited due to the nature of the products.

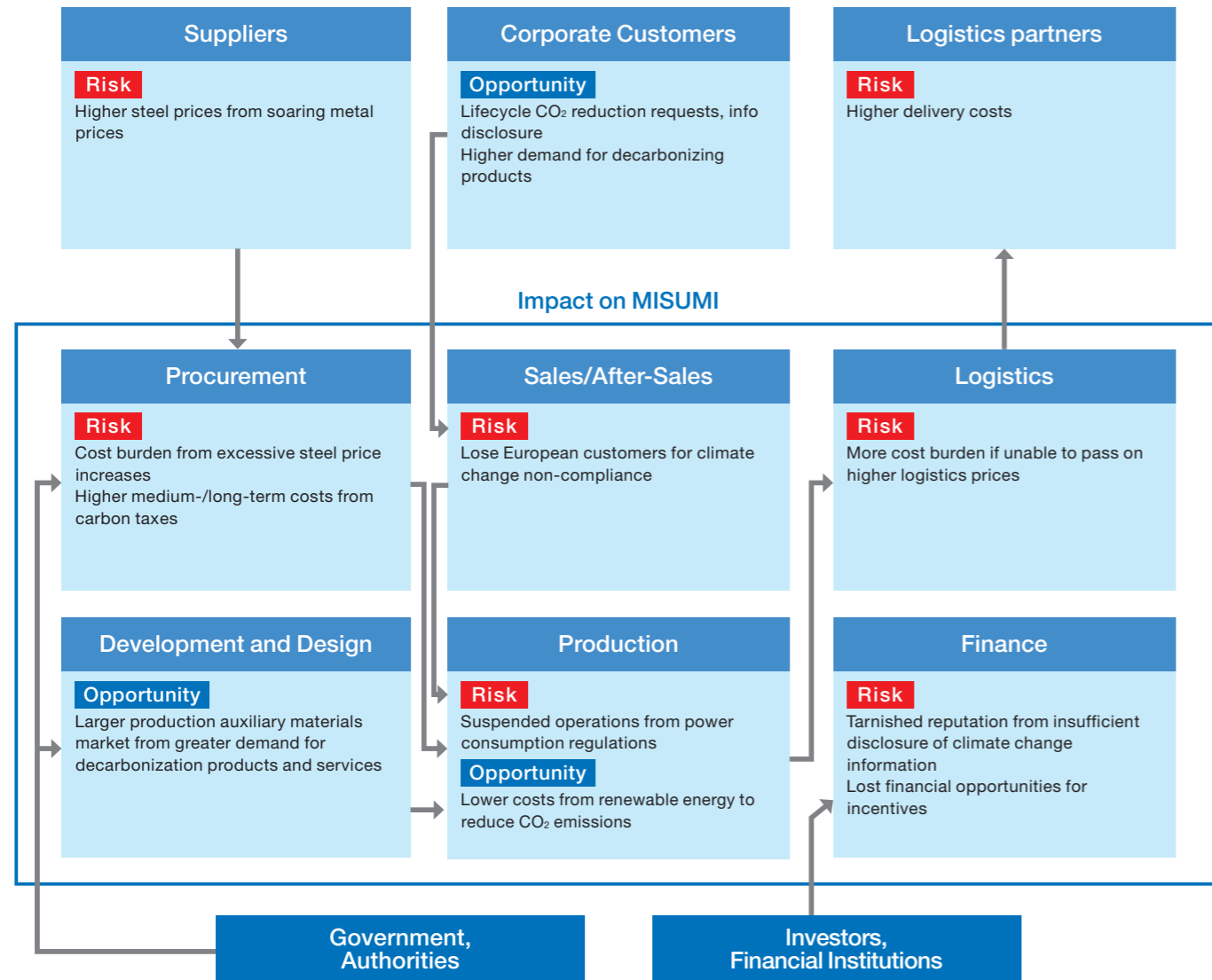
On the other hand, with regard to stronger energy conservation regulation we have seen from governments in China and elsewhere, if a company with locations in the area were to be subject to an order to stop supplying power or suspend a project, our global network of 102 sales, logistics, and production facilities may have to reduce or halt operations. In our primary markets like the automotive industry, there is progress in disclosing information and requesting reductions concerning greenhouse gas emissions. A slow response to this development could mean we fail to meet customers' purchasing criteria, or there could be a risk of damage to our trustworthiness and reputation among shareholders and other stakeholders. Elsewhere, we expect the decarbonization trend to boost demand for electronic appliances and lightweight products and to significantly push up costs for the raw materials in our products. In addition, quickly rising fuel costs and the introduction of technology like EV trucks could impact our delivery cost structure.

If temperatures rise 1.5 to 2 degrees Celsius, customers may change their purchasing decisions while society and industry in general maintain climate change measures.

We expect higher demand from customers for efficiency such as labor productivity reforms and energy cost reductions.

MISUMI Group's Business MODEL encourages a faster transition to a recycling-based society by eliminating excess production and idle time at customers' worksites.

Improving the Business MODEL with MISUMI Group's advantage of reliable quick delivery will support the sustainable development of the entire industrial automation industry.

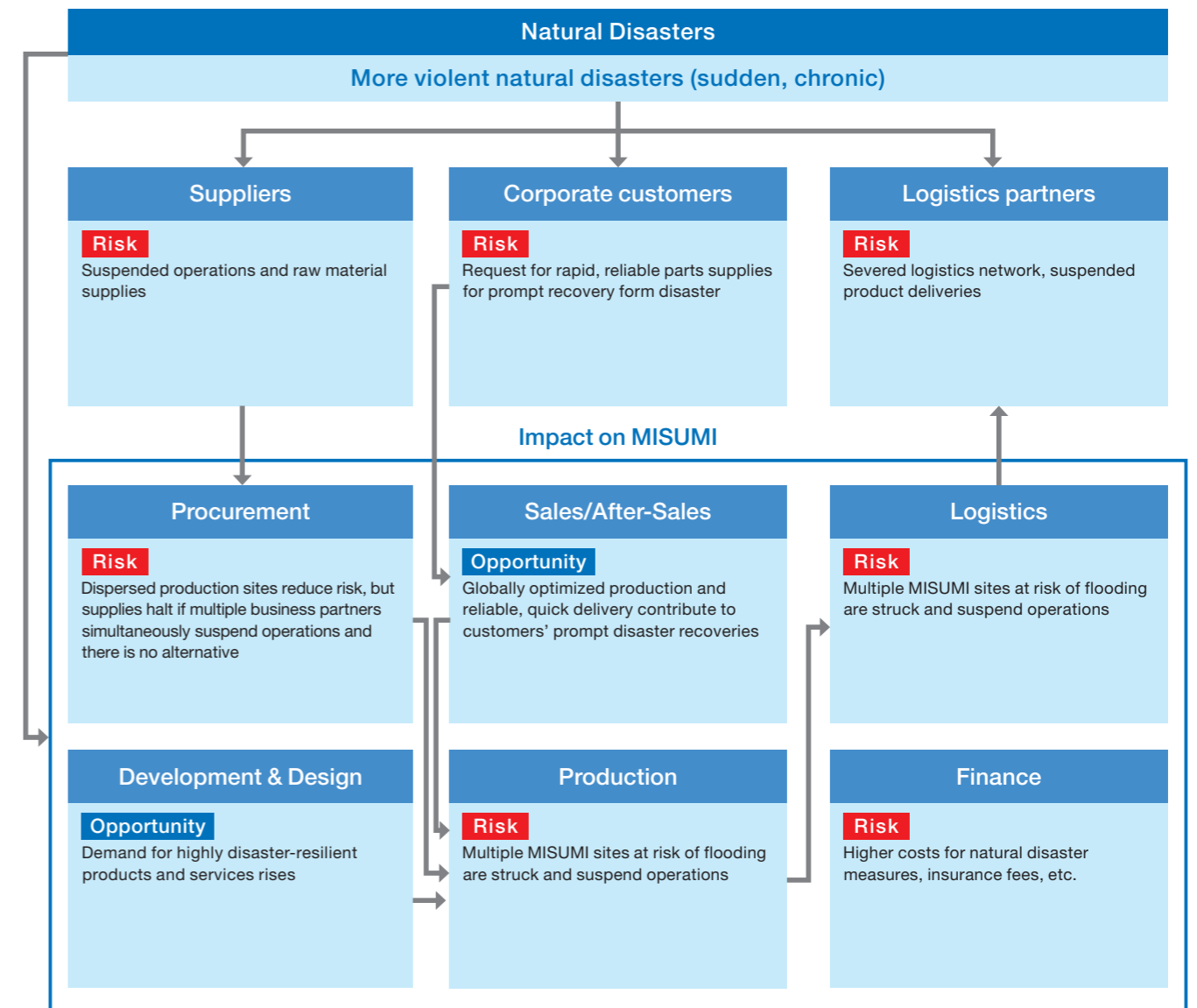


Scenario: Temperatures 4 Degrees

An analysis of a scenario in which temperatures rise 4 degrees Celsius shows decarbonization policies would not strengthen, average temperatures would continue to rise, and natural disasters would become more destructive, thus raising physical risks.

MISUMI does business not only in Japan, but also China, elsewhere in Asia, Europe, and the Americas. The Company has built a global network of 102 business locations. If a location were to be struck by a natural disaster such as a typhoon or flood, it may suspend operations and harm assets such as our product and semi-finished product inventory, mechanical devices, and logistics equipment. The globally optimal production and reliable quick delivery MISUMI has developed could also connect to a response to these risks. In addition, we believe that demand from customers and industry will increase for products and services that stand up well to temperature increase measures and disasters.

Globally optimal production is a system we built to disperse production sites around the world for optimization that determines what site will produce a customer's order when it is received. Therefore, the production system is very resilient during disasters. Reliable quick delivery is a system we built to significantly reduce customer time and effort involved in placing orders and to reliably meet deadlines. Therefore, we believe it can contribute to prompt reconstruction and recovery for industry in general during disasters.



Review of Measures

Based on the results of the scenario analysis, we considered what direction to take with climate change measures. During that discussion, we assigned priority to two categories: necessary measures that can be taken quickly, and measures for which plans are implemented gradually.

Priority	Direction of Measures		
High	Market research	Short-term	<ul style="list-style-type: none"> Build information networks to infer behavioral changes, and take action on ways to address environmental issues for each region and customer Market products that comply with energy consumption and GG emission regulations before they come into force
	Change and replace specifications and designs for environmental product and service development	Medium-term	<ul style="list-style-type: none"> PR and supplies of necessary components in conjunction with customer-led final product development Conduct necessary development and investment while responding to the needs of an environmentally conscious society
	Improvements to globally optimal production and reliable quick delivery	Long-term	<ul style="list-style-type: none"> Monitoring of carbon pricing in countries where MISUMI does business Develop models for prompt recovery and proper supplies in the event of disaster damage and stoppages at business locations
	Investor engagement	Long-term	<ul style="list-style-type: none"> Stronger communication for PR and publicity directed at investors
Medium	Select appropriate suppliers	Medium-term	<ul style="list-style-type: none"> Reduce costs by lowering purchase quantities and VA to lower the cost of materials expected to rise steeply in price Ascertain the technology Select and ensure steady procurement from renewable energy providers

Risk Management Process

In FY2021, MISUMI identified risks and discussed countermeasures. We referenced the scenarios and categorized the risks into transition and physical risks. Each division, company, and platform held discussions among business managers. We prepared a system for monitoring climate change and defined indicators. Meanwhile, we implemented methods to verify progress on countermeasures and revise them as needed.

Risk priorities were assigned by taking into account the likelihood of financial impact, the size, and when the risk would arise. We will build a risk management system that takes into account the fact that CO₂ emissions from energy use are relatively higher among our customers than at MISUMI.

The divisions, companies, and platforms that carry out MISUMI's executive operations assess and identify risks once a year and report to the Board of Directors about important matters and managerial affairs. We consider climate change a high-priority risk.

In areas expected to incur damage from storms and flooding, we are strengthening facilities' resilience and conducting training with a focus on employee and facility safety. Meanwhile, in areas that have experienced little such risk or where risk is difficult to predict, we are focusing on daily monitoring while endeavoring to minimize disaster damage and enact prompt recoveries.

The Sustainability Committee takes an integrated approach to managing climate change risks by setting targets, monitoring progress, and conducting assessments. As needed, the committee draws on the opinions of outside experts and reports to the Board of Directors.

Metrics and Targets

Through its business, MISUMI Group provides customers with added value that reduces the quantity of invested resources and consumption related to industrial automation. We believe that fundamentally eliminating waste in our customers' operations will help accelerate the transition from the conventional economy of mass production, mass consumption, and mass disposal to a circular economy.

Additionally, we take climate change response through our business activities that mitigate global warming, while managing and carrying out environmental measures in the total supply chain, including suppliers, in addition to promoting environmental management that also addresses product quality and safety.

Carbon-Neutral Plan and Implementation Measures

MISUMI Group has set emission targets for 2030 so as to reach zero carbon emissions by 2050. MISUMI Group's Scope 1 and Scope 2 emissions will drop by 42% compared to fiscal 2020.

Transition in GHG emissions and reduction target of MISUMI Group

2020 emissions	70,000 tons of CO ₂	(Scope 1 & 2)
2030 target	42% reduction	(compared to FY2020)
2050	Carbon Neutral	

To achieve this target, MISUMI Group will further promote energy conservation.

To reduce losses from defects in production processes at our production sites, we have installed new equipment and improved processes so as to minimize energy waste.

We are endeavoring to reduce our environmental impact by properly sorting waste, sustaining a recycling ratio of at least 80%, as well as implementing paperless operations by introducing digital shipment collection and production order forms and providing tablets.

In the future, we will gradually switch to renewable energy not just at production sites, but also at logistics sites and sales locations.

Climate Change Initiatives (Align with TCFD) <https://www.misumi.co.jp/english/esg/environment/climate.html>

Greenhouse Gas(GHG)Emissions

Energy consumption and greenhouse gas (GHG) emissions of MISUMI Group

Input		Unit	FY2019	FY2020	FY2021
Energy consumption	Grid-connected Electric Power	MWh	118,704	113,616	116,741
	Gasoline	kℓ	986	820	636
	Diesel	kℓ	203	151	149
	Kerosene	kℓ	9	13	10
	LPG	t	69	62	66
	LNG	t	2,036	1,781	1,625
	City gas	Thousand m ³	759	614	652
Other supplied energy (Including steam, hot water)		GJ	9,577	8,544	6,833
Output		Unit	FY2019	FY2020	FY2021
GHG emissions	Scope1	Thousand t-CO ₂ e	10	9	8
	Scope2	Thousand t-CO ₂ e	66	61	63
	Scope3	Thousand t-CO ₂ e	1,524	1,399	1,637
Total (Scope1+2+3)		Thousand t-CO₂e	1,600	1,469	1,708

*1 Scope1 emissions: Unit calorific value and emission factors are based on the Law Concerning the Promotion of the Measures to Cope with Global Warming (Japan). These Japanese values/factors also apply to sites outside Japan.

*2 Scope2 emissions: Japanese sites are market-based figures and other sites are Location-based figures. Location-based emission factors for electricity are based on country-specific factors from "IEA Emission Factors"

*3 Calculated GHGs of Scope1 and 2: CO₂ emissions from energy use. Other GHGs (6.5 gases) are excluded.

*4 Scope3 emissions: Category 1-7 and 12 are calculated.

*5 Boundary: MISUMI Group Inc. and subsidiaries inside/outside Japan. 37 companies in total.

Greenhouse Gas(GHG)Emissions <https://www.misumi.co.jp/english/esg/environment/climate.html#GHG>

Initiatives in Procurement of Products / Parts

We are expanding green procurement initiatives and offer environmentally friendly products (finished products, semi-finished products, parts, raw materials, auxiliary materials, packaging and wrapping materials) in order to meet the various environmental demands of customers.

Advancing Green Procurement Activities

MISUMI and Suruga Production Platform has formulated Green Procurement Guidelines to observe the legal restrictions and other requirements concerning environmental chemical substances, playing a part in the building of a recycling based society. We are advancing green procurement activities on these basis. With the cooperation and understanding of all our cooperative manufacturers/ suppliers, we are continuously expanding our efforts and aiming to eliminate the use of environmental chemical substances in our products.

Survey of Environmental Chemical Substances Content

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 management of environmental chemical substances is an important factor in a customer's product selection. As such, MISUMI Group has been testing



FA Businesses (Single Axis Unit)

RoHS

product content based on RoHS and REACH and discloses RoHS Directive compliance in its catalogs and on its website.

RoHS Compliance

MISUMI Group puts "RoHS compliant product" mark on its catalogs to guarantee that it is a compliant product. To guarantee that the product is compatible, we carry out self-inspection of products and periodic supplier surveys based on strict internal control standards.



Expanding Lineup of Environmentally Conscious Products

Concern about reducing environmental load is increasing globally, and MISUMI Group is also experiencing stronger customer interest in environmentally conscious products. One example of our response to such customer needs is our non-halogen-type cable (electric 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 brand products, but also third-party brands, and our selection continues to expand. MISUMI Group will continue to build its product lineup as the use of environmentally conscious products becomes more popular.



Non-halogen-type cable (electrical wiring)

MISUMI Group's Environmental Activities

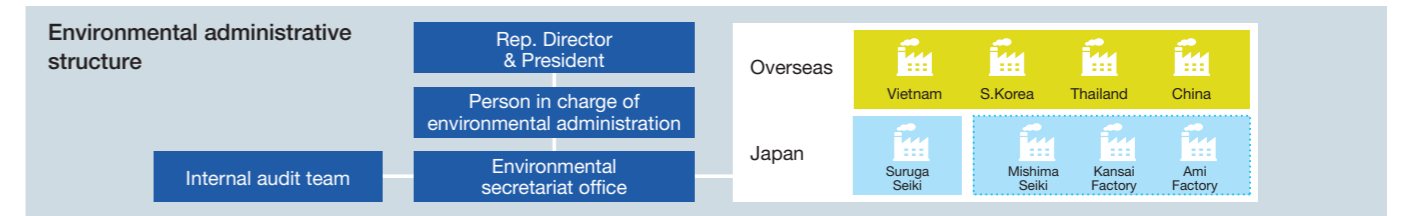
As a global company handling MISUMI Group's manufacturing, SURUGA Production Platform is firmly aware of its social responsibilities and has agreed to comply with environment-related laws and regulations, and other requirements.

We promote a sustainable society through environmental activities under the slogan "Coexistence of Technology and Ecology". Therefore, we established the following "Environmental Policy" and strive in our business activities to achieve these goals.

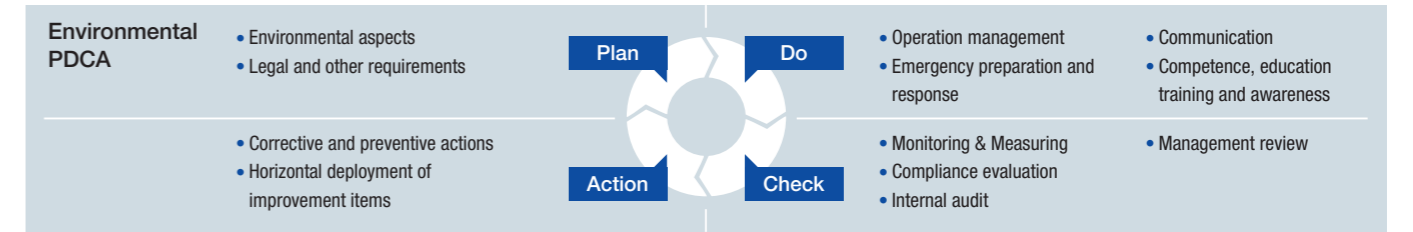
Environmental policy

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Compliance with domestic and international environment-related laws and regulations and other requirements 2. Reduction of CO₂ emissions in production activities 3. Initiatives to control waste generation and recycling | <ol style="list-style-type: none"> 4. Product development and production activities with low environmental impact 5. Prevention of environmental pollution <ol style="list-style-type: none"> 1) Leakage of oils and harmful substances 2) Leakage of noise from the site boundary |
|--|---|

Environmental management



*Production sites within the dotted box is expected to receive certification



Introduction of CO₂-free Electricity

We Introduced CO₂-free Electricity* at seven sites, including the Head Office of SURUGA Production Platform, in April 2022. As a result, we will reduce the CO₂ emissions from our production sites in Japan by approximately 6,000 tons a year. That will be an 8.6% reduction in greenhouse gas emissions (Scope 1 and 2) over our entire group compared to FY2020.

*Electricity with CO₂-free value derived from renewable energy sources that do not emit CO₂ during generation

Overview

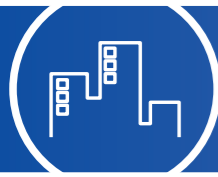
Introduction details CO₂-free electricity sold by Chubu Electric Power Miraiz Co., Inc.

Place of introduction (7 sites)

- SURUGA Production Platform Co., Ltd.
- Head Office: 505 Nanatsushinya, Shimizu-ku, Shizuoka City, Shizuoka
- 536 Nanatsushinya, Shimizu-ku, Shizuoka City, Shizuoka
- 549 Nanatsushinya, Shimizu-ku, Shizuoka City, Shizuoka
- 147 Hanzaemonshinden, Shimizu-ku, Shizuoka City, Shizuoka
- Kansai Factory: 2-3-2 Akamatsudai, Kita-ku, Kobe City, Hyogo
- Ami Factory: 3-2 Hoshinosato, Ami-machi, Inashiki-gun, Ibaraki
- MISHIMA SEIKI CO., LTD.: 580-49 Tokura, Shimizu-cho, Sunto-gun, Shizuoka

Reduction in CO₂ emissions: Approx. 6,000 tons per year

Certificate of Purchase Contract of CO₂-free Electricity for the Head Office of SURUGA Production Platform Co., Ltd.



Social Initiatives

Procurement of Materials

MISUMI Group's Sustainable Procurement Guidelines

MISUMI Group continuously strives to improve customers' time value and grow its business activities.

Today, corporate supply chains are expanding globally, and our business activities and responses to social imperatives cannot be completed solely by our Group. We can only move forward through collaboration with our business partners who provide products and services. We have recently formulated MISUMI Group's Sustainable Procurement Guidelines to gain their understanding of the Group's approach and to work together with them. We will continue to fulfill our social responsibility throughout the supply chain based on mutual trust with our suppliers through fair, impartial, and transparent transactions responding to social imperatives and expectations.

MISUMI Group's Human Rights Policy

MISUMI Group considers respect for human rights a principle fundamental to the entirety of its activities. Therefore, to ensure respect for the human rights of all people associated with our businesses, we have formulated MISUMI Group's Human Rights Policy. We will strive tirelessly for management and actions per the international community. This policy conforms to international standards such as the UN Guiding Principles on Business and Human Rights and the ILO Fundamental Principles and Rights at Work. Furthermore, we aim to undertake initiatives that prioritize international norms whenever possible in case of a gap between the relevant laws of the countries or regions where we conduct business and the international norms.

MISUMI Group applies the Human Rights Policy to all Group Officers and employees. MISUMI Group also expect its suppliers and other business partners to understand and support this policy, and we will continue to encourage them to respect this policy.

MISUMI Group will identify and appropriately address human rights issues that should be prioritized in its business processes. In addition, MISUMI Group will establish and implement a system to perform human rights due diligence from the perspective of deterring complicity in human rights violations.

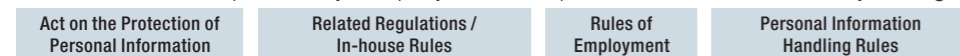
In addition, MISUMI Group will ensure that all Group employees are aware of the Human Rights Policy, and at the same time, will engage in appropriate dialogue with relevant stakeholders regarding measures to address human rights risks and impacts. Appropriate disclosure and reporting will be made regarding this policy and related initiatives.

Providing a Safe and Friendly Work Environment

Try to provide safe and rewarding work environment to all the executives and employees, both in Japan and overseas, in compliance with the relevant or equivalent laws pertaining to health and safety.

Prevention of Divulgence of Personal Information

Personal Information obtained through the course of business activities will ONLY be used for the purposes of the business activities. Information disclosure will not take place to any third party without the prior consent of the individual, by thorough management.



Monitoring of Ethical Issues and Regular Audits

The Company strictly stipulates the following in its Rules of Employment which is thoroughly enforced with all officers and employees. Violators will be punished.



In addition to providing guidance and education to subordinates through the reporting line, the company is also focusing on discovering violations through the whistleblowing system. Responding to cases of work rule violations, decisions will be made at the "Human Resources Compliance Meeting" in which the Chairman and President participate, and results will be disclosed internally.

In addition, we also manage in-house information through security patrols.

Diversity and Inclusion

MISUMI Group recruits, trains, and promotes human resources at each of its global locations, emphasizing diversity in terms of background, skills, gender, and nationality, as well as equal opportunities.

For example, as of June 2022, MISUMI Group Inc. and MISUMI Corporation in Japan have achieved a diverse employee composition with 56% male and 44% female employees, 16% new graduates and 84% mid-career hires, 14% female managers, and employees from 20 countries.

Harassment Prevention Policy

Since 2017, MISUMI Group Inc. as a whole has declared "No Harassment" and ensured that all Group companies are thoroughly aware of it. It stipulates that employees are strictly prohibited from workplace harassment under the guise that harassment is unacceptable and will be subject to punishment.

In addition, "Human Resources Compliance Training" (for managers and employees), including prevention of harassment, is periodically conducted for all employees.

For more information regarding whistle-blowing system, including harassment, please refer to Whistle-blowing system.

Compensation and Benefits

Salary System

The salary system of MISUMI Group Inc. and MISUMI Corporation is on an annual basis, which is determined by the weight of responsibility and performance of employees. In addition, we have a performance bonus system designed to motivate employees towards business growth achievement based on the growth company-wide and the growth of division to which the employee belongs.

Pension and Retirement Benefit Plan

To reward employees for their long-term contributions, MISUMI has introduced a retirement benefit plan for full-time employees and a Defined Contribution Pension Plan to help employees build assets for their retirement. Each group company has implemented a retirement allowance system based on local labor legislation and social environment, and also has introduced a Defined Contribution Pension Plan that allows receipt of pension payments to guarantee their lives after retirement and working to design and operate the system to be attractive to employees.

As specific examples, MISUMI Group Inc. and MISUMI Corporation offer the following plans to full-time employees.

MISUMI Group is also making progress in promoting diversity, especially in female empowerment, with the current global male to female ratio at 65%:35%, and the percentage of female managers at 23%.

Globally, we encourage and implement remote work, adopting flexible working hours, and promoting women to management positions, further strengthening diversity, especially in expanding opportunities for women to play an active role.

(Training content)

Each year, the following training programs are offered globally.

- Responsibilities of management leaders
- Definition of harassment
- The actual situation at MISUMI
- Harassment precautions
- Process when harassment occurs

Rules have been established for reporting cases within the Company.

1. In-house funded cash payment retirement benefit plan

- Eligible after 3 years of service
- Calculated by multiplying the ratio determined for each position's tenure by total tenure and annual salary

2. Defined contribution pension plan

Stock Options for Executives

MISUMI Group Inc. and MISUMI Corporation grant stock options as a form of stock-based compensation to executives in charge of management to motivate the improvement of their performance and retain them. The top management decides the number of shares to be granted based on the previous year's performance, future performance expectations over the mid- to long- term, and the degree of contribution to the company.

Incentive System for Stock Ownership

By becoming a shareholder, the hope is for employees to pursue work with the same perspective as shareholders, further heightening their ownership of the company. At the same time, the company provides incentives and support to employees for acquiring their own shares as part of the company's benefit. Full-time employees of MISUMI Group Inc. and MISUMI Co., Ltd., are eligible for this program, the details of which are as follows.

1. Support program for acquisition of share unit (with repayment exemption clause)
 - Employees who are not shareholders can use the system only once
2. Cumulative stock investment incentive system
 - Employees can purchase shares of MISUMI Group Inc. at a fixed monthly price (employees who are already shareholders may also purchase shares)
 - Company provides incentive payments

Labor-Management Agreement

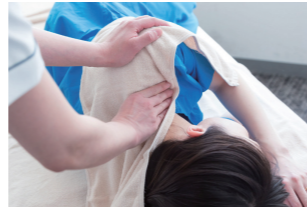
There are no labor unions at MISUMI Group Inc., MISUMI Co., Ltd., and group companies in Japan. For cases requiring a labor-management agreement, it is concluded between the company and the person who represents the majority of the employees.

Benefits

MISUMI has enhanced its benefits programs to support employees who continue to take on challenges with a positive attitude, so they can feel refreshed and enjoy a change of pace.

In-House Massage Facility

Once a month, one can receive a 40-minute massage +10-minute consultation for 500 yen. Many employees use it, and such comments have been received- "in-house massages are great as it enables one to get treatment in-between work-related tasks", "massage relieves fatigue making one feel that they can go the extra mile".



Recreational Facility

Contract is in place with a recreational facility provider called Laforet Club. It owns and manages hotels in 13 locations, as well as partnering with approximately 70 hotels nationwide. In addition to corporate membership pricing, corporate subsidies are also provided. Many employees use it when traveling with their family and colleagues, with feedback such as "reasonable pricing" and "delicious food", as characterized by the fact that there are many repeaters.



Human Resource Development

MISUMI Group considers the development of management leaders to be an important management issue in addition to business growth. Employees with leadership qualities, such as logic and passion, will gain experience in the field and refine themselves. We are convinced that this process will nurture management leaders.

MISUMI Group has established a variety of training programs for employee development. At the same time, we are actively recruiting outside personnel who have experienced many difficult situations to form a strong management team. The main training programs are as follows.

- **MISUMI Strategy School**
The top management itself serves as the head of the school, which provides training in the perspectives and strategic thinking skills necessary for management leaders.
- **Management Forum**
Management forums are held periodically where participants can interact with senior management at lectures on strategy and high-level discussions on actual management experiences.

- **Presentation of results**
Presentation of results show the contribution to the innovation of MISUMI's Business MODEL, with qualifying rounds held in each global region and a global final. In addition, case studies are shared globally and play a significant role as a learning opportunity.
- **Management training**
Training to recognize the role of managers and to acquire the thinking and skills necessary for organizational management.
- **Logical thinking training**
Training to acquire logical thinking skills as a basis for solving business problems.
- **Supporting self-development training**
The Company will pay a portion of the course fees for employees who attend and complete external training programs to improve their business abilities and skills.
- **In-house English conversation class**
Native English speaker provides in-house English conversation classes.

Health and Safety

Health and Safety Committee Meetings

In accordance with laws and regulations, the Health and Safety Committee meets monthly, and the minutes are available within the company. In addition to sharing information on health and safety issues in daily work and the results of annual stress checks, the committee members discuss topics such as infection prevention measures in the workplace and at home in the event of the spread of COVID-19 under the guidance of industrial physicians. Also, health maintenance during remote work is discussed; by bringing the results back to the workplace, we strive to maintain and improve a healthy and sustainable work environment.

Ensuring Employee Health and Safety in Emergencies

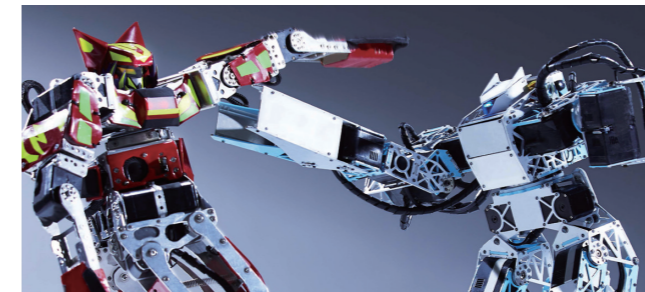
In the event of a sudden natural disaster, such as a typhoon or earthquake, we have a safety confirmation system in place to confirm the safety of our employees. At the same time, confirm physical damage to offices, warehouses, and other facilities, so that we can quickly determine whether or not to continue operations.

In response to the spread of COVID-19, we set up a task force at the Headquarter in February 2020. In addition, by utilizing

the same safety confirmation system used in a disaster, we have established a system to monitor the physical condition of employees (including temporary employees) at all global sites on a daily basis since that same month and reports the results to BCP managers at the Headquarter and the Human Resource department.

Moreover, we have established a system shifting to remote work (including temporary employees and outsourced workers) to the extent possible in each country. We distribute masks to employees and their family members according to the spread of infection in each country, share best practices of infection prevention measures among all global sites, provide online health consultation to Japanese employees stationed overseas, and support the purchase of daily necessities; working to ensure health and safety and business continuity globally. In addition, we are committed to providing health and safety measures that include families of our employees, our business partners, neighboring companies, and residents, such as being among the first in Japan to provide inoculation services at workplaces with the COVID-19 vaccine and encourage vaccination.

Sponsoring of the Biped Robot Battle Tournament (aka "ROBO-ONE")



MISUMI Group has been sponsoring "ROBO-ONE", since FY2016 as the main sponsor, organized by the Biped Robot Association, in order to support the passion of people involved in manufacturing, such as engineering students and corporate engineers.

ROBO-ONE (organized by the Biped Robot Association) is a biped robot battle tournament that has been held since 2002. The objective of the tournament is to improve manufacturing technologies and popularizing biped robots. Wide range of people from students to professional engineers are entering the tournament.

* Live streaming broadcast platform provided by Amazon.com

The robots throw punches and employs throwing techniques to defeat their opponents. Each contestant competes in a three-minute round to determine the strongest biped robot. The first contestant to score three knockdowns wins the match.

"MISUMI presents 39th ROBO-ONE" was held as a remote tournament between September 25-26, 2021 (broadcasted via Twitch*). Unlike the conventional tournament format where robots battled against each other, special rules were set in place unique to this remote competition, scoring points according to the difficulty of the attack; outcome determined by the number of points earned.

From all around the world including Japan, a total of 111 robots (ROBO-ONE: 47, Light: 53, auto: 11) participated and heated matches ensued.

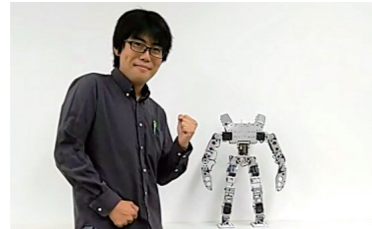
At the tournament, 'MISUMI Award' is presented to robots that captivated spectators with their prominent design and dynamic movements.

In MISUMI Presents the 39th ROBO-ONE, the following three teams were selected for MISUMI Awards.

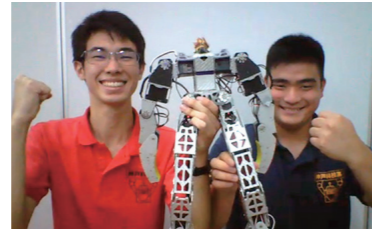
39th ROBO-ONE MISUMI Award Winners



Robot name: solvia
Team name:
Osaka College of Technology



Robot name: Simple Fighter
Team name:
zeno



Robot name: SERENA DIOS
Team name:
Kobe SciTech High School

Manufacturing Support for Student Groups

In the "MISUMI Student Manufacturing Support" initiative, open invitation applications are accepted from a wide range of student groups that take on challenges in manufacturing at universities, technical colleges, etc., providing MISUMI products free of charge.

Since the program's inception in 2008, we have supported more than 2,200 student organizations.

Since FY2018, we have been supporting the activities of "SAKURA Tempesta", a team of junior and senior high school students competing in the "FIRST® Robotics Competition (FRC),"

an international robotics competition

The team has continued its remarkable success, winning awards in five consecutive tournaments and qualifying for the World Championships on three occasions since its first year of the team's inception.

We also provide many middle and high school students with opportunities to learn about engineering and the appeal of manufacturing.

MISUMI Group will continue to actively support students who will be the next generation of leaders in the manufacturing industry.

Partial Introduction of Groups Supported in FY2021

MISUMI Student Manufacturing Support (FY2021: 115 groups in total)

Team name:
Kyushu Institute of
Technology
Rapid Creation Section,
Kyushu Institute of
Technology



Comment from a student

We manufacture welfare equipment and assistive devices to meet the needs of the elderly, the disabled, and others. MISUMI Student Manufacturing Support has provided support to us by producing parts used in the development of an electric mobility chair with meviy. The mobility chair is an assisted robotic system that removes the backrest to provide clothing assistance and adjusts the chair's height. In addition to using our technology to solve issues, we would like to build a world where manufacturing is possible regardless of age or disability.

Activities to Convey the Appeal of Manufacturing

Summer vacation manufacturing class

In August 2019, "MISUMI x SAKURA Tempesta Summer Vacation Manufacturing Class" for junior and senior high school students was held in order to foster manufacturing human resources. Participants endeavored in assembling machines and games using MISUMI's full-fledged components. After the event, many students said that they became "interested in engineering" and experienced the enjoyment of manufacturing.



Summer Vacation Manufacturing Class



Junior/ Highschool team
SAKURA Tempesta

Corporate Governance

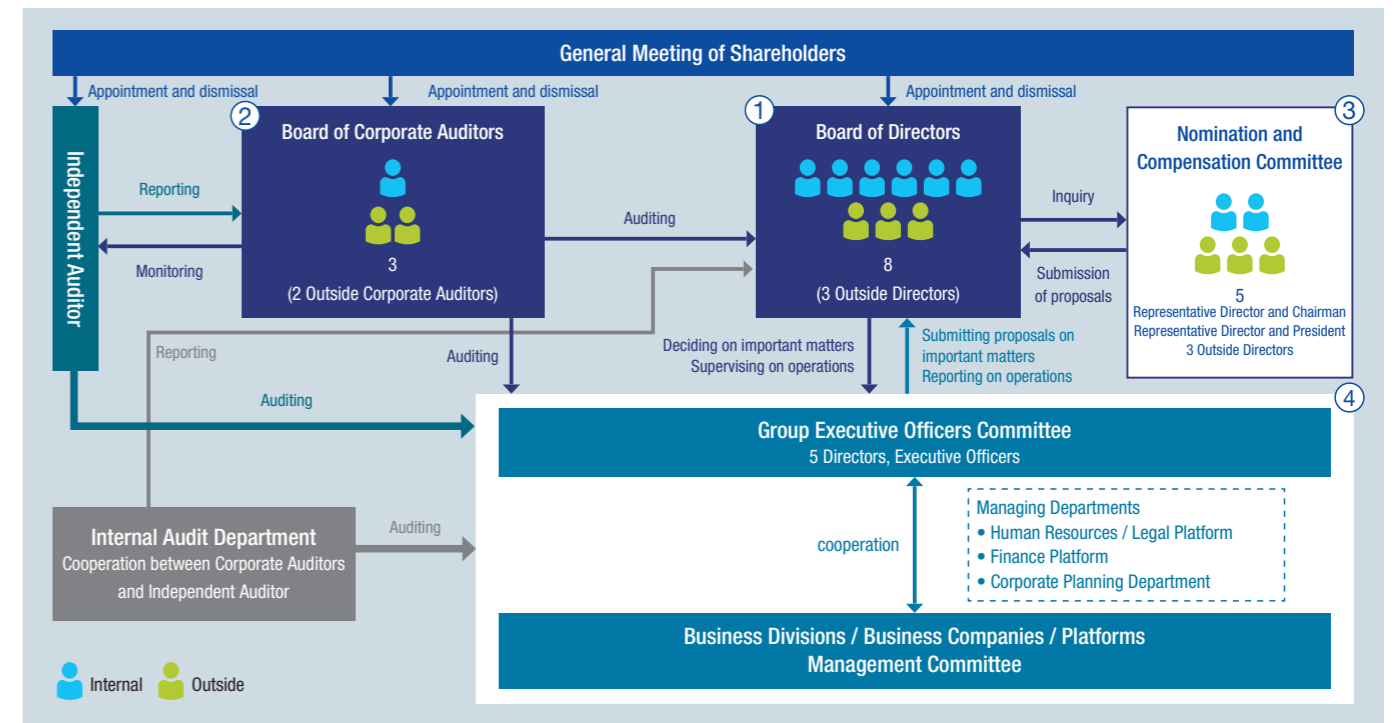
MISUMI Group enacted and disclosed the MISUMI Group Corporate Governance Basic Policy with the aim of contributing to the Group's continuous growth and medium- to long-term enhancement of its corporate value.

MISUMI Group Corporate Governance Basic Policy https://www.misumi.co.jp/english/company/governance_compliance/corporate_governance.html

Said policy states that each principle provided in the Corporate Governance Code will be implemented.

Corporate Governance System

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



Overview of the Corporate Governance System

Organizational format	Company with a Board of Corporate Auditors	Number of Corporate Auditors [of which, Outside Corporate Auditors]	3 [2]
Number of Directors [of which, Outside Directors]	8 [3]	Adoption of corporate officer system	Yes
Term of office of Directors	1 year	Existence of voluntary committees	Yes (Nomination and Compensation Committee)
Number of Outside Directors designated as independent executives	3	Compensation system for Directors and other officers	(1) Basic compensation (2) Performance-linked compensation (bonuses) (3) Stock options

(1) 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 Divisions, Business Companies and 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 eight Directors, including three Outside Directors. As a rule, they hold regular meetings once a month, as well as Extraordinary Board Meetings as deemed necessary, during which they make important decisions regarding management and business and supervise operational execution.

Composition of the Board of Directors

Name	Position	Corporate management	Business strategy	Global experience (Overseas business management, Management of regional subsidiaries, etc.)	DX / IT	Manufacturing /Operations (Logistics, Customer service etc.)	Organizational/ Human resource strategy	Finance/ Accounting	Legal/ Governance/ Risk management
Kosuke Nishimoto	Representative Director	○	○				○	○	○
Ryusei Ono	Representative Director	○	○	○	○	○			
Tomoki Kanatani	Director		○	○	○	○			
Shigetaka Shimizu	Director		○	○	○	○			
Shaochun Xu	Director			○			○	○	○
Yoichi Nakano	Outside Director	○		○			○	○	
Arata Shimizu	Outside Director	○	○		○	○			
Tomoharu Suseki	Outside Director	○		○		○			○
Takaaki Wada	Corporate Auditor			○		○	○		
Juichi Nozue	Outside Corporate Auditor			○					○
Nanako Aono	Outside Corporate Auditor	○						○	

(2) Board of Corporate Auditors

The Board of Corporate Auditors comprises three Corporate Auditors including two Outside Corporate Auditors. The Board of Corporate Auditors audit Directors' execution of their duties and closely cooperate with the Independent Auditor and the Internal Audit Department to improve the effectiveness and efficiency of the auditing process.

(3) Nomination and Compensation Committee

To strengthen the supervisory function of the Board of Directors and increase the transparency of the decision-making process, the Company has established a Nomination and Compensation Committee in which the majority comprises independent Outside Directors. It serves as an advisory body, making deliberations and submission of proposals to the Board of Directors on evaluation/remuneration matters and election/dismissal of Directors, including Representative Directors, and succession planning of Representative Directors.

The Nomination and Compensation Committee objectively discusses, considers regarding important matters, such as nomination and compensation, from the different perspectives including diversity and skills.

Members of Nomination / Compensation Committee

Representative Director and Chairman	Kosuke Nishimoto (Chairperson)
Representative Director and President	Ryusei Ono
Outside Director	Yoichi Nakano
Outside Director	Arata Shimizu
Outside Director	Tomoharu Suseki

(4) Group Executive Officers' Committee / Business Divisions, Business Companies and Platforms Management Committee

The Group Executive Officers' Committee is composed of Five fulltime Directors (excluding Outside Directors of the Board) from MISUMI Group Inc., and Representative Corporate Officers from Business Divisions, Business Companies and Platforms. As a rule, they hold regular meetings once a month to reinforce both supervision and execution. "Business Divisions" and "Business Company" oversees MISUMI Group's business side, and "Platforms" was established for business support and service functions.

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, thereby expediting the decision-making process. To clarify the decision-making process, meetings such as Business Divisions, Business Companies and Platforms Management Meetings, take place within MISUMI Group's respective Business Divisions, Business Companies and Platforms.

Outside Directors and Outside Corporate Auditors

Functions and Roles of Outside Directors and Outside Corporate Auditors in Corporate Governance

MISUMI Group Inc.'s Board of Directors have the function of supervising management, decision-making and operational execution by the Executive Directors and Corporate Officers. The Board of Directors comprise eight Directors, three of whom are Outside Directors, and of the three Corporate Auditors, two are Outside Corporate Auditors. With respect to corporate governance, MISUMI Group Inc. 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 from Submitting Company in the Appointment of 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 reasons for the appointment of respective Outside Directors and Outside Corporate Auditors and their record of attendance at Board of Directors' meetings in FY2021 are 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 Board of Corporate Auditors meetings and ask questions and provide advice regarding proposals and deliberations from the standpoint of having expert knowledge and experience.

Outside Directors

(As of June 16, 2022)

Outside Director	Reason for Appointment	Number of Board of Directors' Meetings Attended in the Fiscal Year Ended March 2022
Yoichi Nakano	Extensive experience in various industries on a global basis, namely, finance, consulting and executive search, and possessing ample experience and broad knowledge of management personnel development	14 out of 14
Arata Shimizu	Ample experience and broad knowledge through his extensive career in strategic consulting and business management	14 out of 14
Tomoharu Suseki	Has held management positions of various global companies primarily in electronics field for many years and has extensive experience and broad knowledge in business management	11 out of 11

Outside Corporate Auditors

Outside Corporate Auditor	Reason for Appointment	Number of Board of Directors' Meetings Attended in the Fiscal Year Ended March 2022	Number of Board of Corporate Auditors Meetings Attended in the Fiscal Year Ended March 2022
Juichi Nozue	Expertise and experience in legal affairs as a lawyer and ample experience as Outside Director and Outside Corporate Auditor of MISUMI Group Inc. and other companies	14 out of 14	22 out of 22
Nanako Aono	A considerable degree of knowledge concerning financial accounting as a certified public accountant, and extensive insight cultivated through her career as a business manager and Corporate Auditor	14 out of 14	22 out of 22

Assessing the Effectiveness of the Board of Directors

Evaluation Process (year ended March 31, 2022)

With respect to self-evaluation of the Company's Board of Directors' effectiveness, questionnaires were distributed to the Directors and Auditors and obtained their responses. Designated evaluation 'members' conducted analysis and evaluation pursuant to discussions based on the aggregated response results, status of the Board of Directors meeting for the current fiscal year, as well as briefs on various matters and statements expressed.

Evaluation Results (year ended March 31, 2022)

The Company's Board of Directors have evaluated that the effectiveness has been sufficiently ensured, as follows:

- Sufficient time has been taken to discuss proposals raised at the Board of Directors, with earnest and vigorous discussions taking place between the attendees, and appropriate decision-making and supervision related to executional matters have been properly conducted.
- Outside Directors and Outside Corporate Auditors are extremely actively engaged in discussions by proactively speaking out from their respective professional viewpoints. Their opinions are fully reflected in our Management's decision-making process.
- Functional role and management method of the Company's Board of Directors are continuously being devised to enhance their effectiveness. This is leading to the enrichment of active deliberations during the Board of Directors, strengthened supervision and guidance on execution.
- In FY2021, MISUMI made major strides regarding the composition and roles of the Board of Directors in response to Japan's revised Corporate Governance Code. We also observed improvements in the results of the self-evaluation questionnaire.
- MISUMI now has three Independent Outside Directors. This ensures that we are in compliance with the Prime Market rule for at least one-third of board members to be independent outside directors.

At the General Meeting of Shareholders held in June 2022, the election of a female and foreign national director was approved, increasing the diversity of the Board of Directors.

Going forward, we will continue to discuss the roles, functions, management and issues pertaining to the Board of Directors while considering the number, composition and balance of knowledge, experience and abilities possessed by the Directors and Outside Directors, so that the Board of Directors will have a good eye regarding future business growth and response towards globalization efforts.

Basic Policy on the Internal Control System

MISUMI Group Inc.'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, Paragraph 1 and 3. The decisions are as follows.

Systems for the retention and management of information concerning the execution of Directors' duties	<ul style="list-style-type: none"> • Minutes for meetings of the Board of Directors, the Group Officers' Committee and other important meetings will be compiled and retained appropriately, as stipulated by laws, regulations and rules.
Rules and other systems pertaining to management of risks that could cause losses to the Company or its subsidiaries	<ul style="list-style-type: none"> • Various regulations, internal rules, manuals, and risk management systems will be formulated to address risks faced by MISUMI Group Inc. and its subsidiaries (hereinafter referred to collectively as the "MISUMI Group"), including risks relating to regulatory compliance, the environment, information, export controls and natural disasters. • Task forces will be established to take timely action and report to the Board of Directors in the event of unforeseen contingencies affecting the MISUMI Group.
Systems to ensure the efficient execution of duties by Directors of the Company and its subsidiaries	<ul style="list-style-type: none"> • Management plans will be subject to final approval by the Board of Directors, and progress on such plans will be monitored at monthly meetings of the Group Officers' Committee. • Important issues identified through the monitoring of progress on management plans, or through other processes, will be discussed at meetings of the Board of Directors or the Group Officers' Committee, etc. • At its monthly meetings, the Board of Directors will hear reports, monitor business results, and provide advice and guidance on important matters.

Systems to ensure that the duties of Directors and employees of the Company and its subsidiaries are performed in accordance with laws, regulations and the Articles of Incorporation	<ul style="list-style-type: none"> • Directors and employees of the MISUMI Group will ensure observance of the MISUMI Group Code of Conduct and compliance with laws, regulations, and the Company's Articles of Incorporation. • Systems has been established to ensure that duties are carried out appropriately in accordance with the occupational authority rules and other decision-making rules of the MISUMI Group. • An internal reporting ("whistleblowing") system has been established for the entire MISUMI Group to ensure the early discovery of actual or suspected violations of laws, regulations and/or internal rules. Steps will be taken to guarantee that whistleblowers will not be disadvantaged.
Systems for ensuring that the business operations of the Company and the subsidiaries that make up the Group are conducted appropriately, including systems for reporting to the Company on the execution of duties by the subsidiaries' directors, etc.	<ul style="list-style-type: none"> • MISUMI Group Inc. will require each subsidiary to submit a monthly report concerning its business execution and operations. • MISUMI Group Inc. will ensure the appropriateness of the business operations of each subsidiary by obtaining business reports and monitoring progress on management plans at Group Officers' Committee meetings. • The business operations of each subsidiary will be audited regularly by the Internal Audit Department. • Provisions will be included in the MISUMI Group Code of Conduct requiring the repudiation of relationships with antisocial forces, and resolute opposition to such forces by the entire MISUMI Group.
Matters pertaining to employees who assist the Company's Corporate Auditors	<ul style="list-style-type: none"> • Corporate Auditors will be free to appoint audit assistants and will be involved in transfers and evaluations, etc., of audit assistants. • When assisting the Corporate Auditors in the performance of their activities, audit assistants will act in accordance with instructions from the Corporate Auditors.
Systems for reporting to the Company's Corporate Auditors	<ul style="list-style-type: none"> • The Corporate Auditors will attend important meetings, including meetings of the Board of Directors and the Group Officers' Committee. Directors and employees will inform the Corporate Auditors immediately of any situation that could have a serious impact on the MISUMI Group, or of the risk that such a situation might arise. • Officers and employees of the MISUMI Group will provide accurate reports about the execution of their duties at the request of the Corporate Auditors. • The Corporate Auditors will meet regularly with the independent auditor and the Internal Audit Department to share opinions and information. Corporate Auditors will seek reports from the independent auditor whenever necessary. • The unit in charge of the internal reporting ("whistleblowing") system will report on a regular basis to the Corporate Auditors about the status of internal reporting within the MISUMI Group. • A guarantee will be provided to the effect that no officer or employee of the MISUMI Group who reports to the Corporate Auditors will be disadvantaged as a result of that action.
Matters pertaining to policies concerning the treatment of costs resulting from the execution of duties by Corporate Auditors of the Company	<ul style="list-style-type: none"> • A fixed budget will be provided each year for costs, etc., incurred in the execution of duties by the Corporate Auditors. Any other essential costs incurred by the Corporate Auditors in the execution of their duties will be either paid in advance or settled promptly on request from the Corporate Auditors.

Ethics and Compliance

Code of Conduct

MISUMI Group Inc. and its subsidiary and affiliates, (“MISUMI Group”) has established the “MISUMI Group Code of Conduct” as a set of MISUMI Group’s fundamental policies and rules that is a model of the processes, activities and conducts of the directors, executives, officers and employees of MISUMI Group, (the “Employees”) in terms of compliance with the laws, regulations, and the internal rules, the corporate mission and business ethics. The Employees are informed and fully aware of the Code of Conduct.

Code of Conduct
<https://www.misumi.co.jp/english/esg/governance/compliance.html>

Employee Training on Ethical Standard

MISUMI Group has established the training program for compliance and business ethics, (the “Training Program”) and provided the training sessions regularly, mostly once a year. Post-training tests are also conducted to ensure the comprehension of each training and to promote employees understanding of the contents.

Bribery and Anti-Corruption Policy

In the Code of Conduct, MISUMI Group prohibits the Employees from bribing government or administrative officials, and from committing illegal financial transaction with business partners.

Code of Conduct
<https://www.misumi.co.jp/english/esg/governance/compliance.html>

Protection on Personal Information

MISUMI Group complies with the laws and regulations related the protection of personal information and handles personal information appropriately.

Privacy Policy for Shareholders
<https://www.misumi.co.jp/english/utility/privacy/shareholders.html>

Information Security

MISUMI Group has recognized importance of the information security as to roll out business globally. To protect the information assets from various threat, MISUMI Group has established Basic Policies for Information Security and improved information security.

Internal Whistle-Blowing System of MISUMI Group

Whistle Blowing System and Whistleblower Protection

MISUMI Group has established Whistle Blowing System called “MISUMI Compliance Helpline,” in which the Employees can report or consult illegal or inappropriate and questionable matters and incidents.

In addition to MISUMI Compliance Helpline, HR department has established a consultation desk where the Employees can consult harassment and any other inappropriate behavior in workplace. Those who have reported or consulted to this consultation desk are also guaranteed with anonymity and no disadvantages.

Whistle Blowing System “MISUMI Compliance Helpline”
<https://www.misumi.co.jp/english/esg/governance/whistleblower.html>

Basic Policy on Information Security
<https://www.misumi.co.jp/english/ir/policy/security.html>

Oversight for Ethics Compliance and Legal Issues

Corporate Officer responsible for the legal and compliance issues reports the legal, compliance and business ethics activities to the Board of Directors of MISUMI Group Inc., twice a year. The Board of Directors discusses the reports, supervises and instructs the measures to be corrected or strengthened.

Furthermore, Legal Department makes reports on important legal and compliance cases every month.

Regular Audits of Ethical Standards

The Board of Directors of MISUMI Group Inc. adopted a resolution on the Basic Policy on systems to ensure that MISUMI Group’s business operations are conducted in compliance with laws, regulations and the articles of incorporation, and other systems to ensure that MISUMI Group’s business operations are conducted in an appropriate manner (the “Internal Control System”).

Internal Control System
https://www.misumi.co.jp/english/esg/governance/internal_control.html

Board of Corporate Auditors reviews administration of the Internal Control System every year. In the FY2021, it is confirmed that the Internal Control System has been implemented appropriately, and that there have been no significant problems.

Internal Audit Department sets approximately 10 sites or organizations for the audit target every year and conduct audit to find out whether such sites or organizations are executed or operated appropriately complying with laws, regulations, and internal rules.

Additionally, since 2019, Legal Department has conducted action called “Legal Risk Review Rounds” to locate legal risks and potential violation of law in the early stage and resolve the issues with the targeting organization.

Investigation and Decision on Whistleblowing Case

When a report is made to MISUMI Compliance Helpline, local helpline desk, or HR’s consultation desk, HR Department and Legal Department investigate the facts and background with the utmost consideration on anonymity and protection of the whistleblowers.

For important cases, HR Compliance Committee including Representative Director of MISUMI Group Inc. decides whether to penalize an employee who is responsible for inappropriate behavior, and/or what penalty should be given based on the investigation. After deciding the penalty, the department which the penalized person belonged to and the fact of the penalty are disclosed internally to secure the transparency of process, however, individual name is not disclosed.

Top Management

Directors



Kosuke Nishimoto
Representative Director and Chairman



Ryusei Ono
Representative Director and President



Tadashi Saegusa
Second-Era Founder



Tomoki Kanatani
Executive Director



Shigetaka Shimizu
Executive Director



Shaochun Xu
Director



Yoichi Nakano
Outside Director



Arata Shimizu
Outside Director



Tomoharu Suseki
Outside Director

Executive Officers

Kosuke Nishimoto
Representative Director and Chairman

Tomoki Kanatani
Executive Director and Chief Executive in charge of China and Asia Business and Representative Corporate Officer, President, China Business Company

Ichiro Otokozawa
Senior Corporate Officer and In charge of Europe and Americas Business

Takako Sasaki
Senior Corporate Officer and Representative Corporate Officer, Human Resources and Legal Platform

Ryusei Ono
Representative Director and President

Shigetaka Shimizu
Executive Director and Representative Corporate Officer, President, Japan Business Company

Toshinari Sato
CIO and Senior Corporate Officer and Representative Corporate Officer, Digital Transformation System Platform and Representative Corporate Officer, SCM Operation Platform

Toru Arakawa
Senior Corporate Officer and Representative Corporate Officer, Vice President, Japan Business Company and Chief Executive in charge of VONA MRO Business

Shaochun Xu
Director and Representative Corporate Officer, Vice President, China Business Company and Chairperson and General Manager, MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD.

Mitsunobu Yoshida
Senior Corporate Officer and Representative Corporate Officer, President, Industrial Digital Manufacturing Business Company

Toru Takanami
CFO and Senior Corporate Officer and Representative Corporate Officer, Finance Platform and Representative Corporate Officer, SX Platform

Corporate Officers

Nobuyoshi Kobayashi
Representative Corporate Officer, President, Asia Business Company

Hideka Shoji
Representative Corporate Officer, Vice President, Japan Business Company and Supplier Coordination Manager

Kazumi Hagihira
General Manager, EU & US Corporate Strategy and Business Development

Koichi Tsunematsu
Representative Corporate Officer, President, Europe Business Company

Nobumasa Watanabe
Representative Corporate Officer, President, OST Business Company

Masatake Sumi
Chief of Headquarters EC Service Development Office

Ryuji Ohara
Representative Corporate Officer, President, Americas Business Company

Takumi Toya
Representative Corporate Officer, Production Platform

Koichi Kawakami
Managing Executive Officer, Japan Business Company and in charge of Industrial Machinery Business and Industrial Electronics Business

Corporate Auditors

Takaaki Wada
Corporate Auditor

Juichi Nozue
Outside Corporate Auditor

Nanako Aono
Outside Corporate Auditor

Advisor

Tadashi Saegusa
Chairman Emeritus and Second-Era Founder

Hiroshi Taguchi
Special Advisor and Founder

Ten-Year Summary of Financial Data (Consolidated)

MISUMI Group Inc. and consolidated subsidiaries Years ended March 31, 2013 – 2022

(Million yen)

Years ended March 31:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Net sales	134,844	173,904	208,562	240,139	259,015	312,969	331,936	313,337	310,719	366,160	
Factory Automation (FA) Business ^{4,5}	84,299	98,843									
Die Components Business ^{4,5}	37,020	56,310									
Electronics Business ^{4,5}	12,381	13,801									
Other Business ^{4,5}	6,747	7,654									
Adjustments ^{4,5}	(5,603)	(2,704)									
FA Business ⁵		82,377	99,094	109,654	84,669	105,184	109,230	99,403	102,244	119,253	
Die Components Business ⁵		56,309	64,737	69,732	69,797	76,523	76,443	72,413	66,871	75,108	
VONA Business ⁵		37,921	48,249	60,474	104,548	131,262	146,262	141,519	141,602	171,799	
Adjustments ⁵		(2,703)	(3,517)	280	–	–	–	–	–	–	
Operating income	16,809	18,989	23,759	25,691	27,127	34,848	31,874	23,640	27,199	52,210	
Earnings before amortization	17,109	21,093	25,999	28,229	29,421	36,465	32,490	24,247	27,789	52,677	
Income before income taxes (and minority interests)	15,890	18,964	22,943	25,004	26,071	34,516	31,815	22,781	23,496	51,131	
Net income attributable to owners of parent	9,881	11,679	14,291	16,907	18,387	25,601	24,034	16,504	17,138	37,557	
As of March 31:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022/3	
Total assets ⁸	136,303	163,202	184,784	194,186	212,041	243,492	252,393	264,684	288,921	347,390	
Total equity	103,014	115,966	132,138	141,463	154,530	185,203	203,520	209,514	231,147	277,225	
Interest-bearing debt ⁷	1,000	900	–	–	–	–	–	–	–	–	
CAPEX, depreciation and amortization as of and for the years ended March 31:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022/3	
Capital expenditures (CAPEX)	3,451	6,901	8,487	9,126	7,219	15,421	21,414	18,018	14,016	16,508	
Depreciation and amortization	3,560	6,051	7,024	7,821	7,439	8,105	8,758	11,339 ¹⁰	13,101 ¹⁰	13,589 ¹⁰	
Capital expenditures (CAPEX) Depreciation and amortization	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022/3	
Return on equity ²	(%)	10.2	10.7	11.5	12.4	12.4	15.1	12.4	8.0	7.8	14.8
Return on assets ²	(%)	12.6	12.7	13.2	13.2	12.8	15.2	12.8	8.8	8.5	16.1
Current ratio	(%)	349.5	397.5	429.2	445.8	430.3	362.1	444.4	434.6	478.9	483.0
Interest coverage ratio ³	(times)	2,095.6	1,691.2	1,470.3	5,179.8	4,972.6	21,868.1	8,853.9	360.1	541.8	623.9
Per share data as of and for the years ended March 31:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022/3	
Earnings per share ¹	(yen)	36.76	42.94	52.28	61.65	66.94	91.01	84.80	58.18	60.36	132.15
Cash dividends per share ¹	(yen)	9.15	10.72	13.05	15.42	16.71	22.60	21.20	14.55	15.09	33.04
Equity per share ¹	(yen)	379.98	425.06	482.17	515.39	560.79	653.71	717.56	737.99	813.57	975.04
Cash flow per share ¹	(yen)	42.63	56.76	41.26	60.89	70.80	85.86	46.00	99.40	128.44	194.82
Stock valuations as of and for the years ended March 31:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022/3	
Price/Earnings ratio (PER)	(times)	23.5	22.2	30.9	26.1	30.1	32.1	32.5	40.5	53.3	27.7
Price/Cash flow ratio (PCFR)	(times)	20.3	16.8	39.2	26.5	28.4	34.0	59.8	23.7	25.0	18.8
Price/Book value ratio (PBR)	(times)	2.3	2.2	3.4	3.1	3.6	4.5	3.8	3.2	4.0	3.8
Number of customers (companies) for the years ended March 31:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022/3	
In Japan (machine-related only) ⁶	63,007	64,955	66,230	79,571	90,223	100,598	116,238	126,975	142,144	129,801	
Overseas	91,817	100,481	108,849	133,053	152,374	161,400	185,120	191,201	196,188	205,006	
Total number of customer companies	154,824	165,436	175,079	212,624	242,597	261,998	301,358	318,176	338,332	334,807	
Number of employees as of March 31:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022/3	
Number of employees	(persons)	7,238	8,038	8,876	9,628	10,167	11,241	12,300	12,138	11,682	11,842

Notes: Amounts are rounded down to the nearest million yen.

¹ After adjustment for stock split effective July 1, 2015.

² ROE was calculated based on 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.

³ Interest coverage ratio = Net cash provided by operating activities ÷ Interest payment

⁴ Figures for fiscal years prior to the year ended March 31, 2014 (FY2013) have been revised retroactively in accordance with changes in disclosure standards by segment.

⁵ Segments were changed in April 2014.

⁶ Stock for Diversified Businesses was transferred, so this former segment has been excluded from the report.

⁷ The convertible bonds with stock acquisition rights issued in October 2013 are not included in interest-bearing liabilities as they are non-interest bearing. In addition, lease obligations are excluded with the application of IFRS 16 "Leases." The actual amount for the fiscal year ended March 31, 2022, was ¥7,184 million.

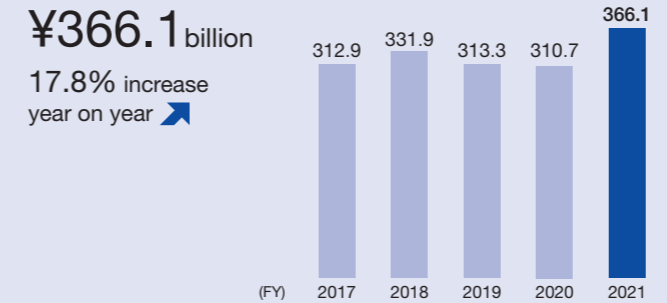
⁸ The figure for the year ended March 31, 2018 (FY2017) has been revised retroactively in accordance with Partial Amendments to Accounting Standard for Tax Effect Accounting.

⁹ Excludes depreciation of right-of-use assets due to the application of IFRS 16 "Leases." The actual amount for the fiscal year ended March 31, 2022 was ¥1,751 million.

Financial Analysis

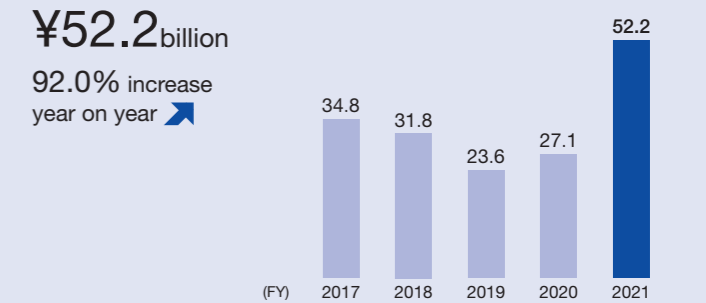
Net Sales

(Billion yen)



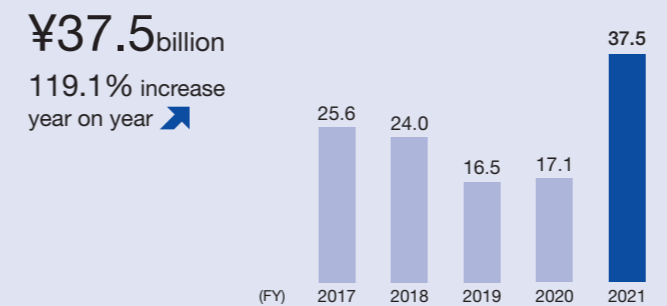
Operating Income

(Billion yen)



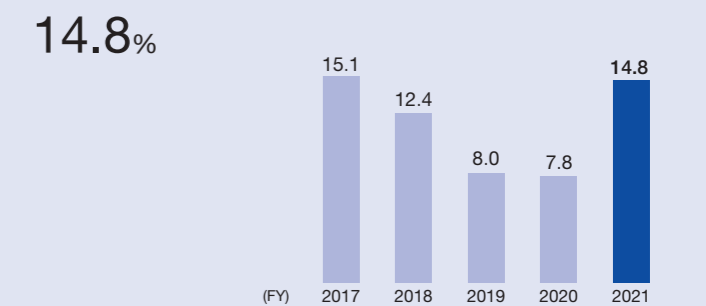
Net Income Attributable to Owners of Parent

(Billion yen)



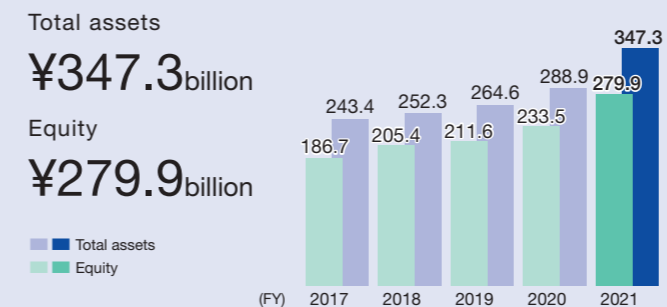
Return on Equity (ROE)

(%)



Total Assets and Equity

(Billion yen)

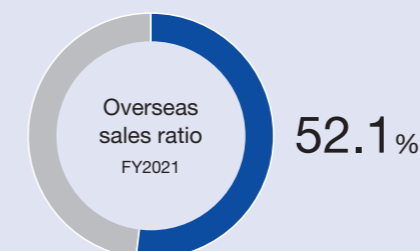


Earnings per Share

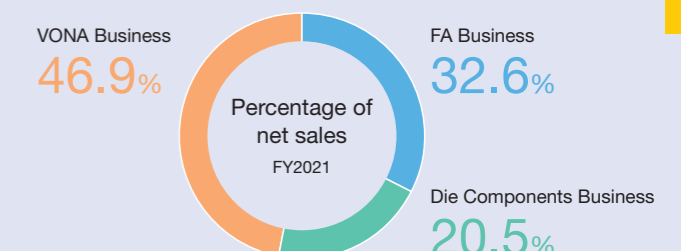
(Yen)



Overseas Sales



Net Sales by Segment



Business and Other Risks

Material risks that may significantly impact the business and financial situation of MISUMI Group are as follows. Please note that the forward-looking statements provided are based on evaluations made by MISUMI Group at the end of FY2021.

Impact of market trends in specific industries on earnings

In its FA and Die Components Businesses, MISUMI Group's primary customers are in the automotive and electronics (including LCD and semiconductor) industries. The VONA business sells manufacturing and automation-related equipment parts, MRO (consumables), and other auxiliary materials, including third-party manufactured products. The Group targets customers that utilize a wide range of automation equipment in their operations. As a result, the Group's performance may be affected by capital investment and production and operation trends in these industries.

MISUMI Group keeps a constant eye on market trends in each of its businesses and implements measures such as capital investment, personnel allocation, and optimization of inventories, as necessary. However, unforeseen changes in conditions in the industries in which our customers operate may affect the business performance and financial position of the MISUMI Group.

Expansion of overseas business operations

MISUMI Group has established Business Companies in China, Asia, Europe, and the Americas, in addition to Japan, and is strengthening business expansion in each region. However, political, and economic changes, as well as revisions to government policies, laws and regulations in these regions may significantly impact the execution of business plans by each Regional Business Company. Furthermore, in FY2021, political and economic turmoil in each region, stemming from the persistent U.S.-China trade conflict and the situation in Ukraine, has led to conditions that increase destabilizing factors in overseas business expansion.

In addition to ongoing monitoring of political and economic conditions in the respective regions of jurisdiction for each regional Business Company, MISUMI Group also seeks to have a global understanding of legal systems in all the countries where it does business, and takes appropriate measures as needed. If, however, these regional conditions were to change suddenly, the business performance and financial position of MISUMI Group may be affected.

Procurement of products and raw materials

MISUMI Group procures many of its products and raw materials from domestic and overseas suppliers. However, soaring procurement costs due to tight supply and demand, disruptions to supply chains and other factors may give rise to difficulties in procurement. As a result, profitability may deteriorate due to rising purchase prices and product sales to customers may decrease.

Although MISUMI Group is strengthening its business foundations in IT, logistics, and manufacturing, and is also making progress in reinforcing its supply chain, unforeseen conditions could affect the Group's business performance and financial position.

Quality control

MISUMI Group provides a wide range of products to our customers. Still, in addition to the quality and safety of our products, the requirements for managing Environmental Chemical Substances and efforts to reduce environmental impact are becoming stricter every year on a global basis.

MISUMI Group has formulated a framework for quality control. It undertakes procurement in line with its Green Procurement Guidelines while working on product development and production activities with a low environmental load. However, in the event of a product defect or a violation of product-related regulations (including regulations related to the presence of hazardous substances as well as restrictions on imports and exports), MISUMI Group's business performance and financial position may be impacted due to product recalls, product discontinuations or various expenses and fees.

Natural disasters and other emergencies

A large-scale earthquake or other natural disaster, or the wide spread of infectious disease, could disrupt the production or distribution of products and merchandise. Although we have a system in place to respond following our business continuity plan (BCP) in the event of a disaster, our Group's business performance and financial position could be affected in the event of damage exceeding our expectations.

In response to the COVID-19 pandemic, MISUMI Group prioritizes ensuring the health and safety of its employees while conducting production, logistics, and customer support to fulfill its supply responsibility to its customers. However, if the situation were to become more serious or prolonged in the future, it could affect the production and operation of our group and our customers, and our group's business performance and financial position could be affected.

Information security

MISUMI Group holds confidential information related to orders, sales, procurement, manufacturing, and other business processes, as well as customer and personal information, in the form of electronic data, and utilizes various information systems in its business operations.

To enhance information security, MISUMI Group has formulated information management rules such as the "Basic Policy on Information Security," conducts regular in-house training to ensure thorough awareness of the rules and is also working to fortify its IT infrastructure.

However, in the unlikely event of a cyberattack by a virus or other malware, or a major failure of software or hardware, information leakage or interruption of customer service could occur, resulting in a deterioration of public trust or substantial compensation for damages, which could affect our Group's performance and financial position.

Foreign exchange rate fluctuations

MISUMI Group conducts transactions in various currencies and terms, and transactions denominated primarily in foreign currencies and balances of receivables and payables denominated in foreign currencies may be affected by foreign exchange fluctuations. To reduce such foreign exchange risks to a certain degree, the Group uses forward exchange contracts. However, it is difficult to avoid the effects of foreign exchange fluctuations altogether, and unexpected volatility could affect the Group's performance and financial position.

Human Resources

We recognize the importance of recruiting and developing excellent human resources at the appropriate time, both in Japan and overseas, for our Group's medium- to long-term global growth. To this end, the Group recruits, develops, and promotes human resources with an emphasis on ensuring diversity and equal opportunity in terms of background, skills, gender, nationality, etc., and is also working to enhance various training programs to strengthen its human capital.

However, competition to hire excellent human resources is intensifying. If we can hire and train personnel as planned, our business operations may be unrestricted, affecting our Group's business performance and financial position.

Consolidated Balance Sheet

MISUMI Group Inc. and Consolidated Subsidiaries
March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥101,443	¥ 71,964	\$ 828,854
Time deposits (Note 15)	7,452	464	60,884
Receivables:			
Trade notes (Note 15)	15,723	12,169	128,470
Trade accounts (Note 15)	61,096	59,519	499,191
Other	740	874	6,047
Allowance for doubtful receivables	(282)	(277)	(2,308)
Inventories (Notes 3 and 5)	61,741	55,344	504,462
Other	5,211	3,919	42,573
Total current assets	253,124	203,976	2,068,173
PROPERTY, PLANT AND EQUIPMENT (Notes 19 and 21):			
Land	3,877	3,951	31,676
Buildings and structures	26,550	25,809	216,933
Machinery and vehicles	40,494	35,170	330,857
Right-of-use assets	9,410	6,348	76,889
Other	11,911	10,066	97,320
Total	92,242	81,344	753,675
Accumulated depreciation and impairment loss	(45,722)	(38,855)	(373,574)
Net property, plant and equipment	46,520	42,489	380,101
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 15)	6	6	51
Investments in unconsolidated subsidiaries and associated companies	196	180	1,598
Software	28,527	26,216	233,083
Deferred tax assets (Note 11)	6,550	6,095	53,523
Other assets	12,467	9,959	101,859
Total investments and other assets	47,746	42,456	390,114
TOTAL	¥347,390	¥288,921	\$2,838,388

See notes to consolidated financial statements.

Consolidated Statement of Income

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Payables:			
Trade notes and accounts (Note 15).....	¥ 21,618	¥ 19,458	\$ 176,631
Accounts payable—other	9,208	8,025	75,236
Lease obligations (Notes 7 and 19)	1,775	1,209	14,504
Income taxes payable (Note 11).....	7,154	2,776	58,453
Provision for bonuses (Note 2.o)	5,070	3,613	41,422
Other	7,586	7,510	61,981
Total current liabilities	52,411	42,591	428,227
LONG-TERM LIABILITIES:			
Lease obligations (Notes 7 and 19)	5,409	2,875	44,196
Liability for retirement benefits (Note 8).....	6,872	6,812	56,154
Deferred tax liabilities (Note 11)	939	845	7,674
Other	1,799	2,228	14,695
Total long-term liabilities	15,019	12,760	122,719
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14 and 16)			
EQUITY (Notes 9, 10 and 18):			
Common stock—authorized, 1,020,000,000 shares in 2022 and 1,020,000,000 shares in 2021 issued, 284,452,897 shares in 2022 and 284,244,497 shares in 2021	13,665	13,437	111,649
Capital surplus	24,020	23,792	196,259
Stock acquisition rights	1,937	1,788	15,832
Retained earnings	220,520	190,780	1,801,779
Treasury stock—at cost, 129,896 shares in 2022 and 129,760 shares in 2021	(79)	(79)	(649)
Accumulated other comprehensive income:			
Deferred gain (loss) on hedges	37		300
Foreign currency translation adjustments.....	19,063	3,371	155,762
Defined retirement benefit plans	(0)	(154)	(3)
Non-controlling interests	797	635	6,513
Total equity	279,960	233,570	2,287,442
TOTAL	¥347,390	¥288,921	\$2,838,388

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2022	2021	2020	2022
NET SALES (Notes 20 and 21)	¥366,160	¥310,719	¥313,337	\$2,991,749
COST OF SALES	199,296	175,841	179,752	1,628,372
Gross profit	166,864	134,878	133,585	1,363,377
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12).....	114,653	107,679	109,945	936,784
Operating income (Note 21)	52,211	27,199	23,640	426,593
OTHER INCOME (EXPENSES):				
Interest and dividend income	532	306	277	4,352
Interest expense	(99)	(67)	(78)	(809)
Exchange loss—net	(450)	(257)	(684)	(3,677)
Gain on sale of non-current assets.....	57			467
Loss on sale of non-current assets.....		(393)		
Impairment loss (Notes 6 and 21).....	(642)	(3,301)	(465)	(5,247)
Loss related to COVID-19	(784)			(6,405)
Other—net	306	9	91	2,498
Other expenses—net	(1,080)	(3,703)	(859)	(8,821)
INCOME BEFORE INCOME TAXES	51,131	23,496	22,781	417,772
INCOME TAXES (Note 11):				
Current	13,975	7,009	6,665	114,190
Deferred.....	(466)	(690)	(416)	(3,810)
Total income taxes	13,509	6,319	6,249	110,380
NET INCOME	37,622	17,177	16,532	307,392
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS				
	65	38	28	528
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT ...	¥ 37,557	¥ 17,139	¥ 16,504	\$ 306,864
PER SHARE OF COMMON STOCK (Notes 2.w, 9 and 18):				
	Yen			U.S. Dollars (Note 1)
	2022	2021	2020	2022
Net income	¥132.15	¥60.36	¥58.18	\$1.08
Diluted net income	131.72	60.14	57.98	1.08
Cash dividends applicable to the year	33.04	15.09	14.55	0.27

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2022	2021	2020	2022
NET INCOME	¥37,622	¥17,177	¥16,532	\$307,392
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):				
Deferred gain (loss) on hedges	37			300
Foreign currency translation adjustments	15,706	7,858	(5,697)	128,332
Defined retirement benefit plans	154	(65)	(13)	1,255
Share of other comprehensive income (loss) in associates	9	0	(6)	79
Total other comprehensive income (loss).....	15,906	7,793	(5,716)	129,966
COMPREHENSIVE INCOME (Note 17).....	¥53,528	¥24,970	¥10,816	\$437,358
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):				
Owners of the parent	¥53,439	¥24,900	¥10,825	\$436,633
Non-controlling interests	89	70	(9)	725

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Thousands	Millions of Yen									
		Common Stock	Capital Surplus	Stock Acquisition Rights	Non-Controlling Interests	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total Equity
								Deferred Gain (Loss) on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	
BALANCE, APRIL 1, 2019	283,756	¥13,024	¥23,378	¥1,332	¥573	¥166,061	¥(78)	¥ 1,211	¥ (76)	¥205,425	
Net income attributable to owners of parent...					16,504					16,504	
Cash dividends, ¥18.50 per share					(5,247)					(5,247)	
Disposal of treasury stock (10 shares)						0				0	
Issuance of new shares	272	208	208							416	
Net change in the year				229	(18)			(5,666)	(13)	(5,468)	
BALANCE, MARCH 31, 2020	284,028	13,232	23,586	1,561	555	177,318	(78)	(4,455)	(89)	211,630	
Net income attributable to owners of parent...					17,139					17,139	
Cash dividends, ¥12.95 per share (Note 9)					(3,677)					(3,677)	
Increase in treasury stock (232 shares)						(1)				(1)	
Disposal of treasury stock (88 shares)			1			0				1	
Issuance of new shares (Note 10)	216	205	205							410	
Net change in the year				227	80			7,826	(65)	8,068	
BALANCE, MARCH 31, 2021	284,244	13,437	23,792	1,788	635	190,780	(79)	3,371	(154)	233,570	
Net income attributable to owners of parent...					37,557					37,557	
Cash dividends, ¥27.51 per share (Note 9)					(7,817)					(7,817)	
Increase in treasury stock (136 shares)						(0)				(0)	
Disposal of treasury stock											
Issuance of new shares (Note 10)	208	228	228							456	
Net change in the year				149	162			¥37	15,692	154	16,194
BALANCE, MARCH 31, 2022	284,452	¥13,665	¥24,020	¥1,937	¥797	¥220,520	¥(79)	¥37	¥19,063	¥ (0)	¥279,960

	Thousands	Thousands of U.S. Dollars (Note 1)									
		Common Stock	Capital Surplus	Stock Acquisition Rights	Non-Controlling Interests	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total Equity
								Deferred Gain (Loss) on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	
BALANCE, APRIL 1, 2021	\$109,785	\$194,395	\$14,608	\$5,187	\$1,558,786	\$(644)		\$ 27,548	\$(1,258)	\$1,908,407	
Net income attributable to owners of parent...					306,864					306,864	
Cash dividends, \$0.23 per share (Note 9)					(63,871)					(63,871)	
Increase in treasury stock (136 shares)						(5)				(5)	
Disposal of treasury stock											
Issuance of new shares (Note 10)	1,864	1,864								3,728	
Net change in the year			1,224	1,326				\$300	128,214	1,255	132,319
BALANCE, MARCH 31, 2022	\$111,649	\$196,259	\$15,832	\$6,513	\$1,801,779	\$(649)	\$300	\$155,762	\$ (3)	\$2,287,442	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2022	2021	2020	
	OPERATING ACTIVITIES:			
Income before income taxes	¥ 51,131	¥ 23,496	¥ 22,781	\$ 417,772
Adjustments for:				
Income taxes paid	(10,655)	(7,438)	(7,025)	(87,061)
Income taxes refund	339	359	50	2,769
Depreciation and amortization	15,341	14,963	13,071	125,347
Exchange (gain) loss	47	68	(75)	388
Impairment loss	642	3,301	465	5,247
Changes in assets and liabilities:				
(Increase) decrease in receivables	(512)	(5,768)	2,487	(4,182)
(Increase) decrease in inventories	(2,857)	1,861	(5,151)	(23,346)
Increase (decrease) in payables	1,029	1,901	(342)	8,411
Increase (decrease) in other current liabilities	166	543	1,128	1,356
Other—net	720	3,206	829	5,879
Total adjustments	4,260	12,996	5,437	34,808
Net cash provided by operating activities	55,391	36,492	28,218	452,580
INVESTING ACTIVITIES:				
Purchase of fixed assets	(16,508)	(14,017)	(18,018)	(134,881)
Proceeds from sales of fixed assets	220	133	51	1,801
Refund from time deposits	7,103	8,740	9,987	58,034
Payment into time deposits	(13,463)	(2,148)	(8,291)	(110,005)
Other—net (Note 19)	(114)	223	(388)	(928)
Net cash used in investing activities	(22,762)	(7,069)	(16,659)	(185,979)
FINANCING ACTIVITIES:				
Proceeds from issuance of stock	17	31	416	139
Repayments of lease obligations	(1,808)	(1,882)	(1,597)	(14,777)
Dividends paid	(7,817)	(3,677)	(5,247)	(63,871)
Other—net	(1)	(3)	0	(5)
Net cash used in financing activities	(9,609)	(5,531)	(6,428)	(78,514)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	6,459	3,632	(2,444)	52,775
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,479	27,524	2,687	240,862
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	71,964	44,440	41,753	587,992
CASH AND CASH EQUIVALENTS, END OF YEAR	¥101,443	¥ 71,964	¥ 44,440	\$ 828,854

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 2020 and 2021 consolidated financial statements to conform them to the classifications used in 2022.

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 ¥122.39 to \$1, the rate of exchange at March 31, 2022. 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, 2022 include the accounts of the Company and its 50 (50 as of March 31, 2021) 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 2022 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 (“U.S. GAAP”) may tentatively be used for the consolidation process, (3) however, the following five 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 through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) reclassification adjustments if such foreign subsidiaries elect to present any subsequent changes to fair values of equity financial instruments in other comprehensive income.

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 U.S. GAAP 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 through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) reclassification adjustments if such foreign subsidiaries elect to present any subsequent changes to fair values of equity financial instruments in other comprehensive income.

d. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to an insignificant risk of changes in value. Cash equivalents include time deposits 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 and work in progress are principally stated at cost determined by the periodic average method (balance sheet amounts are written down on the basis of any decreased profitability). Supplies are principally stated at cost determined by the periodic average method.

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 20 years

i. Right-of-use assets — The Group has applied IFRS 16 “Leases” from the beginning of the year ended March 31, 2020 to certain foreign consolidated subsidiaries. Expenses such as rental expenses in foreign consolidated subsidiaries are recorded as right-of-use assets in accordance with the said accounting standard. With the application of IFRS 16, assets and liabilities are recorded on the consolidated balance sheet, in principle, for all leases as lessees’ accounting treatment, and the straight-line method is applied over the lease term for the depreciation of capitalized right-of-use assets. Moreover, lease transactions based on IFRS 16 in Note 14. LEASES are categorized as finance lease transactions.

j. 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.

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

l. Policy for Recognition of Significant Revenue and Expenses — The Group develops and provides various products in the following three areas: “FA Business,” “Die Components Business” and “VONA Business.” Revenue from the provision of these products is recognized at the time of delivery to the customer or inspection and acceptance by the customer. However, revenue from the provision of products within Japan is recognized at the time of shipment, except in certain cases. Revenue is measured as the net consideration promised under the contract with the customer, after deducting returns, discounts, rebates, etc. Paid supply transactions where the Group is under a repurchase obligation are treated as financial transactions. The Group continues to recognize the associated inventory, and recognizes financial liabilities equal to the balance of supplied inventory held by the recipient of the paid supply transaction at the end of the fiscal year. Consideration for transactions is received within one year of the time when the Group satisfies its performance obligations.

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

n. 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 10 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.

o. 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.

p. 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.

q. 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.

r. 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.

s. 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.

Significant Hedge Accounting Methods

(1) Hedge Accounting Methods

The Group applies deferred hedge accounting. The Group applies designation for foreign currency forward contracts that meet the requirements for designation.

(2) Hedging Instruments and Hedged Items

The Group applies hedge accounting for the following hedging instruments and hedged items.

Hedging instruments: foreign currency forward contracts

Hedged items: planned foreign currency-denominated transactions

(3) Hedging Methods

The Group hedges the risk of foreign exchange rate fluctuations associated with hedged items within certain limits, based on the Group's internal regulations concerning derivative transactions.

(4) Method of Assessing Hedge Effectiveness

The Group assesses the effectiveness of hedges by comparing the cumulative total of market fluctuations or cash flow fluctuations for the hedged item with the cumulative total of market fluctuations or cash flow fluctuations for the hedging instrument.

t. 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.

The Company and its consolidated subsidiaries in Japan will transition from a consolidated tax system to a group tax sharing system from the fiscal year ending March 31, 2023. However, regarding items that have been transitioned to a group tax sharing

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

It is planned to apply PITF No.42 (August 12, 2021), "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System," which sets forth the accounting treatment and disclosure of national and local income taxes and tax effect accounting upon the application of a group tax sharing system, from the start of the fiscal year ending March 31, 2023.

u. 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.

v. 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.

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

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

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.

x. 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.

y. 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.

z. Unapplied Accounting Standards

Leases

U.S. GAAP ASU 2016-02 "Leases (Topic 842)".

(a) Overview

These accounting standards require a lessee to recognize assets and liabilities for all leases in principle.

(b) Date to be adopted

The Company plans to adopt the accounting standards from the year ending March 31, 2023.

(c) Effect of applying the above standards

As of the commencement date of the application, approximately ¥1,200 million of right-of-use assets and lease obligations will be recorded.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Valuation of merchandise and finished goods

(1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022 was ¥50,593 million (\$413,379 thousand)

(2) Information on significant accounting estimates related to identified items

Merchandise and finished goods exceeding a certain quantity, for which a certain period of time has elapsed since being initially recorded in inventory, and which are deemed unsellable in the future, are evaluated in principle, by writing down the carrying amount of the inventories to zero, and recording an unrealized loss in the consolidated statement of income.

Accordingly, if there is an increase in the number of merchandise and finished goods, for which the carrying amount of the inventories is to be written down due to a decrease in sales and other factors, the amount of unrealized loss to be recognized in the consolidated financial statements for the following consolidated fiscal year may be affected.

4. CHANGES IN ACCOUNTING POLICIES

Application of Accounting Standard for Revenue Recognition and other standards

The Company has applied ASBJ Statement No. 29 (March 31, 2020), "Accounting Standard for Revenue Recognition," etc. from the beginning of the fiscal year ended March 31, 2022, and recognizes revenue when control over promised goods or services is transferred to a customer in an amount of consideration to which it expects to be entitled in exchange of those goods or services. As a result, with regard to transactions of providing parts to suppliers with compensation for which the Company bears a repurchase obligation, inventories continue to be recognized as a result of deemed financing transactions, and the amount of the ending inventory of those parts retained by the suppliers are recognized as financial liabilities.

The application of the Accounting Standard for Revenue Recognition is subject to the transitional treatment provided for in the proviso of paragraph 84 of the Revenue Recognition Standard. There is no impact on the balance of retained earnings at beginning of fiscal year, profit/loss for the fiscal year ended March 31, 2022, and per share information. As a result, compared with figures calculated using the previous accounting procedures, merchandise and finished goods increased by ¥497 million (\$4,059 thousand) and current liabilities – other increased by ¥497 million (\$4,059 thousand) as of March 31, 2022.

In accordance with the transitional treatment stipulated in paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes on "Revenue Recognition" have not been presented for the fiscal year ended March 31, 2021.

Application of Accounting Standard for Fair Value Measurement and other standards

The Company has applied ASBJ Statement No. 30 (July 4, 2019), "Accounting Standard for Fair Value Measurement," etc. from the beginning of the fiscal year ended March 31, 2022, and will continue to apply new accounting policies established by the Fair Value Measurement Standard in the future pursuant to the transitional treatment stipulated in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of ASBJ Statement No. 10 (July 4, 2019), "Accounting Standard for Financial Instruments." The application has no impact on consolidated financial statements. Information including a breakdown of financial instruments by level of fair value is presented in the notes on "Financial Instruments and Related Disclosures." However, in accordance with the transitional treatment stipulated in paragraph 7-4 of ASBJ Guidance No. 19 (July 4, 2019), "Implementation Guidance on Disclosures about Fair Value of Financial Instruments," this information has not been presented for the fiscal year ended March 31, 2021.

5. INVENTORIES

Inventories at March 31, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Merchandise.....	¥46,181	¥42,668	\$377,328
Finished goods.....	4,412	3,661	36,051
Materials.....	6,062	4,772	49,529
Supplies.....	2,263	1,729	18,487
Work in process.....	2,823	2,514	23,067
Total.....	¥61,741	¥55,344	\$504,462

6. IMPAIRMENT

The Group, in principle, groups its assets based on the business department. For the year ended March 31, 2022, the Group recognized impairment losses of ¥642 million (\$5,247 thousand) for the idle assets located in Tokyo and other areas. As a result of consideration of future recoverability, the carrying amounts of the relevant assets were written down to the recoverable amounts and the decreased amounts were recorded as impairment losses of ¥642 million (\$5,247 thousand) for software, etc.

For the year ended March 31, 2021, the Group recognized impairment losses of ¥1,132 million for the idle assets located in Tokyo and other areas and ¥2,169 million for the business assets located in Ohio, U.S.A and other areas. As a result of consideration of future recoverability, the carrying amounts of the relevant assets were written down to the recoverable amounts and the decreased amounts were recorded as impairment losses of ¥1,132 million for software, etc., and ¥2,169 million for buildings and structures, etc.

For the year ended March 31, 2020, the Group recognized an impairment loss of ¥465 million for the idle assets located in Tokyo. As a result of consideration of future recoverability, the carrying amounts of the relevant assets were written down to the recoverable amounts and the decreased amounts were recorded as an impairment loss of ¥465 million for software. As there is no possibility for sale or future use, the recoverable amount is deemed zero.

As there is no possibility for sale or future use of the idle assets, the recoverable amount is deemed zero. The recoverable amount of the business assets is measured based on the value from the continued use and calculated by discounting future cash flows at 12.71%.

7. LONG-TERM DEBT

Lease obligations at March 31, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Long-term lease obligations (repayment terms vary from 2023 through 2034, at the weighted-average annual percentage interest rate of 1.8%).....	¥7,184	¥4,084	\$58,700
Total.....	7,184	4,084	58,700
Less current portion.....	1,775	1,209	14,504
Long-term lease obligations, less current portion.....	¥5,409	¥2,875	\$44,196

The amounts to be repaid each fiscal year for long-term lease obligations as of March 31, 2022 are as follows:

Fiscal year ending March 31	2022	
	Millions of Yen	Thousands of U.S. Dollars
2023.....	¥1,775	\$14,504
2024.....	1,450	11,851
2025.....	1,276	10,426
2026.....	881	7,200
2027 and after.....	1,802	14,719
Total.....	¥7,184	\$58,700

8. 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, on February 3, 2021, the Fund was liquidated. No additional expenses arose from the dissolution of the Fund.

a. Defined Benefit Plan

(1) The changes in defined benefit obligations for the years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year.....	¥9,081	¥8,002	\$74,197
Current service cost.....	1,100	1,196	8,989
Interest cost.....	42	36	343
Actuarial losses.....	(121)	211	(993)
Benefits paid.....	(762)	(450)	(6,225)
Past service costs.....	(143)		(1,167)
Others.....	101	86	828
Balance at end of year.....	¥9,298	¥9,081	\$75,972

(2) The changes in plan assets for the years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year.....	¥2,269	¥1,994	\$18,539
Expected return on plan assets.....	24	36	199
Actuarial losses.....	(45)	(85)	(365)
Contributions from the employer.....	287	306	2,344
Benefits paid.....	(137)	(39)	(1,119)
Others.....	29	57	232
Balance at end of year.....	¥2,427	¥2,269	\$19,830

(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, 2022 and 2021 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligations.....	¥ 3,159	¥ 3,267	\$ 25,810
Plan assets.....	(2,426)	(2,269)	(19,818)
	733	998	5,992
Unfunded defined benefit obligations.....	6,139	5,814	50,162
Net liability for defined benefit obligations.....	¥ 6,872	¥ 6,812	\$ 56,154

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for retirement benefits.....	¥ 6,872	¥ 6,812	\$ 56,154
Net liability for defined benefit obligations.....	¥ 6,872	¥ 6,812	\$ 56,154

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost.....	¥1,100	¥1,196	\$8,989
Interest cost.....	42	36	343
Expected return on plan assets.....	(24)	(36)	(199)
Recognized actuarial losses.....	13	201	106
Recognized past service costs.....	(14)		(117)
Others.....	45	328	370
Net periodic benefit costs.....	¥1,162	¥1,725	\$9,492

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Past service costs.....	¥129		\$1,050
Actuarial differences.....	91	¥(94)	743
Total.....	¥220	¥(94)	\$1,793

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Past service costs.....	¥(128)		\$(1,050)
Unrecognized actuarial differences.....	131	¥227	1,071
Total.....	¥3	¥227	\$21

(7) Plan assets as of March 31, 2022 and 2021

(a) Components of plan assets

Plan assets consisted of the following:

	2022		2021	
	2022	2021	2022	2021
Cash and cash equivalents.....	33%		33%	
General accounts.....	67		67	
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, 2022 and 2021 were set forth as follows:

	2022		2021	
	2022	2021	2022	2021
Discount rate.....	0.43% – 0.50%		0.39% – 0.50%	
Expected rate of return on plan assets.....	1.53%		1.53%	

Expected salary increase rate is determined using the age-specific salary increase index calculated by designating the day of calculation as the reference date.

b. Defined Contribution Plan

The amounts required to be contributed to the defined contribution plan are ¥368 million (\$3,009 thousand) and ¥362 million for the years ended March 31, 2022 and 2021, respectively.

9. 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.

Matters pertaining to actual dividends paid are as follows:

Dividends Paid

Year ended March 31, 2022

Resolution	Class of shares	Millions of Yen	Thousands of U.S. Dollars	Paid from	Yen	U.S. Dollars	Record date	Effective date
		Total dividends			Dividends per share			
General Meeting of Shareholders on June 17, 2021	Common stock	¥2,608	\$21,310	Retained earnings	¥ 9.18	\$0.08	March 31, 2021	June 23, 2021
Board of Directors meeting on October 28, 2021	Common stock	¥5,209	\$42,561	Retained earnings	¥18.33	\$0.15	September 30, 2021	December 7, 2021

Year ended March 31, 2021

Resolution	Class of shares	Millions of Yen	Paid from	Yen	Record date	Effective date
		Total dividends		Dividends per share		
General Meeting of Shareholders on June 16, 2020	Common stock	¥1,999	Retained earnings	¥7.04	March 31, 2020	June 22, 2020
Board of Directors meeting on October 29, 2020	Common stock	¥1,678	Retained earnings	¥5.91	September 30, 2020	December 1, 2020

Dividends with Record Dates Falling in the Year Ended March 31, 2022, but with Effective Dates Falling in the Year Ending March 31, 2023

Resolution	Class of shares	Millions of Yen	Thousands of U.S. Dollars	Paid from	Yen	U.S. Dollars	Record date	Effective date
		Total dividends			Dividends per share			
General Meeting of Shareholders on June 16, 2022	Common stock	¥4,182	\$34,173	Retained earnings	¥14.71	\$0.12	March 31, 2022	June 22, 2022

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as an earned legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of the earned legal reserve and additional paid-in capital equals 25% of the common stock. The Companies Act also provides that common stock, an earned legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

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

10. STOCK OPTIONS

Information related to the stock options for the year ended March 31, 2022 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option (1)	33 employees of the Group	375,000 shares	2012.7.3	¥631 (\$5.70)	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)	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)	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 (3)	5 directors	28,500 shares	2016.10.3	¥ 1 (\$0.01)	From October 4, 2016 to October 3, 2046
2016 Stock Option (4)	5 directors	181,800 shares	2016.10.3	¥ 1 (\$0.01)	From October 3, 2019 to October 2, 2026
2016 Stock Option (5)	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
2018 Stock Option (1)	4 directors	12,100 shares	2018.7.6	¥ 1 (\$0.01)	From July 7, 2018 to July 6, 2048
2018 Stock Option (2)	4 directors	77,500 shares	2018.7.6	¥ 1 (\$0.01)	From July 6, 2021 to July 5, 2028
2018 Stock Option (3)	101 employees of the Group	168,000 shares	2018.11.2	¥ 1 (\$0.01)	From November 2, 2021 to November 1, 2028
2019 Stock Option (1)	5 directors	18,100 shares	2019.7.5	¥ 1 (\$0.01)	From July 6, 2019 to July 5, 2049
2019 Stock Option (2)	4 directors	76,400 shares	2019.7.5	¥ 1 (\$0.01)	From July 5, 2022 to July 4, 2029
2019 Stock Option (3)	108 employees of the Group	175,100 shares	2019.11.1	¥ 1 (\$0.01)	From November 1, 2022 to October 31, 2029
2020 Stock Option (1)	5 directors	21,100 shares	2020.7.10	¥ 1 (\$0.01)	From July 11, 2020 to July 10, 2050
2020 Stock Option (2)	5 directors	108,200 shares	2020.7.10	¥ 1 (\$0.01)	From July 10, 2023 to July 9, 2030
2021 Stock Option (1)	94 employees of the Group	99,500 shares	2021.3.29	¥ 1 (\$0.01)	From March 29, 2024 to March 28, 2031
2021 Stock Option (2)	6 directors	15,000 shares	2021.7.9	¥ 1 (\$0.01)	From July 10, 2021 to July 9, 2051
2021 Stock Option (3)	6 directors	89,400 shares	2021.7.9	¥ 1 (\$0.01)	From July 9, 2024 to July 8, 2031
2021 Stock Option (4)	100 employees of the Group	102,400 shares	2021.12.3	¥ 1 (\$0.01)	From December 3, 2024 to December 2, 2031

(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:

	2012 Stock Option (1)	2014 Stock Option (1)	2014 Stock Option (2)	2016 Stock Option (1)	2016 Stock Option (2)	2016 Stock Option (3)	2016 Stock Option (4)	2016 Stock Option (5)	2017 Stock Option (1)	2017 Stock Option (2)	2017 Stock Option (3)
	(Shares)										
For the Year Ended March 31, 2021											
Non-vested:											
March 31, 2020—outstanding...										98,600	109,400
Granted.....											
Canceled.....											
Vested.....										98,600	109,400
March 31, 2021—outstanding...											
Vested:											
March 31, 2020—outstanding...	37,200	21,900	36,600	18,100	61,900	15,400	73,900	88,100	11,500		
Vested.....										98,600	109,400
Exercised	10,500		9,900		13,300		36,200	19,300		43,900	35,000
Canceled.....											3,300
March 31, 2021—outstanding...	26,700	21,900	26,700	18,100	48,600	15,400	37,700	68,800	11,500	54,700	71,100
For the Year Ended March 31, 2022											
Non-vested:											
March 31, 2021—outstanding...											
Granted.....											
Canceled.....											
Vested.....											
March 31, 2022—outstanding...											
Vested:											
March 31, 2021—outstanding...	26,700	21,900	26,700	18,100	48,600	15,400	37,700	68,800	11,500	54,700	71,100
Vested.....											
Exercised	26,700		9,000		6,500		32,800	16,100			20,700
Canceled.....			1,500		1,200						2,300
March 31, 2022—outstanding...		21,900	16,200	18,100	40,900	15,400	4,900	52,700	11,500	54,700	48,100
Yen (U.S. Dollars)											
Exercise price	¥631	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	(\$5.16)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Fair value price at grant date.....	¥141	¥1,172	¥1,136	¥1,483	¥1,428	¥1,876	¥1,809	¥1,809	¥2,786	¥2,726	¥3,073
	(\$1.15)	(\$9.58)	(\$9.28)	(\$12.12)	(\$11.67)	(\$15.33)	(\$14.78)	(\$14.78)	(\$22.76)	(\$22.27)	(\$25.11)

	2018 Stock Option (1)	2018 Stock Option (2)	2018 Stock Option (3)	2019 Stock Option (1)	2019 Stock Option (2)	2019 Stock Option (3)	2020 Stock Option (1)	2020 Stock Option (2)	2021 Stock Option (1)	2021 Stock Option (2)	2021 Stock Option (3)	2021 Stock Option (4)
	(Shares)											
For the Year Ended March 31, 2021												
Non-vested:												
March 31, 2020—outstanding...		77,500	150,500		76,400	163,600			21,100	108,200	99,500	
Granted.....												
Canceled.....			10,400			12,500						
Vested.....								21,100				
March 31, 2021—outstanding...		77,500	140,100		76,400	151,100		108,200	99,500			
Vested:												
March 31, 2020—outstanding...	12,100			18,100								
Vested.....								21,100				
Exercised												
Canceled.....												
March 31, 2021—outstanding...	12,100			18,100				21,100				
For the Year Ended March 31, 2022												
Non-vested:												
March 31, 2021—outstanding...		77,500	140,100		76,400	151,100		108,200	99,500			
Granted.....											15,000	89,400
Canceled.....			10,500			19,900			7,300			102,400
Vested.....										15,000		2,700
March 31, 2022—outstanding...		77,500	129,600		76,400	131,200		108,200	92,200		89,400	99,700
Vested:												
March 31, 2021—outstanding...	12,100			18,100				21,100				
Vested.....		77,500	129,600							15,000		
Exercised		47,900	48,700									
Canceled.....												
March 31, 2022—outstanding...	12,100	29,600	80,900	18,100				21,100		15,000		
Yen (U.S. Dollars)												
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Fair value price at grant date.....	¥3,147	¥3,126	¥2,345	¥2,652	¥2,626	¥2,644	¥2,572	¥2,548	¥3,256	¥3,784	¥3,757	¥4,554
	(\$25.71)	(\$25.54)	(\$19.16)	(\$21.67)	(\$21.46)	(\$21.60)	(\$21.01)	(\$20.82)	(\$26.60)	(\$30.92)	(\$30.70)	(\$37.21)

(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, 2022

Resolved on June 24, 2021 (Granted on July 9, 2021)	Resolved on June 24, 2021 (Granted on July 9, 2021)
Estimate method: Black-Scholes option pricing model	Estimate method: Black-Scholes option pricing model
Volatility of stock price: 32.8%	Volatility of stock price: 34.4%
Estimated remaining outstanding period: 4.7 years	Estimated remaining outstanding period: 6.5 years
Estimated dividend: ¥15.09 per share	Estimated dividend: ¥15.09 per share
Risk-free interest rate: (0.12)%	Risk-free interest rate: (0.13)%
Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from December 2016 to July 2021.	Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from January 2015 to July 2021.
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.	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.	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.	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 November 18, 2021 (Granted on December 3, 2021)

Estimate method: Black-Scholes option pricing model
 Volatility of stock price: 34.36%
 Estimated remaining outstanding period: 6.5 years
 Estimated dividend: ¥27.51 per share
 Risk-free interest rate: (0.09)%

- Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from June 2015 to December 2021.
 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.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2022 and 2021.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Devaluation of inventories.....	¥ 1,462	¥ 1,163	\$ 11,944
Accrued enterprise tax.....	358	120	2,930
Provision for bonuses.....	1,165	745	9,520
Unrealized income.....	405	517	3,311
Liability for retirement benefits.....	2,168	2,170	17,715
Depreciation.....	357	588	2,917
Tax losses carried forward.....	691	585	5,645
Other—net.....	2,273	2,170	18,568
Subtotal.....	8,879	8,058	72,550
Valuation allowance on tax losses carried forward*.....	(506)	(341)	(4,132)
Valuation allowance on total deductible temporary differences.....	(310)	(440)	(2,536)
Subtotal.....	(816)	(781)	(6,668)
Deferred tax assets.....	8,063	7,277	65,882
Deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment.....	(76)	(78)	(620)
Valuation of intangible assets.....	(756)	(817)	(6,180)
Other—net.....	(1,620)	(1,132)	(13,233)
Deferred tax liabilities.....	(2,452)	(2,027)	(20,033)
Net deferred tax assets.....	¥ 5,611	¥ 5,250	\$ 45,849

*Tax losses carried forward and associated deferred tax assets by expiration period:

	Millions of Yen						Total
	2022						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Tax losses carried forward*1 ...	¥ 28	¥ 28	¥ 18	¥ 4	¥ 2	¥ 611	¥ 691
Valuation allowance.....	¥(28)	¥(28)	¥(18)	¥(4)	¥(2)	(426)	(506)
Deferred tax assets.....						¥ 185	¥ 185 *2

*1 Tax losses carried forward are multiplied by the normal effective statutory tax rate.

*2 Deferred tax assets of ¥185 million were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of ¥351 million. Regarding the said tax losses carried forward, a valuation allowance was not recognized for the portion judged as collectible from expected future taxable income.

	Millions of Yen						Total
	2021						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Tax losses carried forward*1 ...	¥ 109	¥ 146	¥ 25	¥ 34	¥ 4	¥ 267	¥ 585
Valuation allowance.....	¥(109)	¥(146)	¥(25)	(16)	¥(4)	(41)	(341)
Deferred tax assets.....				¥ 18		¥ 226	¥ 244 *2

*1 Tax losses carried forward are multiplied by the normal effective statutory tax rate.

*2 Deferred tax assets of ¥244 million were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of ¥585 million. Regarding the said tax losses carried forward, a valuation allowance was not recognized for the portion judged as collectible from expected future taxable income.

	Thousands of U.S. Dollars						Total
	2022						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Tax losses carried forward*1 ...	\$ 228	\$ 224	\$ 145	\$ 36	\$ 18	\$ 4,994	\$ 5,645
Valuation allowance.....	\$(228)	\$(224)	\$(145)	\$(36)	\$(18)	(3,481)	(4,132)
Deferred tax assets.....						\$ 1,513	\$ 1,513 *2

*1 Tax losses carried forward are multiplied by the normal effective statutory tax rate.

*2 Deferred tax assets of \$1,513 thousand were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of \$2,866 thousand. Regarding the said tax losses carried forward, a valuation allowance was not recognized for the portion judged as collectible from expected future taxable income.

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 years ended March 31, 2022 and 2021, is as follows:

	2022	2021
Normal effective statutory tax rate.....	30.6%	30.6%
(Adjustments)		
Directors' bonus expenses not deductible for income tax purposes.....	0.5	0.1
Entertainment and other expenses not deductible for income tax purposes.....	0.0	0.0
Inhabitants tax on a per capita basis.....	0.1	0.2
Decrease in valuation allowance.....	(0.8)	0.5
Difference in applicable tax rates for subsidiaries.....	(4.6)	(4.5)
Effect of change in statutory tax rate.....		
Tax credit.....	(0.8)	(1.2)
Other—net.....	1.4	1.2
Actual effective tax rate.....	26.4%	26.9%

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,212 million (\$9,900 thousand), ¥966 million and ¥1,556 million for the years ended March 31, 2022, 2021 and 2020, respectively.

13. COMMITMENT LINE AGREEMENTS

The Group has entered into commitment line agreements with three banks to raise working capital in a stable and flexible manner. Outstanding balances of unused credit line commitment agreements as of March 31, 2022 and 2021 are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Credit lines	¥15,000	¥15,000	\$122,559
Credit lines used			
Credit lines unused	¥15,000	¥15,000	\$122,559

These agreements contain the following financial covenants relating to the financial position and operating results of the Group:

- (1) The amount of net assets at the end of each fiscal year shall not be less than 75% of net assets of the latest financial year.
- (2) The Group shall not record a loss* from ordinary operations for two consecutive years.

The benefit of time may be forfeited for all debts under the contracts, when the Group violates the financial covenant.

*Ordinary income or loss is calculated by subtracting extraordinary income or loss pursuant to Japanese GAAP from income before income taxes.

14. 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, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥ 2,659	¥ 3,991	\$ 21,724
Due after one year	11,435	13,938	93,433
Total	¥14,094	¥17,929	\$115,157

15. 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, 2022 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 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 mainly deals in foreign currency forward contracts at present. 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 values 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 16. 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, 2022 and 2021 are as follows:

	Millions of Yen		
	2022	2021	2022
	Carrying Amount	Fair Value	Difference
Derivatives, net	¥ (82)	¥ (82)	

	Millions of Yen		
	2022	2021	2022
	Carrying Amount	Fair Value	Difference
Derivatives, net	¥ (74)	¥ (74)	

	Thousands of U.S. Dollars		
	2022	2021	2022
	Carrying Amount	Fair Value	Difference
Derivatives, net	\$(667)	\$(667)	

Cash and cash equivalents, time deposits, trade notes receivable and trade accounts receivable, and trade notes payable and accounts payable

These items have been omitted from the tables above as they are cash-based and their carrying values approximate fair value because of their short maturities.

Derivatives

Please refer to Note 16. DERIVATIVES.

(b) Shares, etc. without market prices as of March 31, 2022 and 2021

	Carrying Amount		Thousands of U.S. Dollars
	2022	2021	
Unlisted stocks	¥6	¥6	\$51

(5) Maturity analysis for financial assets subsequent to March 31, 2022 and 2021

	Millions of Yen			
	2022			
	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	¥ 101,443			
Time deposits	7,452			
Trade notes receivable	15,723			
Trade accounts receivable	61,096			
Total	¥ 185,714			

	Millions of Yen			
	2021			
	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.....	¥ 71,964			
Time deposits.....	464			
Trade notes receivable.....	12,169			
Trade accounts receivable.....	59,519			
Total	¥ 144,116			

	Thousands of U.S. Dollars			
	2022			
	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.....	\$ 828,854			
Time deposits.....	60,884			
Trade notes receivable.....	128,470			
Trade accounts receivable.....	499,191			
Total	\$1,517,399			

(6) Breakdown of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and significance of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated using observable inputs that are market prices formed in active markets for the assets or liabilities for which fair value is to be calculated

Level 2 fair value: Fair value calculated using observable inputs other than those used to calculate Level 1 fair value

Level 3 fair value: Fair value calculated using unobservable inputs

When multiple inputs that may have a material impact on the calculation of fair value are used, the calculated fair value is classified at the lowest level of the inputs used.

(a) Financial instruments carried on the consolidated balance sheet at fair value

	Millions of Yen			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Derivatives, net*				
Currency-related		¥ (82)		¥ (82)

	Thousands of U.S. Dollars			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Derivatives, net*				
Currency-related		\$(667)		\$(667)

*The fair value of interest rate swaps and foreign currency forward contracts, etc. is measured with the discounted present value method using observable inputs such as interest rates and foreign exchange rates, and classified as Level 2 fair value.

(b) Financial instruments apart from those carried on the consolidated balance sheet at fair value
None.

(Note) Explanation of the valuation techniques and inputs used to calculate fair value

Derivative transactions

Measured with the discounted present value method using observable inputs such as interest rates and foreign exchange rates, and classified as Level 2 fair value.

16. DERIVATIVES

(1) Derivative transactions to which hedge accounting is not applied at March 31, 2022 and 2021 are as follows:

	Millions of Yen			
	2022			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	¥ 2,663		¥ (80)	¥ (80)
Selling.....	¥ 1,479		¥ (55)	¥ (55)

	Millions of Yen			
	2021			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	¥ 1,962		¥ (36)	¥ (36)
Selling.....	¥ 1,130		¥ (38)	¥ (38)

	Thousands of U.S. Dollars			
	2022			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	\$21,760		\$(652)	\$(652)
Selling.....	\$12,083		\$(447)	\$(447)

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

(2) Derivative transactions to which hedge accounting is applied at March 31, 2022

	Millions of Yen			
	2022			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:	Planned foreign currency-denominated transactions			
Buying		¥ 589		¥ 53

	Thousands of U.S. Dollars			
	2022			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:	Planned foreign currency-denominated transactions			
Buying		\$4,816		\$433

The designation method of hedge accounting is applied for foreign currency forward contracts, etc.

There were no such transactions at March 31, 2021.

17. COMPREHENSIVE INCOME (LOSS)

Reclassifications and income from tax effects attributable to other comprehensive income (loss) for the years ended March 31, 2022, 2021 and 2020 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2022	2021	2020	2022
Deferred gain (loss) on hedges:				
Adjustments arising during the year.....	¥ 53			\$ 433
Reclassification adjustments to profit or loss				
Amount before income tax effect	53			433
Income tax effect.....	(16)			(133)
Total	37			300
Foreign currency translation adjustments:				
Adjustments arising during the year.....	15,706	¥7,858	¥(5,697)	128,332
Reclassification adjustments to profit or loss				
Amount before income tax effect	15,706	7,858	(5,697)	128,332
Income tax effect.....				
Total	15,706	7,858	(5,697)	128,332
Defined retirement benefit plans:				
Adjustments arising during the year.....	209	(133)	(46)	1,703
Reclassification adjustments to profit and loss	11	39	27	90
Amount before income tax effect	220	(94)	(19)	1,793
Income tax effect.....	(66)	29	6	(538)
Total	154	(65)	(13)	1,255
Share of other comprehensive income (loss) in associates				
Adjustments arising during the year.....	9	0	(6)	79
Total other comprehensive income (loss).....	¥15,906	¥7,793	¥(5,716)	\$129,966

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the years ended March 31, 2022, 2021 and 2020 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year ended March 31, 2022				
Basic EPS—				
Net income available to common shareholders	¥37,557	284,200	¥132.15	\$1.08
Effect of dilutive securities—				
Stock options		935		
Diluted EPS—				
Net income for computation.....	¥37,557	285,135	¥131.72	\$1.08
Dilutive securities not included in the calculation of diluted EPS as they had no dilutive effect				
Year ended March 31, 2021				
Basic EPS—				
Net income available to common shareholders	¥17,139	283,944	¥ 60.36	
Effect of dilutive securities—				
Stock options		1,024		
Diluted EPS—				
Net income for computation.....	¥17,139	284,968	¥ 60.14	
Year ended March 31, 2020				
Basic EPS—				
Net income available to common shareholders	¥16,504	283,701	¥ 58.18	
Effect of dilutive securities—				
Stock options		951		
Diluted EPS—				
Net income for computation.....	¥16,504	284,652	¥ 57.98	

19. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2022 and 2021, the difference between exchange receipts and payments from loans to foreign subsidiaries of ¥(50) million (\$409 thousand) and ¥(301) million, respectively, are included in "Other—net" of INVESTING ACTIVITIES.

For the years ended March 31, 2022 and 2021, the amounts of assets and obligations for lease transactions are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Right-of-use assets	¥ 9,410	¥ 6,348	\$ 76,889
Accumulated depreciation of right-of-use assets	(2,686)	(2,714)	(21,948)
Lease obligations.....	¥ 7,184	¥ 4,084	\$ 58,700

20. REVENUE RECOGNITION

(1) Breakdown of revenue from contracts with customers

The Group conducts business in the following three areas: "FA Business," "Die Components Business" and "VONA Business." The breakdown of revenue from contracts with customers is as presented in "21. SEGMENT INFORMATION (3) Net sales and segment profit by reportable segment and breakdown of revenue."

(2) Information fundamental to an understanding of revenue

Information fundamental to an understanding of revenue is as presented in "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / Policy for Recognition of Significant Revenue and Expenses."

(3) Information to enable an understanding of the amount of revenue for the fiscal year under review and the next fiscal year onward

(a) Balance of contract assets and contract liabilities

	2022	
	Millions of Yen	Thousands of U.S. Dollars
Receivables from contracts with customers (as of April 1, 2021)		
Trade notes.....	¥12,169	\$ 99,426
Trade accounts.....	59,519	486,307
Total as of April 1, 2021	71,688	585,733
Receivables from contracts with customers (as of March 31, 2022)		
Trade notes.....	15,723	128,470
Trade accounts	61,096	499,191
Total as of March 31, 2022	76,819	627,661
Contract liabilities (as of April 1, 2021)	1,143	9,338
Contract liabilities (as of March 31, 2022).....	¥ 1,680	\$ 13,723

Contract liabilities comprise advances received from customers based on the payment terms stipulated in contracts with customers. Contract liabilities are reversed as revenue is recognized. Of the revenue recognized in the fiscal year ended March 31, 2022, ¥1,143 million (\$9,338 thousand) was included in contract liabilities as of April 1, 2021. There has been no material change in contract liabilities in the fiscal year ended March 31, 2022.

(b) Transaction price allocated to remaining performance obligations

The Group has applied practical expediency and omitted information on remaining performance obligations because it has not recognized any significant transactions for which the initially expected contract term exceeds one year.

21. 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 consists of MISUMI Group Inc., 50 consolidated subsidiaries, one non-consolidated subsidiary and two associates, and conducts business in the following three areas: "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 such as MRO (consumables), etc as well as manufacturing, automation-related equipment parts.

(2) Method of measurement for the amounts of sales, profit (loss), assets, liabilities and other items 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.

As described in CHANGES IN ACCOUNTING POLICIES, the Company has applied Accounting Standard for Revenue Recognition, etc. from the consolidated financial statements for the fiscal year ended March 31, 2022. The method used to calculate the profit (loss) for each business segment has been changed in accordance with this change in the Company’s policy on the accounting treatment of revenue recognition.

Segment information for the fiscal years ended March 31, 2021 and 2020 presented herein has also been prepared using the calculation methods for profit (loss) applicable after this change in policy.

(3) Net sales and Segment profit by reportable segment and breakdown of revenue

	Millions of Yen					
	2022					
	Reportable Segments				Adjustments	Consolidated
FA Business	Die Components Business	VONA Business	Total			
Net sales:						
Revenue from contracts with customers.....	¥119,253	¥75,108	¥171,799	¥366,160		¥366,160
Sales to customers.....	119,253	75,108	171,799	366,160		366,160
Total	119,253	75,108	171,799	366,160		366,160
Segment profit.....	23,381	9,543	19,287	52,211		52,211
Segment profit before amortization of goodwill* ...	¥ 23,381	¥10,010	¥ 19,287	¥ 52,678		¥ 52,678

*Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment profit.
(Note) For the Group’s internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

	Millions of Yen					
	2021					
	Reportable Segments				Adjustments	Consolidated
FA Business	Die Components Business	VONA Business	Total			
Net sales:						
Sales to customers.....	¥102,245	¥66,871	¥141,603	¥310,719		¥310,719
Total	102,245	66,871	141,603	310,719		310,719
Segment profit.....	16,116	4,931	6,152	27,199		27,199
Segment profit before amortization of goodwill* ...	¥ 16,116	¥ 5,521	¥ 6,152	¥ 27,789		¥ 27,789

*Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment profit.
(Note) For the Group’s internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

	Millions of Yen					
	2020					
	Reportable Segments				Adjustments	Consolidated
FA Business	Die Components Business	VONA Business	Total			
Net sales:						
Sales to customers.....	¥99,403	¥72,414	¥141,520	¥313,337		¥313,337
Total	99,403	72,414	141,520	313,337		313,337
Segment profit.....	12,578	5,010	6,052	23,640		23,640
Segment profit before amortization of goodwill* ...	¥12,578	¥ 5,617	¥ 6,052	¥ 24,247		¥ 24,247

*Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment profit.
(Note) For the Group’s internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

	Thousands of U.S. Dollars					
	2022					
	Reportable Segments				Adjustments	Consolidated
FA Business	Die Components Business	VONA Business	Total			
Net sales:						
Revenue from contracts with customers.....	\$974,369	\$613,678	\$1,403,702	\$2,991,749		\$2,991,749
Sales to customers.....	974,369	613,678	1,403,702	2,991,749		2,991,749
Total	974,369	613,678	1,403,702	2,991,749		2,991,749
Segment profit.....	191,038	77,971	157,584	426,593		426,593
Segment profit before amortization of goodwill* ...	\$191,038	\$ 81,787	\$ 157,584	\$ 430,409		\$ 430,409

*Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment profit.
(Note) For the Group’s internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

(4) Information by region

	Millions of Yen						
	2022						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales.....	¥ 175,463	¥ 74,986	¥ 53,919	¥ 33,900	¥ 20,781	¥ 7,111	¥ 366,160

	Millions of Yen						
	2021						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales.....	¥ 154,749	¥ 63,517	¥ 43,126	¥ 27,549	¥ 16,089	¥ 5,689	¥ 310,719

	Thousands of U.S. Dollars						
	2022						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales.....	\$1,433,641	\$612,684	\$440,548	\$276,982	\$169,796	\$58,098	\$2,991,749

	Millions of Yen					
	2022					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment.....	¥ 15,162	¥11,052	¥ 6,205	¥ 4,939	¥ 9,162	¥ 46,520

	Millions of Yen					
	2021					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment.....	¥ 16,630	¥ 7,317	¥ 6,508	¥ 4,417	¥ 7,617	¥ 42,489

	Thousands of U.S. Dollars					
	2022					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment.....	\$123,879	\$90,304	\$50,702	\$40,358	\$74,858	\$380,101

(5) Impairment losses by reportable segment

For the year ended March 31, 2022, impairment loss was not allocated to reportable segments.

The amount of impairment loss was ¥642 million (\$5,247 thousand) for the year ended March 31, 2022.

For the year ended March 31, 2021, the Company posted impairment losses of ¥792 million in the FA Business, of ¥2,415 million in the Die Components Business, and ¥6 million in the VONA Business. The impairment loss on companywide assets was ¥88 million.

For the year ended March 31, 2020, impairment loss was not allocated to reportable segments.

The amount of impairment loss was ¥465 million for the year ended March 31, 2020.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MISUMI Group Inc.:

Opinion

We have audited the consolidated financial statements of MISUMI Group Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Valuation of Merchandise and Finished Goods	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As stated in the consolidated balance sheet as of March 31, 2022, the Group recorded merchandise and finished goods inventories of 50,593 million yen (14.7% of total assets). Also, the information regarding the significant accounting estimates relating to the valuation of merchandise and finished goods is stated in Note 3, Significant Accounting Estimates, to the consolidated financial statements.</p> <p>The Group handles a wide variety of merchandise and finished goods, which include size variations in microns. The core system records receipt and shipment transactions, then calculates the moving average unit price for each merchandise and finished goods. Also, the Group has established an inventory management system to determine the amounts of each order, which are based on forecasted future sales demand from historical customer purchase trends, for each merchandise and finished goods. With regard to the valuation of merchandise and finished goods, for amounts exceeding a certain quantity where a certain period of time has elapsed since being initially recorded in inventory and that are deemed unsellable in the future, the Group estimates the book value in principle, by systematically writing down the carrying amount to zero to reflect the decrease in profitability. This estimate considers the life cycle of the merchandise and finished goods, the period starting from when the merchandise and finished goods are initially recorded in inventory, and the recent shipment quantity.</p> <p>For the industry in which the Group belongs, world wide increase in demand from the automation related industry, mainly from the manufacturing industry, is expected.</p> <p>However, there are certain future market uncertainties due to factors such as the long lasting impact of COVID 19, increase in geopolitical risk, and disruption of supply chain.</p> <p>The valuation of merchandise and finished goods is based on forecasts of sales prices and volumes after a certain period of time has elapsed since the merchandise and finished goods are initially recorded in inventory and involves uncertainty and management judgment. Accordingly, we determined this to be a key audit matter.</p>	<p>We performed the following audit procedures to test the valuation of merchandise and finished goods, among others:</p> <ul style="list-style-type: none"> —We evaluated the design and operating effectiveness of internal controls over the reasonableness of valuation methodology in the valuation process for merchandise and finished goods, which was a part of the inventory management process. —With the assistance of our Information Technology ("IT") specialists, we evaluated the design and operating effectiveness of general IT controls relevant to the inventory management system used for the valuation of merchandise and finished goods. —With the assistance of our IT specialists, we tested the accuracy and completeness of information generated by the core system and used for the valuation of merchandise and finished goods. —Regarding the reasonableness of forecasts on future sales prices and volumes, we inspected the Group's analysis and inquired of management about its supply chain management policy and inventory control strategy that considered the change in business environment. Furthermore, we assessed the consistency between the Group's forecasts and management's response. —We also evaluated the reasonableness of management assumptions used in the sales forecasts for a certain period since the merchandise and finished goods were initially recorded in inventory by performing the following: <ul style="list-style-type: none"> · We performed a sales trend analysis by the year when the merchandise and finished goods were initially recorded in inventory and by type of the merchandise and finished goods and evaluated whether there was any significant downtrend in sales volume within the certain period since the merchandise and finished goods were initially recorded in inventory. · We performed an inventory turnover period analysis by type of merchandise and finished goods, and evaluated whether the turnover period was significantly long. · For inventories exceeding a certain turnover period, we performed an analysis of inventory amount by region and by number of years elapsed since the merchandise and finished goods were initially recorded in inventory, and evaluated whether there was any change in trends that contradicted the management assumption.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partner do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

September 30 2022

Company Profile and Stock Information

(As of March 31, 2022)

Company Overview

Trade name	MISUMI Group Inc.	Stock listing	Prime Section of the Tokyo Stock Exchange (Code: 9962)
Established	February 23, 1963	Fiscal year	From April 1 through March 31 of the following calendar year
Headquarters	Iidabashi First Building, 5-1, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8583, Japan (The Company plans to relocate its Headquarters to Kudan Kaikan Terrace at 6-5, Kudan-Minami 1-chome, Chiyoda-ku, Tokyo in February 2023)	Annual general meeting of shareholders	June
Common stock	13,664 million yen	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

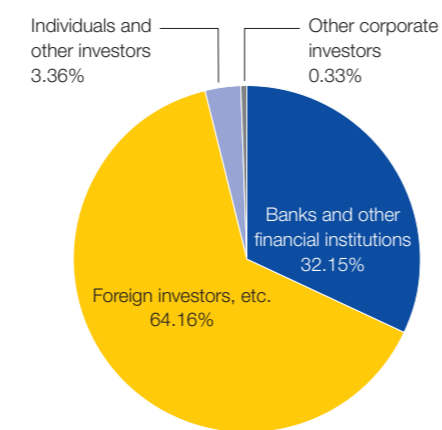
Total number of authorized shares	1,020,000,000 shares
Total number of shares outstanding	284,452,897 shares
Number of shareholders	5,991

Major Shareholders

Name	Number of shares held (thousands)	Percentage of shares outstanding (%)
The Master Trust Bank of Japan, Ltd.	57,130	20.09
Custody Bank of Japan, Ltd.	22,217	7.81
SSBTC CLIENT OMNIBUS ACCOUNT	15,475	5.44
RBC IST 15 PCT LENDING ACCOUNT – CLIENT ACCOUNT	7,543	2.65
THE BANK OF NEW YORK MELLON 140051	5,824	2.05
STATE STREET BANK WEST CLIENT - TREATY 505234	4,600	1.62
THE BANK OF NEW YORK MELLON 140044	4,457	1.57
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	4,425	1.56
BNYM AS AGT / CLTS NON TREATY JASDEC	4,325	1.52
BNYM AS AGT / CLTS 10 PERCENT	4,248	1.49

Notes: 1. Treasury stock is excluded from the calculation of shares percentages.
2. Percentages of shares outstanding are rounded to the second decimal point.

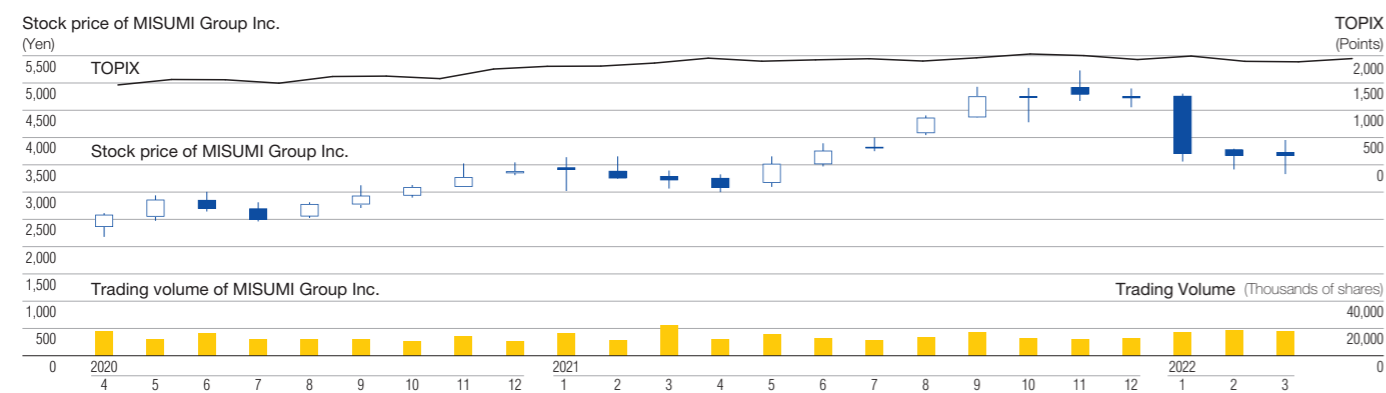
Composition of Shareholders



Stock Splits

Date	Ratio	Factor
May 1994	1	▶ 1.2
May 1995	1	▶ 1.1
May 1996	1	▶ 1.1
November 1997	1	▶ 1.1
May 2000	1	▶ 1.1
August 2001	1	▶ 1.1
May 2004	1	▶ 1.5
April 2006	1	▶ 2.0
July 2015	1	▶ 3.0

Monthly Stock Price Range/Trading Volume



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