Consolidated Balance Sheet

MISUMI Group Inc. and Consolidated Subsidiaries
March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	**¥106,641**	¥101,443	**$ 798,627**
Time deposits (Note 15)	**12,917**	7,452	**96,740**
Receivables:			
Trade notes (Note 15)	**16,490**	15,723	**123,494**
Trade accounts (Note 15)	**59,870**	61,096	**448,362**
Other	**1,061**	740	**7,947**
Allowance for doubtful receivables	**(437)**	(282)	**(3,270)**
Inventories (Notes 3 and 5)	**77,391**	61,741	**579,579**
Other	**8,690**	5,211	**65,073**
Total current assets	**282,623**	253,124	**2,116,552**
PROPERTY, PLANT AND EQUIPMENT (Notes 19 and 22):			
Land	**3,899**	3,877	**29,197**
Buildings and structures	**29,186**	26,550	**218,577**
Machinery and vehicles	**43,506**	40,494	**325,817**
Right-of-use assets	**9,256**	9,410	**69,319**
Other	**14,474**	11,911	**108,394**
Total	**100,321**	92,242	**751,304**
Accumulated depreciation and impairment loss	**(51,916)**	(45,722)	**(388,799)**
Net property, plant and equipment	**48,405**	46,520	**362,505**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 15)	**6**	6	**46**
Investments in unconsolidated subsidiaries and associated companies	**203**	196	**1,519**
Software	**28,125**	28,527	**210,631**
Deferred tax assets (Note 11)	**6,892**	6,550	**51,610**
Other assets	**12,204**	12,467	**91,394**
Total investments and other assets	**47,430**	47,746	**355,200**
TOTAL	**¥378,458**	¥347,390	**$2,834,257**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Payables:			
Trade notes and accounts (Note 15)	**¥ 22,435**	¥ 21,618	**$ 168,012**
Accounts payable—other	**8,909**	9,208	**66,723**
Lease obligations (Notes 7 and 19)	**2,164**	1,775	**16,202**
Income taxes payable (Note 11)	**4,277**	7,154	**32,030**
Provision for bonuses (Note 2.o)	**3,236**	5,070	**24,239**
Provision for office relocation expenses (Note 2.p)	**609**		**4,558**
Other	**7,312**	7,586	**54,762**
Total current liabilities	**48,942**	52,411	**366,526**
LONG-TERM LIABILITIES:			
Lease obligations (Notes 7 and 19)	**5,521**	5,409	**41,347**
Liability for retirement benefits (Note 8)	**7,026**	6,872	**52,614**
Deferred tax liabilities (Note 11)	**799**	939	**5,983**
Other	**1,946**	1,799	**14,576**
Total long-term liabilities	**15,292**	15,019	**114,520**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14 and 16)			
EQUITY (Notes 9, 10 and 18):			
Common stock—authorized, 1,020,000,000 shares in 2023 and 1,020,000,000 shares in 2022 issued, 284,675,397 shares in 2023 and 284,452,897 shares in 2022	**13,937**	13,665	**104,373**
Capital surplus	**24,292**	24,020	**181,923**
Stock acquisition rights	**1,989**	1,937	**14,898**
Retained earnings	**245,558**	220,520	**1,838,970**
Treasury stock—at cost, 130,070 shares in 2023 and 129,896 shares in 2022	**(80)**	(79)	**(599)**
Accumulated other comprehensive income:			
Deferred gain (loss) on hedges		37	
Foreign currency translation adjustments	**27,508**	19,063	**206,008**
Defined retirement benefit plans	**72**	(0)	**538**
Non-controlling interests	**948**	797	**7,100**
Total equity	**314,224**	279,960	**2,353,211**
TOTAL	**¥378,458**	¥347,390	**$2,834,257**

Consolidated Statement of Income

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2023	2022	2021	2023
NET SALES (Notes 21 and 22)	**¥373,152**	¥366,160	¥310,719	**$2,794,516**
COST OF SALES	**202,073**	199,296	175,841	**1,513,316**
Gross profit	**171,079**	166,864	134,878	**1,281,200**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	**124,464**	114,653	107,679	**932,101**
Operating income (Note 22)	**46,615**	52,211	27,199	**349,099**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**1,358**	532	306	**10,168**
Interest expense	**(161)**	(99)	(67)	**(1,203)**
Exchange loss—net	**(557)**	(450)	(257)	**(4,173)**
Gain on sale of non-current assets		57		
Loss on sale of non-current assets			(393)	
Impairment loss (Notes 6 and 22)	**(44)**	(642)	(3,301)	**(330)**
Loss related to COVID-19	**(91)**	(784)		**(682)**
Office relocation expenses	**(1,171)**			**(8,768)**
Other—net	**584**	306	9	**4,372**
Other expenses—net	**(82)**	(1,080)	(3,703)	**(616)**
INCOME BEFORE INCOME TAXES	**46,533**	51,131	23,496	**348,483**
INCOME TAXES (Note 11):				
Current	**12,510**	13,975	7,009	**93,686**
Deferred	**(384)**	(466)	(690)	**(2,874)**
Total income taxes	**12,126**	13,509	6,319	**90,812**
NET INCOME	**34,407**	37,622	17,177	**257,671**
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**124**	65	38	**931**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 34,283**	¥ 37,557	¥ 17,139	**$ 256,740**

	Yen			U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.v, 9 and 18):	2023	2022	2021	2023
Net income	**¥120.53**	¥132.15	¥60.36	**$0.90**
Diluted net income	**120.18**	131.72	60.14	**0.90**
Cash dividends applicable to the year	**30.14**	33.04	15.09	**0.22**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2023	2022	2021	2023
NET INCOME	**¥34,407**	¥37,622	¥17,177	**$257,671**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):				
Deferred gain (loss) on hedges	**(37)**	37		**(275)**
Foreign currency translation adjustments	**8,361**	15,706	7,858	**62,617**
Defined retirement benefit plans	**72**	154	(65)	**540**
Share of other comprehensive income in associates	**8**	9	0	**56**
Total other comprehensive income	**8,404**	15,906	7,793	**62,938**
COMPREHENSIVE INCOME (Note 17)	**¥42,811**	¥53,528	¥24,970	**$320,609**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):				
Owners of the parent	**¥42,763**	¥53,439	¥24,900	**$320,246**
Non-controlling interests	**48**	89	70	**363**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Thousands	Millions of Yen									
								Accumulated Other Comprehensive Income			
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Non-Controlling Interests	Retained Earnings	Treasury Stock	Deferred Gain (Loss) on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 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	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
Net income attributable to owners of parent						**34,283**					**34,283**
Cash dividends, ¥32.51 per share (Note 9)						**(9,245)**					**(9,245)**
Increase in treasury stock (174 shares)							**(1)**				**(1)**
Disposal of treasury stock											
Issuance of new shares (Note 10)	**223**	**272**	**272**								**544**
Net change in the year				**52**	**151**			**(37)**	**8,445**	**72**	**8,683**
BALANCE, MARCH 31, 2023	**284,675**	**¥13,937**	**¥24,292**	**¥1,989**	**¥948**	**¥245,558**	**¥(80)**		**¥27,508**	**¥ 72**	**¥314,224**

	Thousands of U.S. Dollars (Note 1)									
							Accumulated Other Comprehensive Income			
	Common Stock	Capital Surplus	Stock Acquisition Rights	Non-Controlling Interests	Retained Earnings	Treasury Stock	Deferred Gain (Loss) on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2022	$102,335	$179,885	$14,511	$5,969	$1,651,462	$(595)	$275	$142,767	$ (2)	$2,096,607
Net income attributable to owners of parent					**256,740**					**256,740**
Cash dividends, $0.24 per share (Note 9)					**(69,232)**					**(69,232)**
Increase in treasury stock (174 shares)						**(4)**				**(4)**
Disposal of treasury stock										
Issuance of new shares (Note 10)	**2,038**	**2,038**								**4,076**
Net change in the year			**387**	**1,131**			**(275)**	**63,241**	**540**	**65,024**
BALANCE, MARCH 31, 2023	**$104,373**	**$181,923**	**$14,898**	**$7,100**	**$1,838,970**	**$(599)**		**$206,008**	**$538**	**$2,353,211**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2023	2022	2021	2023
OPERATING ACTIVITIES:				
Income before income taxes	**¥ 46,533**	¥ 51,131	¥ 23,496	**$ 348,483**
Adjustments for:				
Income taxes paid	**(17,587)**	(10,316)	(7,079)	**(131,708)**
Depreciation and amortization	**16,587**	15,341	14,963	**124,221**
Exchange (gain) loss	**(115)**	47	68	**(858)**
Impairment loss	**44**	642	3,301	**330**
Office relocation expenses	**1,171**			**8,768**
Changes in assets and liabilities:				
(Increase) decrease in receivables	**1,307**	(512)	(5,768)	**9,787**
(Increase) decrease in inventories	**(13,693)**	(2,857)	1,861	**(102,548)**
Increase (decrease) in payables	**620**	1,029	1,901	**4,642**
Increase (decrease) in other current liabilities	**(851)**	166	543	**(6,374)**
Other—net	**(2,568)**	720	3,206	**(19,234)**
Total adjustments	**(15,085)**	4,260	12,996	**(112,974)**
Net cash provided by operating activities	**31,448**	55,391	36,492	**235,509**
INVESTING ACTIVITIES:				
Purchase of fixed assets	**(13,626)**	(16,508)	(14,017)	**(102,043)**
Proceeds from sales of fixed assets	**107**	220	133	**800**
Refund from time deposits	**14,230**	7,103	8,740	**106,566**
Payment into time deposits	**(19,647)**	(13,463)	(2,148)	**(147,134)**
Other—net	**(97)**	(114)	223	**(729)**
Net cash used in investing activities	**(19,033)**	(22,762)	(7,069)	**(142,540)**
FINANCING ACTIVITIES:				
Proceeds from issuance of stock	**0**	17	31	**1**
Proceeds from share issuance to non-controlling shareholders	**34**			**254**
Repayments of lease obligations	**(1,958)**	(1,808)	(1,882)	**(14,669)**
Dividends paid	**(9,245)**	(7,817)	(3,677)	**(69,232)**
Other—net	**(1)**	(1)	(3)	**(4)**
Net cash used in financing activities	**(11,170)**	(9,609)	(5,531)	**(83,650)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**3,953**	6,459	3,632	**29,603**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,198**	29,479	27,524	**38,922**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**101,443**	71,964	44,440	**759,705**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥106,641**	¥101,443	¥ 71,964	**$ 798,627**

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 2021 and 2022 consolidated financial statements to conform them to the classifications used in 2023.

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 ¥133.53 to $1, the rate of exchange at March 31, 2023. 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, 2023 include the accounts of the Company and its 51 (50 as of March 31, 2022) subsidiaries (together, the "Group"). DT Dynamics Corporation was included in the scope of consolidation during the fiscal year ended March 31, 2023 due to its establishment.

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 2023 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 receivables or a reasonable estimate based on the financial condition of individual borrowers for doubtful and default receivables.

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. ***Leases*** — The Group has applied IFRS 16 "Leases" and ASU 2016-02 "Leases" 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 and ASU 2016-02, 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 and ASU 2016-02 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. Domestic subsidiaries and certain consolidated foreign subsidiaries would recognize an impairment loss 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, as control over these products is considered to pass to the customer at the time of delivery to the customer or inspection and acceptance by the customer. However, for the provision of products within Japan, if the period of time from shipment until delivery to the customer is within a normal range, the Group applies an alternative treatment concerning materiality. In such cases, revenue is recognized at the time of shipment. 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 retirement payments to the employees.

The Company adopts an accounting standard for retirement benefits and accounts 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 benefit formula 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.

Under the 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).

Under the accounting standard, actuarial gains and losses and past service costs 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.

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. ***Provision for Office Relocation Expenses*** — This mainly provides for rental expenses for the Company's former office expected to be payable in the future due to the relocation of the Company's office.

q. ***Stock Options*** — The Company recognizes the fair value based on goods or services received from eligible directors and employees as costs over the period from the date of grant to the date of exercise. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

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

s. ***Income Taxes*** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

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

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

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

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

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.

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, 2023 was ¥62,751 million ($469,939 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 the U.S. GAAP ASU 2016-02 "Leases"

Some of the Company's consolidated subsidiaries outside Japan have applied ASU 2016-02 "Leases" from the beginning of the fiscal year ended March 31, 2023. Accordingly, assets and liabilities are now recognized for all leases as a lessee in principle. In applying the said standard, those consolidated subsidiaries elected to recognize the cumulative effect of initially applying the standard at the date of initial application, which is allowed as a transitional treatment.

As a result of the application of the said accounting standard, "Right-of-use assets" under property, plant and equipment increased by ¥839 million ($6,282 thousand), "Lease obligations" under current liabilities increased by ¥191 million ($1,430 thousand), and "Lease obligations" under long-term liabilities increased by ¥742 million ($5,553 thousand).

The application of the said accounting standard has only a minimal impact on income and loss for the fiscal year ended March 31, 2023.

5. INVENTORIES

Inventories at March 31, 2023 and 2022 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Merchandise	**¥57,134**	¥46,181	**$427,875**
Finished goods	**5,617**	4,412	**42,064**
Materials	**7,602**	6,062	**56,934**
Supplies	**2,580**	2,263	**19,321**
Work in process	**4,458**	2,823	**33,385**
Total	**¥77,391**	¥61,741	**$579,579**

6. IMPAIRMENT

The Group, in principle, groups its assets based on the business department. For the fiscal year ended March 31, 2023, the Group recognized impairment losses of ¥44 million ($330 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 ¥44 million ($330 thousand) for software, etc.

For the fiscal year ended March 31, 2022, the Group recognized impairment losses of ¥642 million 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 for software, etc.

For the fiscal 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.

As there is no possibility for sale or future use of the idle assets, the recoverable amount is deemed zero.

7. LONG-TERM DEBT

Lease obligations at March 31, 2023 and 2022 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Long-term lease obligations (repayment terms vary from 2024 through 2034, at the weighted-average annual percentage interest rate of 1.9%)	**¥6,682**	¥7,184	**$50,042**
Total	**6,682**	7,184	**50,042**
Less current portion	**1,973**	1,775	**14,772**
Long-term lease obligations, less current portion	**¥4,709**	¥5,409	**$35,270**

(Note) Lease obligations recorded in accordance with ASU 2016-02 "Leases" applied from the beginning of the fiscal year ended March 31, 2023 by some of the Company's consolidated subsidiaries outside Japan that have adopted U.S. GAAP, are not included in the balance of lease obligations as interest is not payable on these obligations.

The amounts to be repaid each fiscal year for long-term lease obligations as of March 31, 2023 are as follows:

	2023	
Fiscal year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	**¥1,973**	**$14,772**
2025	**1,591**	**11,912**
2026	**1,064**	**7,977**
2027	**996**	**7,459**
2028 and after	**1,058**	**7,922**
Total	**¥6,682**	**$50,042**

8. RETIREMENT PLANS

The Company and consolidated subsidiaries have funded/non-funded defined benefit plans and defined contribution plans for retirement payments to employees.

a. Defined Benefit Plan

(1) The changes in defined benefit obligations for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Balance at beginning of year	**¥9,298**	¥9,081	**$69,634**
Current service cost	**1,102**	1,100	**8,250**
Interest cost	**57**	42	**431**
Actuarial losses	**(114)**	(121)	**(850)**
Benefits paid	**(677)**	(762)	**(5,071)**
Past service costs	**(13)**	(143)	**(99)**
Others	**24**	101	**177**
Balance at end of year	**¥9,677**	¥9,298	**$72,472**

(2) The changes in plan assets for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Balance at beginning of year	**¥2,427**	¥2,269	**$18,175**
Expected return on plan assets	**39**	24	**297**
Actuarial losses	**(75)**	(45)	**(565)**
Contributions from the employer	**313**	287	**2,342**
Benefits paid	**(66)**	(137)	**(495)**
Others	**14**	29	**107**
Balance at end of year	**¥2,652**	¥2,427	**$19,861**

(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, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Funded defined benefit obligations	**¥ 3,265**	¥ 3,159	**$ 24,451**
Plan assets	**(2,652)**	(2,426)	**(19,858)**
	613	733	**4,593**
Unfunded defined benefit obligations	**6,413**	6,139	**48,021**
Net liability for defined benefit obligations	**¥ 7,026**	¥ 6,872	**$ 52,614**

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Liability for retirement benefits	**¥ 7,026**	¥ 6,872	**$ 52,614**
Net liability for defined benefit obligations	**¥ 7,026**	¥ 6,872	**$ 52,614**

(4) The components of net periodic benefit costs for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Service cost	**¥1,102**	¥1,100	**$8,250**
Interest cost	**57**	42	**431**
Expected return on plan assets	**(39)**	(24)	**(297)**
Recognized actuarial losses	**83**	13	**625**
Recognized past service costs	**(14)**	(14)	**(107)**
Others	**9**	45	**71**
Net periodic benefit costs	**¥1,198**	¥1,162	**$8,973**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Past service costs	**¥ (14)**	¥129	**$(107)**
Actuarial differences	**116**	91	**874**
Total	**¥102**	¥220	**$ 767**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Past service costs	**¥(114)**	¥(128)	**$(855)**
Unrecognized actuarial differences	**14**	131	**108**
Total	**¥(100)**	¥ 3	**$(747)**

(7) Plan assets as of March 31, 2023 and 2022
(a) Components of plan assets
Plan assets consisted of the following:

	2023	2022
Cash and cash equivalents	**34%**	33%
General accounts	**66**	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 fiscal years ended March 31, 2023 and 2022 were set forth as follows:

	2023	2022
Discount rate	**0.50% — 1.02%**	0.43% — 0.50%
Expected rate of return on plan assets	**1.70%**	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 ¥394 million ($2,948 thousand) and ¥368 million for the fiscal years ended March 31, 2023 and 2022, 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, 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	$31,321	Retained earnings	¥14.71	$0.11	March 31, 2022	June 22, 2022
Board of Directors meeting on October 27, 2022	Common stock	¥5,062	$37,911	Retained earnings	¥17.80	$0.13	September 30, 2022	December 6, 2022

Year ended March 31, 2022

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 17, 2021	Common stock	¥2,608	Retained earnings	¥ 9.18	March 31, 2021	June 23, 2021
Board of Directors meeting on October 28, 2021	Common stock	¥5,209	Retained earnings	¥18.33	September 30, 2021	December 7, 2021

Dividends with Record Dates Falling in the Fiscal Year Ended March 31, 2023, but with Effective Dates Falling in the Fiscal Year Ending March 31, 2024

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 15, 2023	Common stock	¥3,511	$26,296	Retained earnings	¥12.34	$0.09	March 31, 2023	June 21, 2023

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 fiscal year ended March 31, 2023 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
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
2022 Stock Option (1)	4 directors	14,800 shares	2022.7.15	¥ 1 ($0.01)	From July 16, 2022 to July 15, 2052
2022 Stock Option (2)	4 directors	99,900 shares	2022.7.15	¥ 1 ($0.01)	From July 15, 2025 to July 14, 2032
2023 Stock Option (1)	93 employees of the Group	133,600 shares	2023.3.3	¥ 1 ($0.01)	From March 3, 2026 to March 2, 2033

(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:

	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)	2018 Stock Option (1)	2018 Stock Option (2)
	(Shares)											
For the Fiscal Year Ended March 31, 2022												
Non-vested:												
March 31, 2021—outstanding												77,500
Granted												
Canceled												
Vested												77,500
March 31, 2022—outstanding												
Vested:												
March 31, 2021—outstanding	21,900	26,700	18,100	48,600	15,400	37,700	68,800	11,500	54,700	71,100	12,100	
Vested												77,500
Exercised		9,000		6,500		32,800	16,100			20,700		47,900
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	12,100	29,600
For the Fiscal Year Ended March 31, 2023												
Non-vested:												
March 31, 2022—outstanding												
Granted												
Canceled												
Vested												
March 31, 2023—outstanding												
Vested:												
March 31, 2022—outstanding	21,900	16,200	18,100	40,900	15,400	4,900	52,700	11,500	54,700	48,100	12,100	29,600
Vested												
Exercised		8,700		16,800		4,900	17,600		18,500	18,000		17,300
Canceled												
March 31, 2023—outstanding	21,900	7,500	18,100	24,100	15,400		35,100	11,500	36,200	30,100	12,100	12,300
	Yen (U.S. Dollars)											
Exercise price	¥ 1 ($0.01)	¥ 1 ($0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)
Fair value price at grant date	¥1,172 ($8.78)	¥1,136 ($8.51)	¥1,483 ($11.11)	¥1,428 ($10.69)	¥1,876 ($14.05)	¥1,809 ($13.55)	¥1,809 ($13.55)	¥2,786 ($20.86)	¥2,726 ($20.41)	¥3,073 ($23.01)	¥3,147 ($23.57)	¥3,126 ($23.41)

	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)	2022 Stock Option (1)	2022 Stock Option (2)	2023 Stock Option (1)
	(Shares)												
For the Fiscal Year Ended March 31, 2022													
Non-vested:													
March 31, 2021—outstanding	140,100		76,400	151,100		108,200	99,500						
Granted								15,000	89,400	102,400			
Canceled	10,500			19,900			7,300			2,700			
Vested	129,600							15,000					
March 31, 2022—outstanding			76,400	131,200		108,200	92,200		89,400	99,700			
Vested:													
March 31, 2021—outstanding		18,100			21,100								
Vested	129,600							15,000					
Exercised	48,700												
Canceled													
March 31, 2022—outstanding	80,900	18,100			21,100			15,000					
For the Fiscal Year Ended March 31, 2023													
Non-vested:													
March 31, 2022—outstanding			76,400	131,200		108,200	92,200		89,400	99,700			
Granted											14,800	99,900	133,600
Canceled				6,100			11,100			12,900			
Vested			76,400	125,100							14,800		
March 31, 2023—outstanding						108,200	81,100		89,400	86,800		99,900	133,600
Vested:													
March 31, 2022—outstanding	80,900	18,100			21,100			15,000					
Vested			76,400	125,100							14,800		
Exercised	28,400		51,100	41,200									
Canceled	600			600									
March 31, 2023—outstanding	51,900	18,100	25,300	83,300	21,100			15,000			14,800		
	Yen (U.S. Dollars)												
Exercise price	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)	¥ 1 ($ 0.01)
Fair value price at grant date	¥2,345 ($17.56)	¥2,652 ($19.86)	¥2,626 ($19.67)	¥2,644 ($19.80)	¥2,572 ($19.26)	¥2,548 ($19.08)	¥3,256 ($24.38)	¥3,784 ($28.34)	¥3,757 ($28.14)	¥4,554 ($34.10)	¥2,920 ($21.87)	¥2,868 ($21.48)	¥3,195 ($23.93)

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

The Assumptions Used to Measure Fair Value of Stock Options Granted for the Fiscal Year Ended March 31, 2023

Resolved on June 30, 2022 (Granted on July 15, 2022)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	35.4%
Estimated remaining outstanding period:	4.8 years
Estimated dividend:	¥33.04 per share
Risk-free interest rate:	0.02%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from November 2017 to July 2022.
2. Estimated remaining outstanding period is a weighted average of the standard amount of stock option compensation corresponding to each position of directors, which are specified in the Stock Option Compensation Rule.
3. Estimated dividend is determined based on the actual dividend paid for the last full year.
4. For the risk-free interest rate, the Company uses the average compound yield of long-term Japanese government bonds with a residual maturity period that approximates the estimated remaining outstanding period.

Resolved on June 30, 2022 (Granted on July 15, 2022)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	34.0%
Estimated remaining outstanding period:	6.5 years
Estimated dividend:	¥33.04 per share
Risk-free interest rate:	0.11%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from January 2016 to July 2022.
2. Estimated remaining outstanding period is the period from the start of estimation to the middle date of the exercise period.
3. Estimated dividend is determined based on the actual dividend paid for the last full year.
4. For the risk-free interest rate, the Company uses the average compound yield of long-term Japanese government bonds with a residual maturity period that approximates the estimated remaining outstanding period.

Resolved on February 16, 2023 (Granted on March 3, 2023)

Estimate method: Black-Scholes option pricing model
Volatility of stock price: 33.63%
Estimated remaining outstanding period: 6.5 years
Estimated dividend: ¥32.51 per share
Risk-free interest rate: 0.37%

Notes:
1. Volatility of stock price is calculated based on the actual stock prices marked in the period from September 2016 to March 2023.
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 fiscal years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Deferred tax assets:			
Devaluation of inventories	**¥ 1,906**	¥ 1,462	**$ 14,278**
Accrued enterprise tax	**230**	358	**1,721**
Provision for bonuses	**699**	1,165	**5,235**
Unrealized gain	**622**	405	**4,656**
Liability for retirement benefits	**2,272**	2,168	**17,012**
Depreciation	**708**	357	**5,303**
Asset retirement obligations	**693**	537	**5,189**
Tax losses carried forward	**479**	691	**3,584**
Other—net	**2,167**	1,736	**16,230**
Subtotal	**9,776**	8,879	**73,208**
Valuation allowance on tax losses carried forward*	**(439)**	(506)	**(3,285)**
Valuation allowance on total deductible temporary differences	**(287)**	(310)	**(2,151)**
Subtotal	**(726)**	(816)	**(5,436)**
Deferred tax assets	**9,050**	8,063	**67,772**
Deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	**(75)**	(76)	**(560)**
Accelerated depreciation of property, plant and equipment	**(943)**	(878)	**(7,062)**
Asset retirement cost	**(507)**	(384)	**(3,795)**
Valuation of intangible assets	**(676)**	(756)	**(5,064)**
Other—net	**(756)**	(358)	**(5,664)**
Deferred tax liabilities	**(2,957)**	(2,452)	**(22,145)**
Net deferred tax assets	**¥ 6,093**	¥ 5,611	**$ 45,627**

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

	Millions of Yen						
	2023						
	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	Total
Tax losses carried forward*1	**¥ 2**	**¥ 6**	**¥ 11**	**¥ 15**	**¥ 5**	**¥ 440**	**¥ 479**
Valuation allowance	**¥(2)**	**¥(6)**	**¥(11)**	**¥(15)**	**¥(5)**	**(400)**	**(439)**
Deferred tax assets						**¥ 40**	**¥ 40** *2

*1 Tax losses carried forward are multiplied by the normal effective statutory tax rate.
*2 Deferred tax assets of ¥40 million were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of ¥479 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						
	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	Total
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 ¥691 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						
	2023						
	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	Total
Tax losses carried forward*1	**$ 15**	**$ 45**	**$ 80**	**$ 112**	**$ 35**	**$ 3,297**	**$ 3,584**
Valuation allowance	**$(15)**	**$(45)**	**$(80)**	**$(112)**	**$(35)**	**(2,998)**	**(3,285)**
Deferred tax assets						**$ 299**	**$ 299** *2

*1 Tax losses carried forward are multiplied by the normal effective statutory tax rate.
*2 Deferred tax assets of $299 thousand were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of $3,584 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 fiscal years ended March 31, 2023 and 2022, is as follows:

	2023	2022
Normal effective statutory tax rate	**30.6%**	30.6%
(Adjustments)		
Directors' bonus expenses not deductible for income tax purposes	**0.0**	0.5
Entertainment and other expenses not deductible for income tax purposes	**0.0**	0.0
Inhabitants tax on a per capita basis	**0.1**	0.1
Decrease in valuation allowance	**(0.2)**	(0.8)
Difference in applicable tax rates for subsidiaries	**(4.7)**	(4.6)
Tax credit	**(0.7)**	(0.8)
Other—net	**0.9**	1.4
Actual effective tax rate	**26.1%**	26.4%

Accounting treatment of corporate and local corporate taxes or accounting treatment for tax effect accounting related to such taxes

From the fiscal year ended March 31, 2023, the Company and certain consolidated subsidiaries in Japan have applied the group tax sharing system. In addition, the Company performs accounting treatment of corporate and local corporate taxes or accounting treatment for tax effect accounting related to these taxes and disclosures in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,802 million ($20,981 thousand), ¥1,212 million and ¥966 million for the fiscal years ended March 31, 2023, 2022 and 2021, 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, 2023 and 2022 are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Credit lines	**¥15,000**	¥15,000	**$112,334**
Credit lines used			
Credit lines unused	**¥15,000**	¥15,000	**$112,334**

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, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Due within one year	**¥ 2,505**	¥ 2,659	**$ 18,760**
Due after one year	**22,725**	11,435	**170,186**
Total	**¥25,230**	¥14,094	**$188,946**

*1 The balance increased in the fiscal year ended March 31, 2023 due mainly to office relocation.
*2 Some of the Company's consolidated subsidiaries outside Japan have applied ASU 2016-02 "Leases" from the beginning of the fiscal year ended March 31, 2023. Accordingly, operating lease transactions by these subsidiaries have only been included in the amounts for the fiscal year ended March 31, 2022.

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 do 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, 2023 and 2022 are as follows:

	Millions of Yen		
	2023		
	Carrying Amount	Fair Value	Difference
Derivatives, net	**¥ (34)**	**¥ (34)**	

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

	Thousands of U.S. Dollars		
	2023		
	Carrying Amount	Fair Value	Difference
Derivatives, net	**$(252)**	**$(252)**	

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, 2023 and 2022

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Unlisted stocks	**¥6**	¥6	**$46**

(5) Maturity analysis for financial assets subsequent to March 31, 2023 and 2022

	Millions of Yen			
	2023			
	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	**¥ 106,641**			
Time deposits	**12,917**			
Trade notes receivable	**16,490**			
Trade accounts receivable	**59,870**			
Total	**¥ 195,918**			

	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			

	Thousands of U.S. Dollars			
	2023			
	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	**$ 798,627**			
Time deposits	**96,740**			
Trade notes receivable	**123,494**			
Trade accounts receivable	**448,362**			
Total	**$1,467,223**			

(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			
	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Derivatives, net*				
Currency-related		**¥ (34)**		**¥ (34)**

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

	Thousands of U.S. Dollars			
	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Derivatives, net*				
Currency-related		**$(252)**		**$(252)**

*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, 2023 and 2022 are as follows:

	Millions of Yen			
	2023			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	**¥ 2,361**		**¥ (13)**	**¥ (13)**
Selling	**¥ 1,627**		**¥ (21)**	**¥ (21)**

	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)

	Thousands of U.S. Dollars			
	2023			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	**$17,682**		**$ (94)**	**$ (94)**
Selling	**$12,188**		**$(158)**	**$(158)**

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, 2023 and 2022 are as follows:

There were no such transactions at March 31, 2023.

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

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

17. COMPREHENSIVE INCOME (LOSS)

Reclassifications and income from tax effects attributable to other comprehensive income (loss) for the fiscal years ended March 31, 2023, 2022 and 2021 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2023	2022	2021	**2023**
Deferred gain (loss) on hedges:				
Adjustments arising during the year		¥ 53		
Reclassification adjustments to profit or loss	**¥ (53)**			**$ (397)**
Amount before income tax effect	**(53)**	53		**(397)**
Income tax effect	**16**	(16)		**122**
Total	**(37)**	37		**(275)**
Foreign currency translation adjustments:				
Adjustments arising during the year	**8,361**	15,706	¥7,858	**62,617**
Reclassification adjustments to profit or loss				
Amount before income tax effect	**8,361**	15,706	7,858	**62,617**
Income tax effect				
Total	**8,361**	15,706	7,858	**62,617**
Defined retirement benefit plans:				
Adjustments arising during the year	**105**	209	(133)	**789**
Reclassification adjustments to profit and loss	**(3)**	11	39	**(22)**
Amount before income tax effect	**102**	220	(94)	**767**
Income tax effect	**(30)**	(66)	29	**(227)**
Total	**72**	154	(65)	**540**
Share of other comprehensive income (loss) in associates				
Adjustments arising during the year	**8**	9	0	**56**
Total other comprehensive income (loss)	**¥8,404**	¥15,906	¥7,793	**$62,938**

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the fiscal years ended March 31, 2023, 2022 and 2021 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2023	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—				
Net income available to common shareholders	**¥34,283**	**284,421**	**¥120.53**	**$0.90**
Effect of dilutive securities—				
Stock options		**841**		
Diluted EPS—				
Net income for computation	**¥34,283**	**285,262**	**¥120.18**	**$0.90**
Year ended March 31, 2022				
Basic EPS—				
Net income available to common shareholders	¥37,557	284,200	¥132.15	
Effect of dilutive securities—				
Stock options		935		
Diluted EPS—				
Net income for computation	¥37,557	285,135	¥131.72	
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	

19. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended March 31, 2023 and 2022, the amounts of assets and obligations for lease transactions are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Right-of-use assets	**¥ 9,256**	¥ 9,410	**$ 69,319**
Accumulated depreciation of right-of-use assets	**(2,832)**	(2,686)	**(21,207)**
Lease obligations	**¥ 7,685**	¥ 7,184	**$ 57,549**

20. SUBSEQUENT EVENTS

We are pleased to inform you that at the meeting of the Board of Directors held on April 27, 2023, in accordance with the provisions of Article 156 of the Companies Act, applied pursuant to Article 165, Paragraph 3 of the same Act, the following resolutions were adopted on matters relating to the acquisition of treasury stock.

1. Reasons for the repurchase of treasury stock
   To maintain our competitive advantage, achieve sustainable growth, and increase shareholder value in the future, we continue to innovate MISUMI's Business MODEL by proactively strengthening our business foundation in IT, logistics, manufacturing, and supply chain.
   This means striking a balance between medium- to long-term investments in growth and returns to shareholders.
   In terms of dividends, the payout ratio will be 25%, considering the expansion of our management base, the strengthening of our financial position, and improvement of capital efficiency.
   With respect to share repurchases, we intend to have the flexibility to repurchase shares depending on our cash reserves, growth investment opportunities, stock market trends and other conditions.
   This share repurchase enhances shareholder returns and a flexible capital policy.
2. Type of stock to be repurchased
   Ordinary stock of MISUMI Group Inc.
3. Number of shares to be purchased: 4,000,000 shares (maximum)
   (Percentage of total shares issued (excluding treasury stock) 1.41%)
4. Total purchase price
   Up to ¥10,000 million
5. Acquisition period
   From May 1, 2023 to July 31, 2023
6. Acquisition method
   Market acquisition through a discretionary transaction method on the Tokyo Stock Exchange

The Company completed the repurchase of treasury stock as follows:
- Number of treasury stock repurchased: 3,180,300 shares
- Total purchase price: ¥10,000 million ($74,886 thousand)
- Acquisition period: From May 1, 2023 to July 11, 2023

21. 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 "22. 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 *l. 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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Receivables from contracts with customers (as of April 1, 2022 and 2021)			
Trade notes	**¥15,723**	¥12,169	**$117,752**
Trade accounts	**61,096**	59,519	**457,546**
Total as of April 1, 2022 and 2021	**76,819**	71,688	**575,298**
Receivables from contracts with customers (as of March 31, 2023 and 2022)			
Trade notes	**16,490**	15,723	**123,494**
Trade accounts	**59,870**	61,096	**448,362**
Total as of March 31, 2023 and 2022	**76,360**	76,819	**571,856**
Contract liabilities (as of April 1, 2022 and 2021)	**1,680**	1,143	**12,578**
Contract liabilities (as of March 31, 2023 and 2022)	**¥ 1,183**	¥ 1,680	**$ 8,860**

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, 2023, ¥1,680 million ($12,578 thousand) was included in contract liabilities as of April 1, 2022. There has been no material change in contract liabilities in the fiscal year ended March 31, 2023. Of the revenue recognized in the fiscal year ended March 31, 2022, ¥1,143 million 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.

22. SEGMENT INFORMATION

(1) Description of reportable segments

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

The Group consists of MISUMI Group Inc., 51 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.

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

	Millions of Yen					
	2023					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Revenue from contracts with customers	**¥121,933**	**¥79,125**	**¥172,094**	**¥373,152**		**¥373,152**
Sales to customers	**121,933**	**79,125**	**172,094**	**373,152**		**373,152**
Total	**121,933**	**79,125**	**172,094**	**373,152**		**373,152**
Segment profit*	**¥ 21,385**	**¥ 8,724**	**¥ 16,506**	**¥ 46,615**		**¥ 46,615**

*Segment profit corresponds to operating income in the consolidated statement of income.
(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					
	2022					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
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 corresponds to operating income in the consolidated statement of income.
(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					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
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 corresponds to operating income in the consolidated statement of income.
(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					
	2023					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Revenue from contracts with customers	**$913,149**	**$592,566**	**$1,288,801**	**$2,794,516**		**$2,794,516**
Sales to customers	**913,149**	**592,566**	**1,288,801**	**2,794,516**		**2,794,516**
Total	**913,149**	**592,566**	**1,288,801**	**2,794,516**		**2,794,516**
Segment profit	**$160,150**	**$ 65,331**	**$ 123,618**	**$ 349,099**		**$ 349,099**

*Segment profit corresponds to operating income in the consolidated statement of income.
(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						
	2023						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales	**¥ 172,662**	**¥ 68,901**	**¥ 56,183**	**¥ 42,522**	**¥ 24,257**	**¥ 8,627**	**¥ 373,152**

	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

	Thousands of U.S. Dollars						
	2023						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales	**$1,293,056**	**$515,993**	**$420,750**	**$318,444**	**$181,662**	**$64,611**	**$2,794,516**

	Millions of Yen					
	2023					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment................	**¥ 15,792**	**¥11,485**	**¥ 5,951**	**¥ 6,616**	**¥ 8,561**	**¥ 48,405**

	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

	Thousands of U.S. Dollars					
	2023					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment................	**$118,266**	**$86,007**	**$44,570**	**$49,548**	**$64,114**	**$362,505**

(5) Impairment losses by reportable segment

For the fiscal year ended March 31, 2023, impairment loss was not allocated to reportable segments.

The amount of impairment loss was ¥44 million ($330 thousand) for the fiscal year ended March 31, 2023.

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

The amount of impairment loss was ¥642 million for the fiscal year ended March 31, 2022.

For the fiscal 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.

Independent Auditor’s Report

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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, 2023, 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, 2023, 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.

Reasonableness of accounting estimates relating to the Valuation of Merchandise and Finished Goods	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group recorded merchandise and finished goods inventories of 62,751 million yen (16.6% of the total assets) on the consolidated balance sheet as of March 31, 2023. 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. As stated in Note 3, Significant Accounting Estimates, 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. 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. However, there are certain future market uncertainties due to factors such as increase in geopolitical risk, change of market structure after the end of COVID-19 and progression on regional block formation in the global supply chain. To deal with such uncertainty, the Group continuously achieves reliable quick delivery and provides time value to customers by establishing a strong supply chain and expanding its lineup of merchandise and finished goods. Accounting estimates relating to the valuation of merchandise and finished goods are based on forecasts of sales prices and volumes after a certain period of time has elapsed since the merchandise and finished goods were initially recorded in inventory and involves uncertainty and management judgment. Accordingly, we determined this to be a key audit matter.	We performed the following audit procedures to test reasonableness of accounting estimates relating to the valuation of merchandise and finished goods, among others: Testing the design and operating effectiveness of internal controls —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, and we tested the accuracy and completeness of information generated by the core system and used for the valuation of merchandise and finished goods. Risk assessment procedures —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 business strategy that considered the change in business environment. Furthermore, we assessed the consistency between the Group’s analysis and management’s response. Audit procedures responsive to the assessed risks —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: · We performed a sales trend analysis by the year when the merchandise and finished goods were initially recorded in inventory and by region 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.