

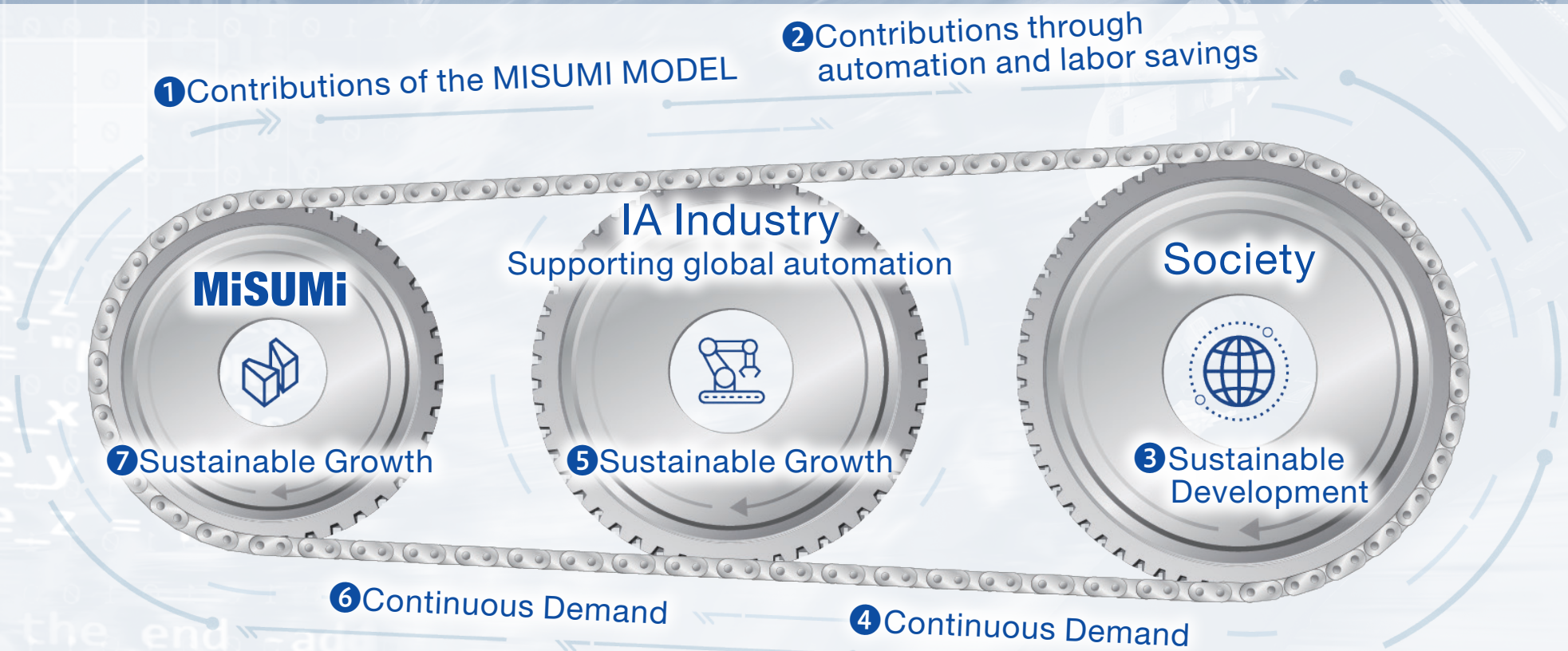
A large, diagonal, semi-transparent image of an industrial robotic arm in motion, overlaid with a blue and yellow diagonal stripe. The background also features faint, semi-transparent text from a programming language, such as "modifier", "selected_obj", "ne.name", "CLASS", "tor)", "to the select", and "r_mirror_x".

MiSUMi ANNUAL REPORT 2024

MISUMI Group Inc.

MISUMI's Growth Chain-reaction Aspired Management

MISUMI aims to eliminate inefficiencies in the industrial automation (IA) industry and increase “Time Value” for customers. In doing so, we strive for “Growth Chain-reaction aspired management” which fosters the growth and development of MISUMI, the IA industry, and society as a whole.



In-house Initiatives

Improving Customer's Time Value through continuous MODEL innovation

- Reliable, quick delivery
- Reduction of wasteful labor-hours



Initiatives to Support Customer Industries

Time-related innovations in each of our customer's "equipment design," "procurement," "acceptance," and "usage" process



Contributing to Sustainable Development of Society

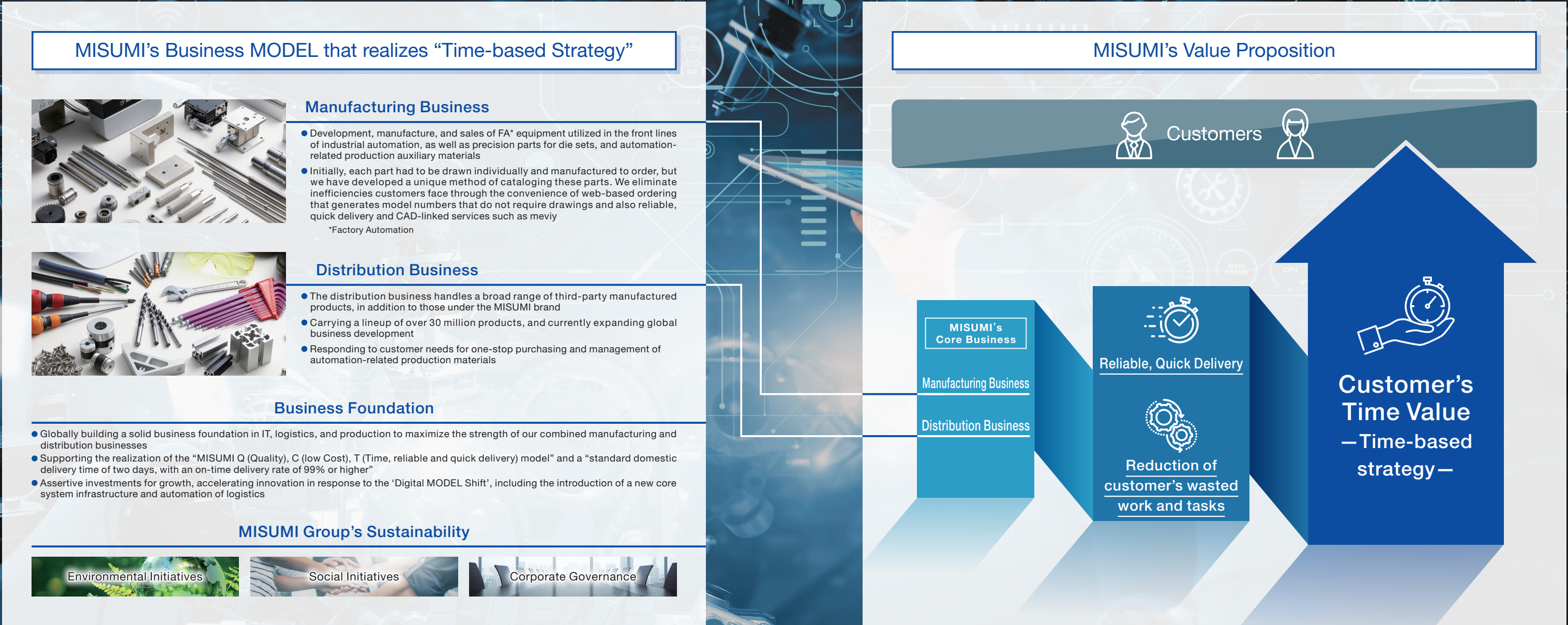
Contributing by accelerating the global shift to a circular economy, through labor saving and automated equipment produced by our customers

Aspired Management Style

- 1** MISUMI aims to activate Growth Chain-reaction that starts with employees' challenges
- 2** With our employees drive to take on challenges that would increase our "Customer's Time Value," MISUMI aims to create a Growth Chain-reaction where the customer, society and employees are all prosperous
- 3** To sustain continuous improvement on "Customer's Time Value" MISUMI has three unique perspectives
 - 1** Growth-potential : Developmental high growth-oriented, where one measure attracts the subsequent growth
 - 2** Strategic : Highly strategically oriented with "time" at the core
 - 3** Proactiveness : Self-motivated employees willing to take on new challenges
- 4** To realize Growth Chain-reaction, as MISUMI employees, we will continually take it upon ourselves to "learn, think, and challenge one's self" to grow and further develop

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.





Kosuke Nishimoto
Representative Director and Chairman

Ryusei Ono
Representative Director and President

Building a unique competitive advantage from the synergy of accelerating the “Digital MODLE Shift” and region-specific growth strategies

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. 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.

Results for FY2023

During FY2023, the global economy continued to be challenged with soft global investment demand, particularly in the manufacturing sector. In China, demand remained generally soft due to uncertain economic conditions, and in Japan and Asia, with the exceptions of some areas, demand remained weak but showed a gradual recovery trend toward the end of the period. On the other hand, in Europe and the US, geopolitical risks and other economic slowdowns led to a deceleration starting in the second half of the fiscal year.

In 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 are contributing to industries related to automation demand, particularly the manufacturing industry, by responding to customers’ needs for reliable and quick delivery.

To further strengthen our solid business foundation in IT, production, and logistics, and our global network of locations, we have implemented a renewal of our core system in our largest base, Japan. At the same time, while we continued to accelerate the development of new businesses, including new products and services, consolidated net sales for FY2023 were ¥367,649 million

(1.5% decrease year-on-year) due to the impact of weak global demand for capital investment.

By segment, sales in the FA business in Japan managed to maintain the same level as the previous year, but overseas sales were soft, particularly in China. This resulted in net sales of ¥118,219 million (3.0% decrease year-on-year). In the Die Components business, sales were generally soft throughout all regions; however, Asia and Europe were able to capture automotive-related demand and sales impacted by exchange rates. This resulted in net sales of ¥79,932 million (1.0% increase year-on-year). In the VONA business, sales in Japan were in line with the previous year but overseas sales, particularly China and Asia, remained challenged due to the slowdown in customer factory operations. As a result, net sales were ¥169,497 million (1.5% decrease year-on-year).

In terms of profit, operating income was 38,365 million yen (17.7% decrease year-on-year) and ordinary income was ¥41,265 million yen (13.7% decrease year-on-year) due to a decrease in sales volume and an increase in expenses related to the introduction of a new core system for Business MODEL innovation. Net income attributable to owners of parent totaled ¥28,152 million yen (17.9% decrease year-on-year).

products and services, as well as working to advance our Business MODEL that contributes to increasing Customer’s Time Value. In addition, to increase corporate value over the medium to long term, we will accurately assess the cost of capital and aim to widen the equity spread so that return on capital exceeds the cost of capital. To that end, we will strike a balance between growth investments from a medium- to long-term perspective and the return of profits to our shareholders.

Shareholder returns

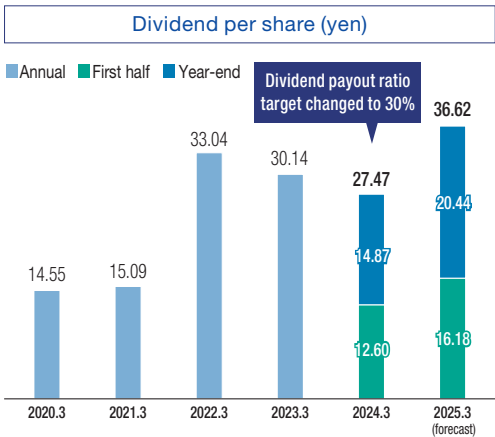
Dividends

As for dividends, we changed the dividend target payout ratio from the previous target of 25% to 30% regarding the year-end dividend for FY2023, considering the expansion of our management base, the strengthening of our financial position, and the improvement of capital efficiency. At present, we expect the annual dividend for FY2024 to be ¥36.62 per share, which would be an increase of ¥9.15 (+33.3%) year-on-year, and set a new record high.

Share repurchases

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.

The purpose of this share repurchase is to enhance shareholder returns and implement a flexible capital policy.



| Details of matters relating to the share repurchase | |
|---|--|
| Maximum total amount of repurchase: | ¥20 billion |
| Maximum number of shares to be repurchased: | 12,000,000 |
| Repurchase period: | From May 17, 2024 to November 29, 2024 |

Forecast for FY2024 and principal initiatives

In FY2024, the global and Japanese economy are expected to face an uncertain business environment amid continuous shifts toward regional blocs in the global supply chain. However, in the industrial sector, there are high expectations that demand for automation will continue to increase globally, as various social issues are addressed.

To meet these customer needs, we will continue to advance our IT, production, and logistics business foundations and further refine our “globally reliable, quick delivery.” In addition, in order to increase Customer’s

Time Value, we will accelerate the development of regional markets, new businesses, new products, new services, and more, as well as promote the creation of a Digital MODEL that is suited to each market so that we can respond to the varying needs of different markets.

In FY2024, net sales are forecast at ¥393.0 billion, operating income at ¥46.0 billion, and net income attributable to owners of parent at ¥34.4 billion.

Principal initiatives for FY2024 are shown in the next section.

Capital policy

With our employees’ drive to take on challenges as our starting point, the Group strives for Growth Chain-reaction aspired management in order to contribute to the sustainable growth of our customer, the IA (Industrial Automation) industry, and to support the sustainable development of society through automation and labor-saving in the IA industry.

To achieve this, we are actively investing in growth in regions, businesses, and the development of new

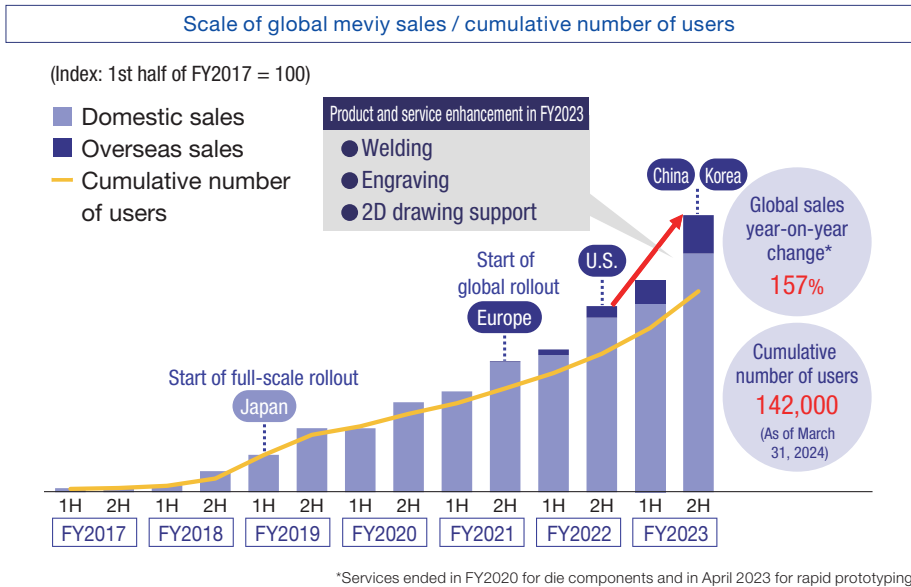
Business Overview

Digital MODEL Shift Part 1

Accelerating the global rollout of meviy

The global rollout of “meviy,” a service that offers instant quotes and the fastest one-day shipping by simply uploading product design data (3D CAD data), is progressing smoothly. This development, which began in Europe at the end of FY2021, moved on to the U.S. in FY2022, and began a full-scale rollout in China and South Korea in FY2023. Both sales and user numbers continue to grow, reaching 142,000 users worldwide as of March 31, 2024, with global sales growing 157% year-on-year. We will continue to strengthen our product enhancement and system integration capabilities in order to continuously respond to the diverse needs of our customers, while also launching new initiatives that leverage our existing strengths to accelerate our global growth.

meviy <https://meviy.misumi-ec.com/ja-jp/>

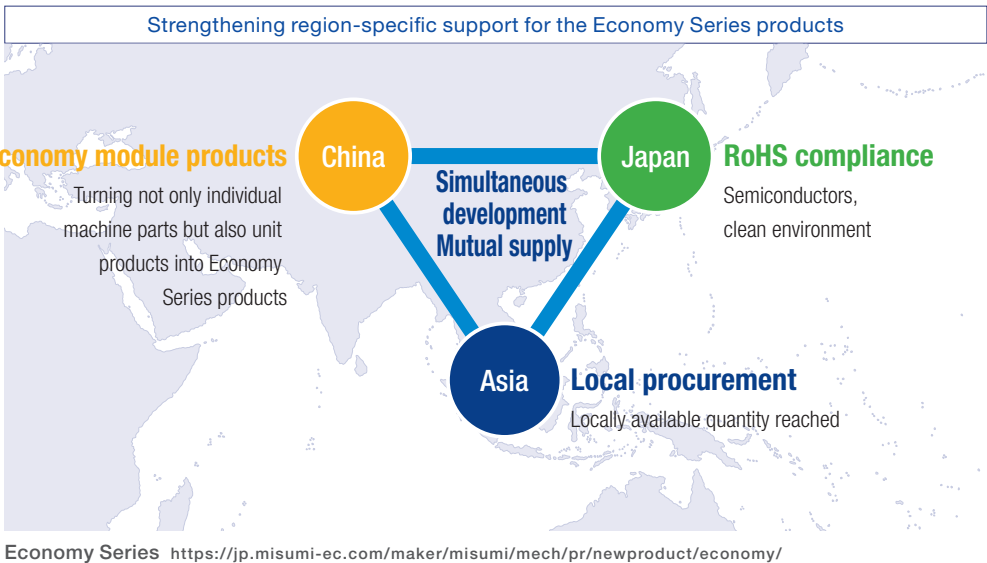


Digital MODEL Shift Part 2

Further strengthening the “Economy Series” products to meet demand for mid-range products

As the demand for mid-range products will continue to grow, we offer the highly competitive Economy Series products originating from China in the three regions: China, Asia and Japan. We aim to accelerate penetration into each market by enriching our product lineup through product development and promoting a differentiated

approach. In Japan, where the full rollout has begun, significant enhancements are being made to the aluminum frame product group, which has the highest affinity with the Economy Series products. To realize synergies, we have simultaneously released general catalogs for aluminum frames and the Economy Series products.



Economy Series <https://jp.misumi-ec.com/maker/misumi/mech/pr/newproduct/economy/>



Economy Series General Catalog

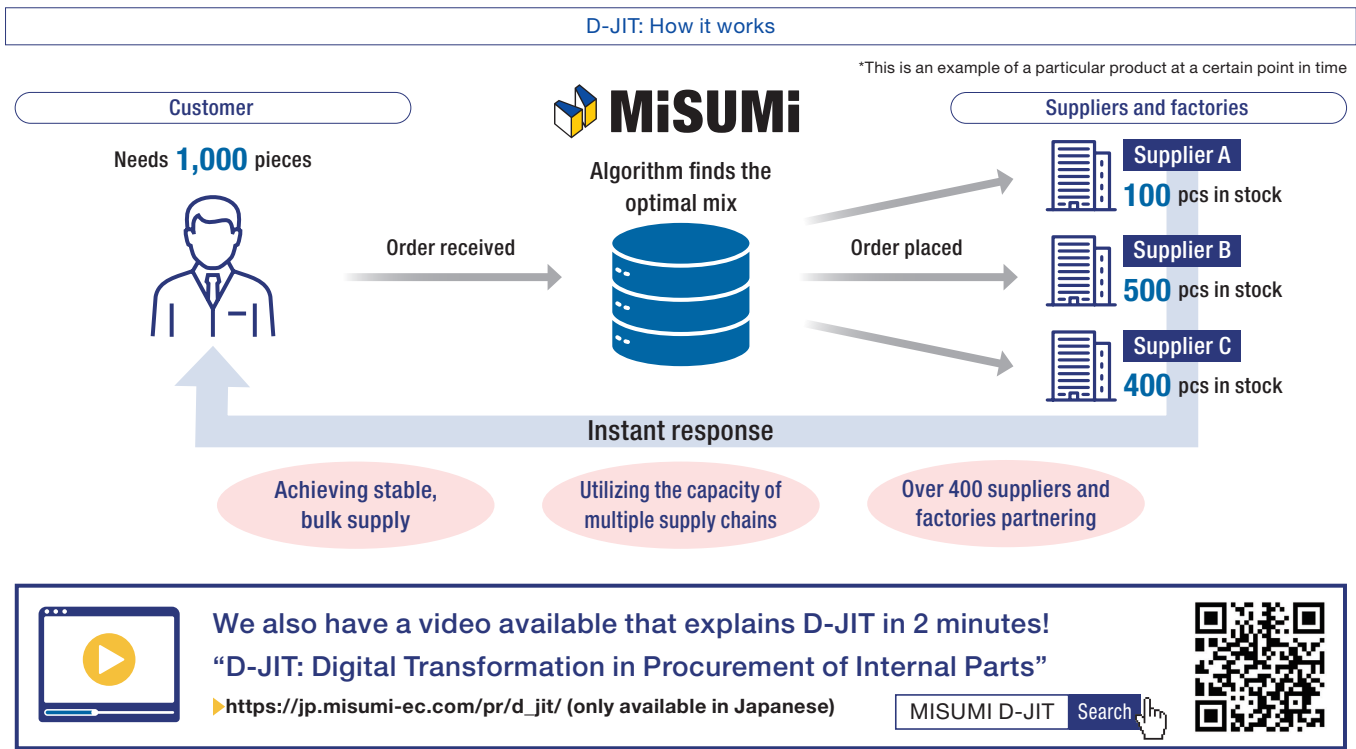
Digital MODEL Shift Part 3

Starting full-scale operation of “D-JIT,” which can respond to large-scale procurement

We have begun full-scale operation of “D-JIT*,” a new service that innovates the customer procurement process. Until now, when customers wanted to procure a large number of parts, the coordination required to search through multiple suppliers and e-commerce websites to gather all the parts was a tremendous undertaking. To help meet

customers’ desired quantities, MISUMI has changed from “MISUMI for Small Quantity and Quick Delivery” to “MISUMI for Large Quantity, Too” and by leveraging our IT capabilities, we will build a “dynamic” supply system, starting from Japan and expanding globally.

*D-JIT stands for “Digital version of Just in Time.”



Region-specific growth strategies drawn, we strive for the next high growth by leveraging our strength of globally reliable, quick delivery

The Group continues to strengthen and enhance its products and services while innovating the business foundation in the pursuit of thorough revenue management. In addition to aiming for our next high-growth stage

through our strengths in globally reliable and quick delivery, we will accelerate “region-specific MODEL innovation” to meet each region’s unique requirements. We look forward to your continued support.

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

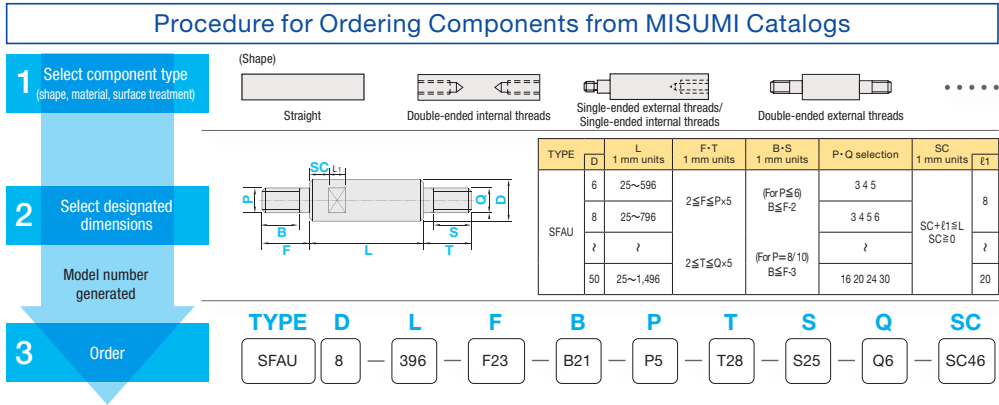
MTO Advantages

MISUMI’s catalog allows customers to specify the size of parts in microns, and including this variation, MISUMI oversees 80 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

Realizing Considerable Time Savings through MTO (Make To Order)

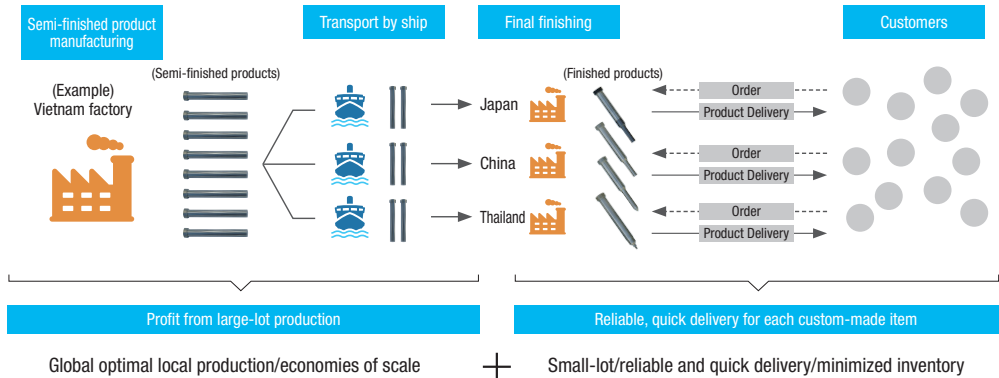
Each machine part is designed differently, and the designer must draw a diagram for each part. For each part, a quotation must be made and orders must be placed with multiple parts processing manufacturers. MISUMI’s catalog “standardizes” parts that normally need to be custom-made, and orders can be placed simply by selecting the dimensions and specifications of the parts from a list.



Harmonizing Two Conflicting Competitive Advantages

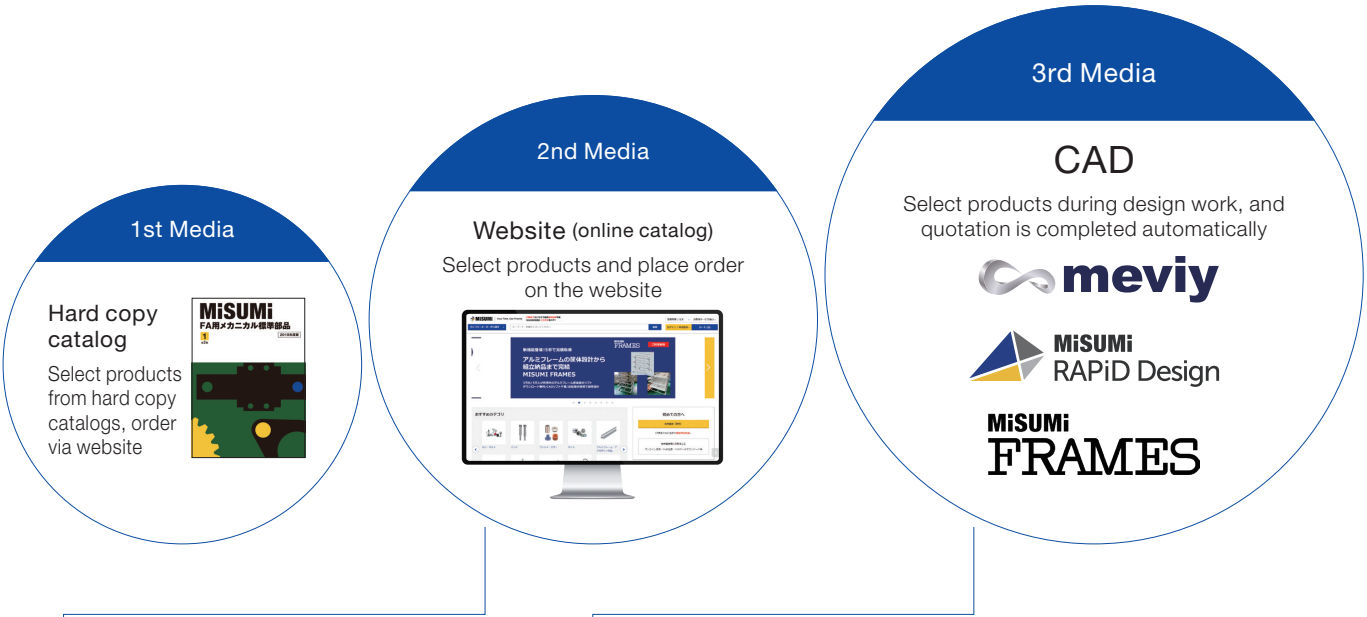
Abundant Product Variation, Low Cost, and Reliable, Quick Delivery while Minimizing Inventory

Semi-finished products are mass-produced at factories in Vietnam and other countries and finalized at the place of consumption by way of “reliable, quick delivery for each custom-made item” according to the customer’s specified order.



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 linkage (software) tool that provides superior time value that goes beyond the traditional hard copy and online catalogs.



From 2010 Strengthening the Online Strategy

We have been enhancing our website (online catalog) as the second media 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.

From 2016 Enhancing Our Approach to Digital Manufacturing

By positioning CAD, which is used by facility designers, as a third medium after the website, we have promoted the expansion of our 3D-CAD linkage services, including “meviy,” “RAPID Design,” and “MISUMI FRAMES” services. Going forward, we will promote digital transformation (DX) in manufacturing in the area of parts procurement, and work to dramatically reduce the time required for procurement by strengthening our approach to digital manufacturing. By enabling customers to use the time they save to their higher value-added core operations, we are helping to improve the quality and productivity of the manufacturing industry as a whole.

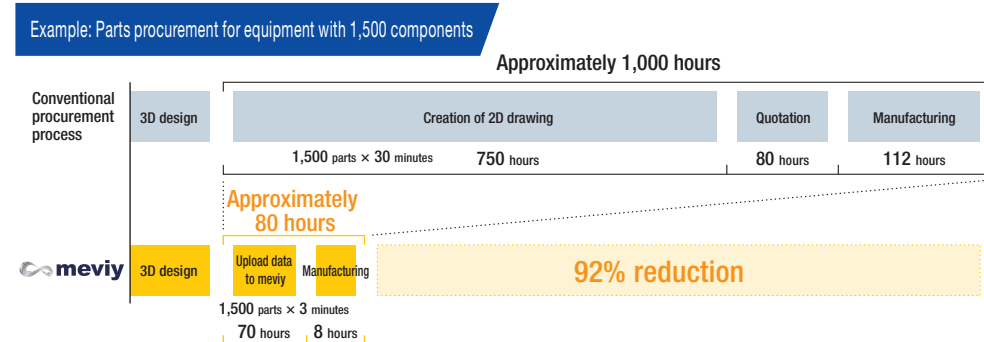
Innovating Machinery Parts Procurement to Improve Customer's Time Value



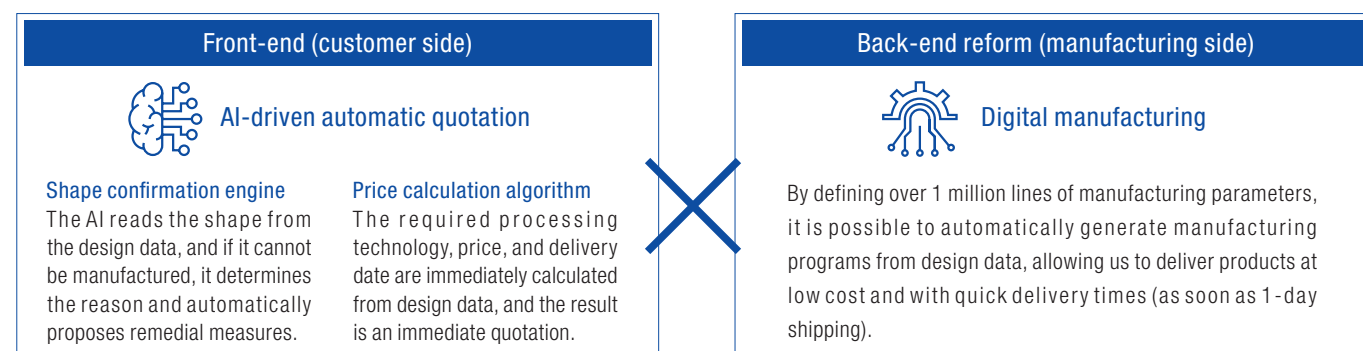
Procurement Reforms Realized by “meviy” Digital Parts Procurement Service

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.



meviy, Supported by Two In-house Innovations, “Front-end Innovation × Back-end Innovation”



Distribution Innovation Driven by the VONA Business

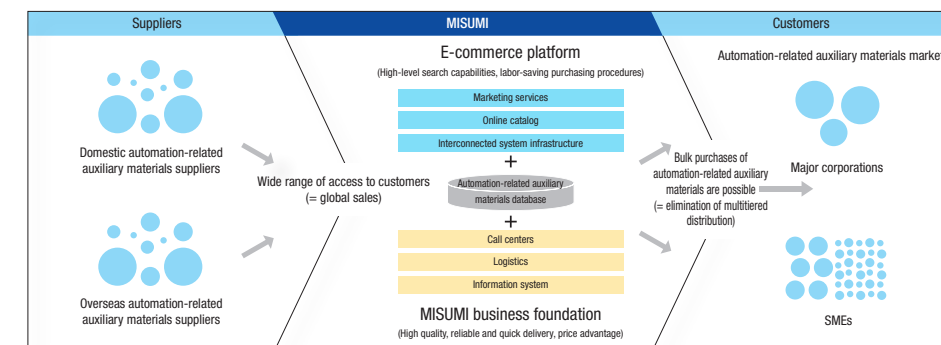
VONA, MISUMI's distribution business, was launched in 2010 as a platform to handle not only MISUMI brand products, but also third-party brand products, including tools, gloves, and other production auxiliary materials and consumables used in production and automation sites. We will continue to strengthen 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 evolving our e-commerce website.

Enabling One-Stop Purchasing of Automation-Related Auxiliary Materials

Having started the VONA Business, it has become possible to globally connect the needs 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 auxiliary materials who seek expanded sales channels beyond their own sales network as suppliers.

Domestic manufacturers we do business with
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.



An Abundant Product Lineup

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

In addition, we have built e-commerce websites that are rooted in each region around the world. Today, we have e-commerce websites 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 | | | | |
|-----------------------|-------------------------|--|----------------------|--------------------|------------------------|---------------------------------|
| Business Type | 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 |
| | Die Components Business | Standardized metal press/plastic mold components | Punches | Button dies | Ejector pins | Sprue bushings |
| Distribution Business | VONA Business | Mechanical components and screws, bolts, washer and nuts | Sensors and switches | Pipe fittings | Screws, bolts and nuts | Castors |
| | | Wiring, control and PC components | Connectors | Switches | Cables | Transformers |
| | | Cutting tools and components for production machining | End mills | Hexagonal wrenches | Milling chips | Calipers |
| | | Packaging, logistics & storage materials and safety & protection, environmental & sanitary and office supplies | Carts | Work gloves | Parts cleaners | Laboratory equipment & supplies |

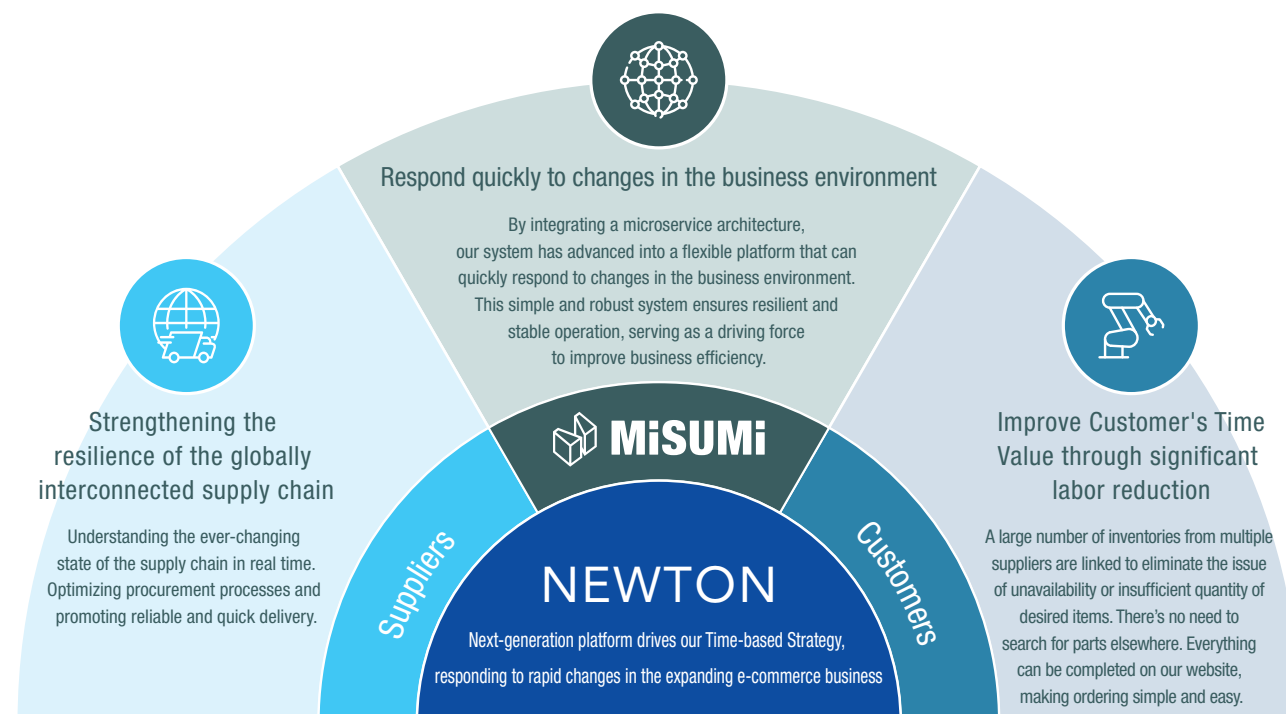
*Optical & Scientific Technology

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.

The Core System NEWTON Governing Our Time-based Strategy

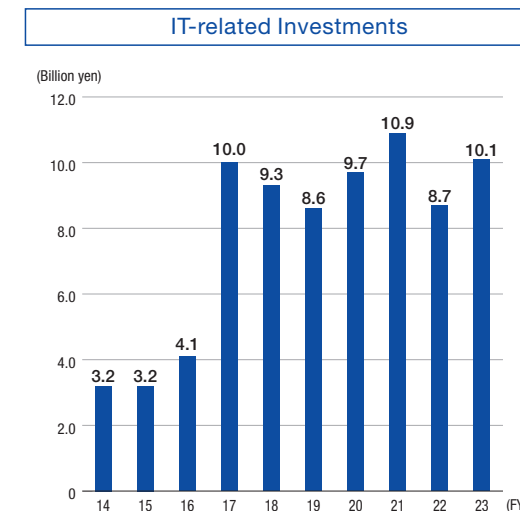
To improve Customer's Time Value, MISUMI has implemented and continuously strengthened its advanced IT infrastructure "NEWTON." This system ensures "flexibility" to respond quickly to environmental changes by adopting the latest multi-cloud technologies and integrating microservice architecture into our ordering system. By leveraging this IT infrastructure that can quickly respond to changes, we will continue to enhance Customer's Time Value.



NEWTON Accelerates the Advancement of the MISUMI MODEL

- Our system was completely revamped to a highly flexible architecture, significantly improving development productivity. The system development lead time and costs for new services have been reduced to approximately one-third compared to conventional methods, thereby supporting faster business operations and enhancing adaptability to changes.
- The introduction of a multi-cloud approach has enabled reliable and quick delivery of products even in the increasingly decoupled global supply chain. By pushing these initiatives further, operational re-engineering has assured the provision of higher value-added services to our customers.
- The low-code development platform adopted for the UI layer enables "on-site" development, closely aligning with customer needs. This allows us to provide user-friendly interfaces for our customers.

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.

In FY2017, we globally developed e-commerce websites optimized for customer needs in each region, customized screen designs and functions according to the business practices of each country, and improved searchability to enhance convenience. In FY2019, we moved the system entirely to the cloud. In addition to reducing costs, this further improved the reliability and flexibility of core systems and networks.

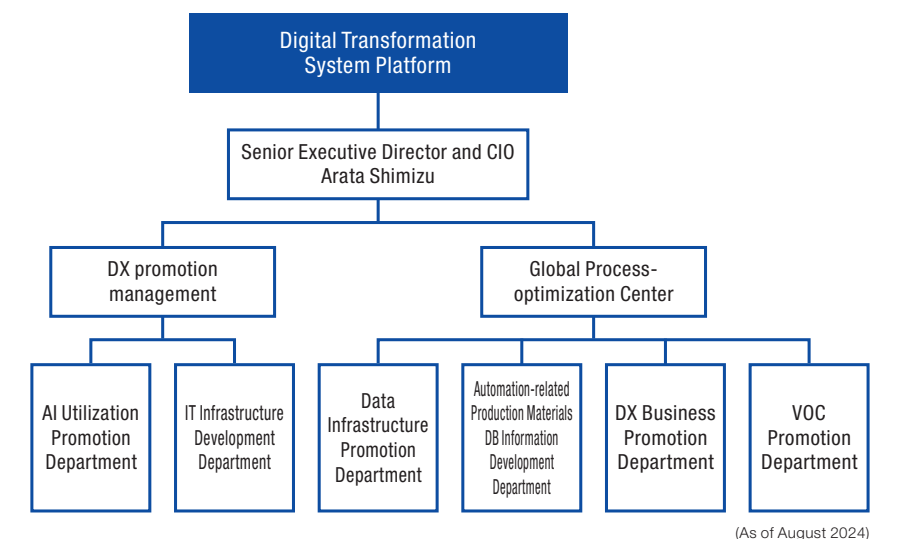
In addition, by utilizing this stable network, we are working on renovating the core system at all subsidiaries. We began implementation in Taiwan in FY2021, Thailand in FY2022, and Japan, our largest base, in FY2023. We aim to improve the development efficiency of more innovative services that realize 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.

Digital Transformation System Platform

In October 2020, the "Digital Transformation System Platform," an organization responsible for MISUMI's digital innovation, was established. Since then, we have been fortifying our organizational structure. 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.

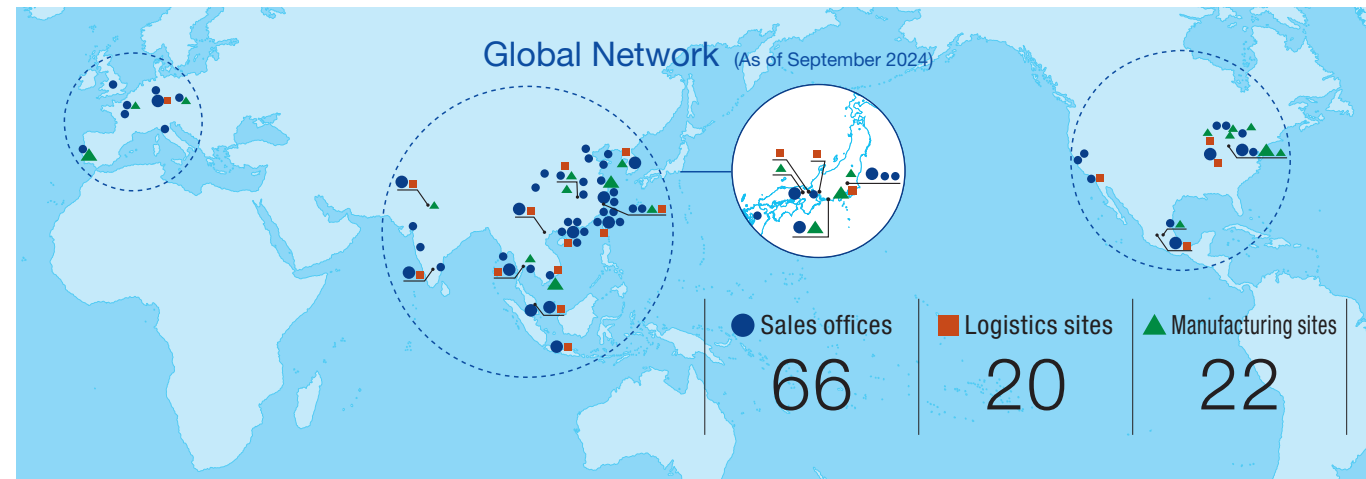
In addition, the organization supports MISUMI's mission of "globally reliable, quick delivery" through a wide range of initiatives, such as ramping up development cycle speed and enhancing security.

Moreover, Senior Executive Director and CIO Arata Shimizu assumed the position of Representative Corporate Officer in June 2024, and he will proactively proceed with further bolstering our organizational structure and building an IT infrastructure that will support future growth.



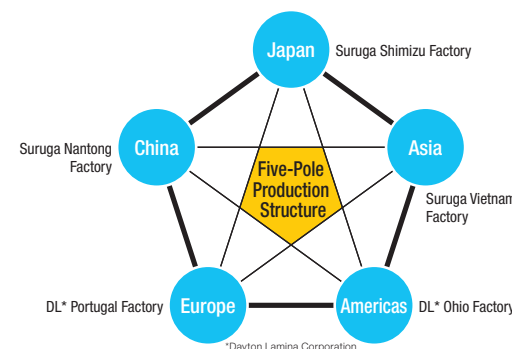
Enhancing Our “Globally Reliable, Quick Delivery”

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.



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. After introducing the machinery developed in-house, we significantly reduced the required equipment and human resources, dramatically reducing lead time.

Logistics: Leveraging Automation to Dramatically Improve Productivity

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. By introducing automation and operational innovation, we will achieve a higher level of reliable, quick delivery to win further customer trust. We will expand our MODEL to Europe, the Americas, East Japan, and China, aiming to strengthen our logistics infrastructure globally.

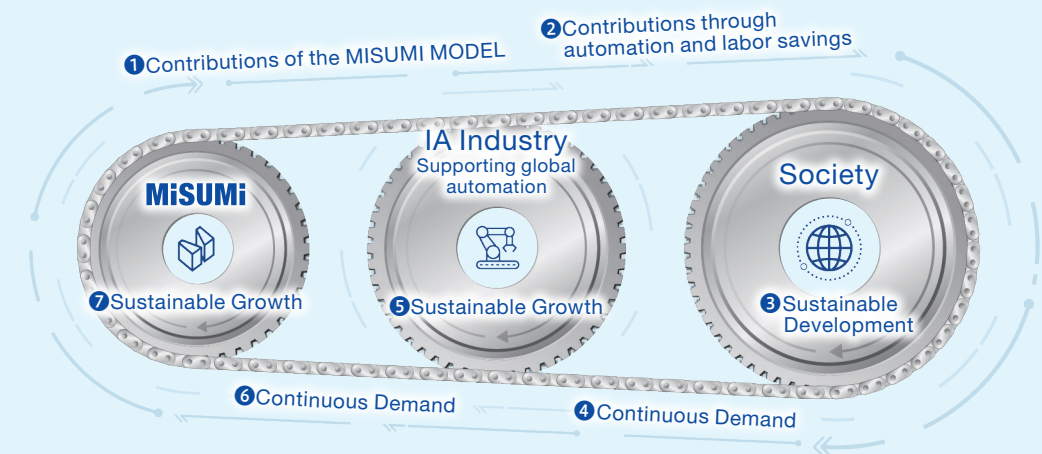
MISUMI’s Sustainability

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.

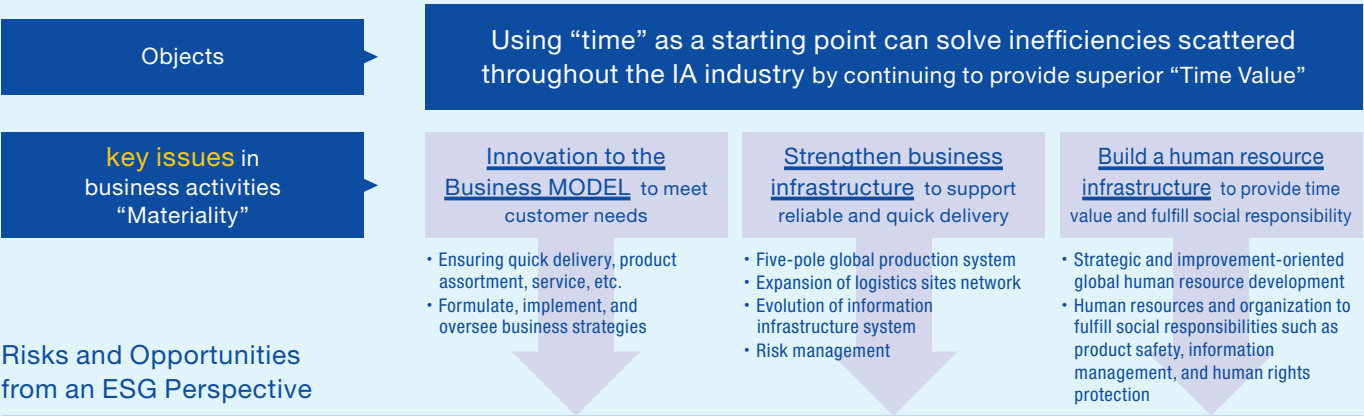
Contributing to the Sustainable Development of Society

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.



| | | | | | |
|-------------|---|-------------|--|-------------|--|
| Environment | Climate change Resource depletion Air pollution, etc. | 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) |
| | | Opportunity | Increasing demand for automation Labor productivity reform and efficiency demands | | |
| Society | Product quality and safety A decline in the working population Human rights protection Data security | Risk | Restrictions on supplier transactions, product assortment | Risk | Increased production costs, product assortment |
| | | | | Risk | Under-utilization fo human resources Supplier human rights protection |
| Governance | Corporate governance Ethical behavior Stakeholder engagement | | | Opportunity | Diversification of automated equipment components due to globalization and blocking |
| | | Risk | Execution and oversight of MISUMI's business strategy | Risk | Technology threats to information assets |
| | | | | Opportunity | Interest in products and services to solve social issues Importance of human capital such as specific knowledge |
| | | | | Risk | Technology threats to information assets |
| | | | | Opportunity | Increased need for BCP measures |

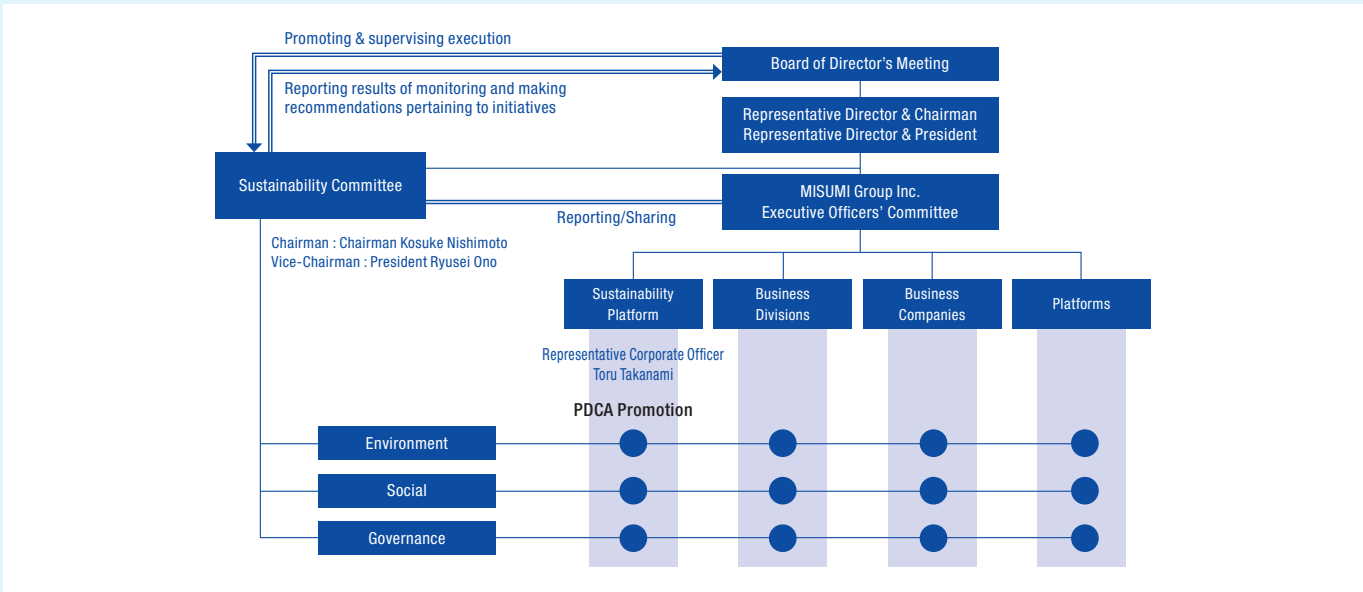
Establishment of the Sustainability Committee

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, has appointed an officer in charge of sustainability promotion, 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



Status of Sustainability Committee Meetings

| | Dates | Topics |
|-----|------------------|---|
| 1st | March 16, 2022 | • Evaluation and improvement from external rating agencies Discussion 1st |
| 2nd | April 20, 2022 | • Evaluation and improvement from external rating agencies Discussion 2nd |
| 3rd | May 18, 2022 | • Scope 3 Initiative Policy Discussion 1st |
| 4th | June 14, 2022 | • Report on progress on GHG emission reduction • Scope 3 Initiative Policy Discussion 2nd |
| 5th | June 23, 2022 | • Report on improvement measures in the evaluation of the Sustainability Committee and rating agencies • Countermeasures on climate change |
| 6th | July 28, 2022 | • Sustainability training for executives |
| 7th | August 1, 2022 | • Procurement Guidelines and Code of Conduct update |
| 8th | August 18, 2022 | • Procurement Guidelines and Code of Conduct discussion |
| 9th | October 20, 2022 | • Code of Conduct • Establishment of Procurement Guidelines and supply chain management system • Disclosures about human capital indicators |

| | Dates | Topics |
|------|-------------------|--|
| 10th | December 22, 2022 | • Report of climate change countermeasures • Disclosures about human capital indicators • Future initiatives |
| 11th | February 15, 2023 | • Review of activities and future direction |
| 12th | May 18, 2023 | • Status Report <GHG/Supply Chain Management/Human Capital/Update of Rating Agencies> |
| 13th | September 21,2023 | • GHG FY22 Flash Report, Progress of Supply Chain Management, Analysis of Rating Agencies |
| 14th | November 16,2023 | • GHG FY22 Results FY24, Supply Chain Management Activities, CSRD of EU, CFP (Carbon Footprint of Products) |
| 15th | March 19,2024 | • Review of Activities and Future Direction and Policy |
| 16th | March 21,2024 | • Corporate Governance, Related survey report, Evaluation of the Board of Directors' Effectiveness |
| 17th | May16,2024 | • Materiality review, MISUMI Unique Index, Carbon Footprint |



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. | 2. | 3. |
|---|---|---|
| Reduce social/environmental impact and prevent pollution in business activities | Comply with environmental laws, regulations, and other requirements | 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.

MISUMI has disclosed information according to the TCFD recommendations under its management policy, based on the details approved by the MISUMI Board of Directors on March 17, 2022. This information includes the establishment of risk management processes for risk identification, assessment, and mitigation, quantified risk and opportunity assessments, and action to establish a progress assessment mechanism.

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.

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

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 |
| | | Development and sale of products that reduce GHG emissions, such as by recycling our products | Large |
| | Promoting value from our products’ improved environmental friendliness | Increased demand for products that use carbon-free metals | Medium |
| | | Increased demand for highly corrosion-resistant and durable products that don’t age easily, even under higher temperature from global warming | Medium |
| | Higher demand for our products that contribute to improving disaster resilience | 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.

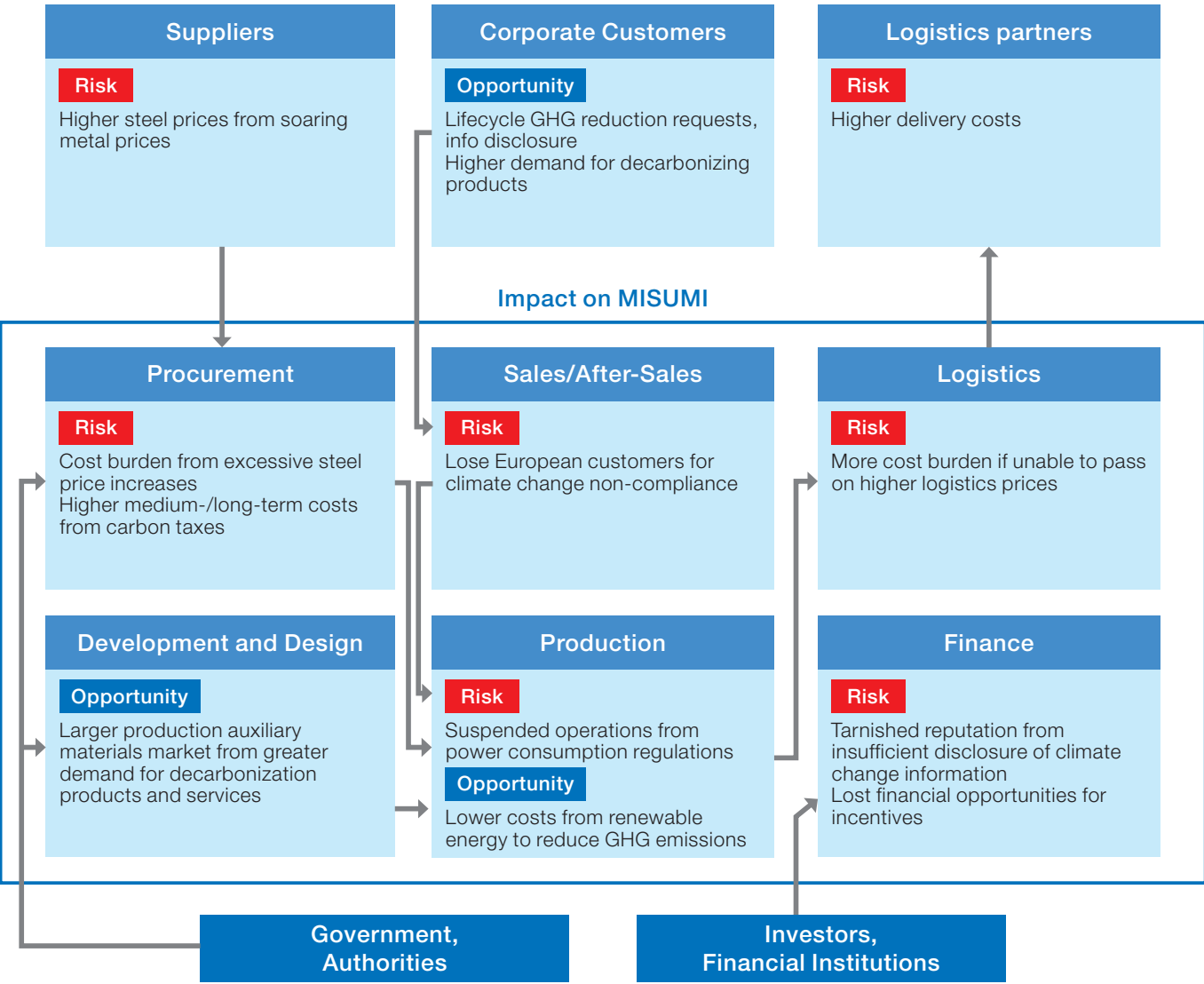
On the other hand, with regard to stronger energy conservation regulation we have seen from governments in China and elsewhere, if a company with locations in the area were to be subject to an order to stop supplying power or suspend a project, our global network of 108 business location for sales, logistics, 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.

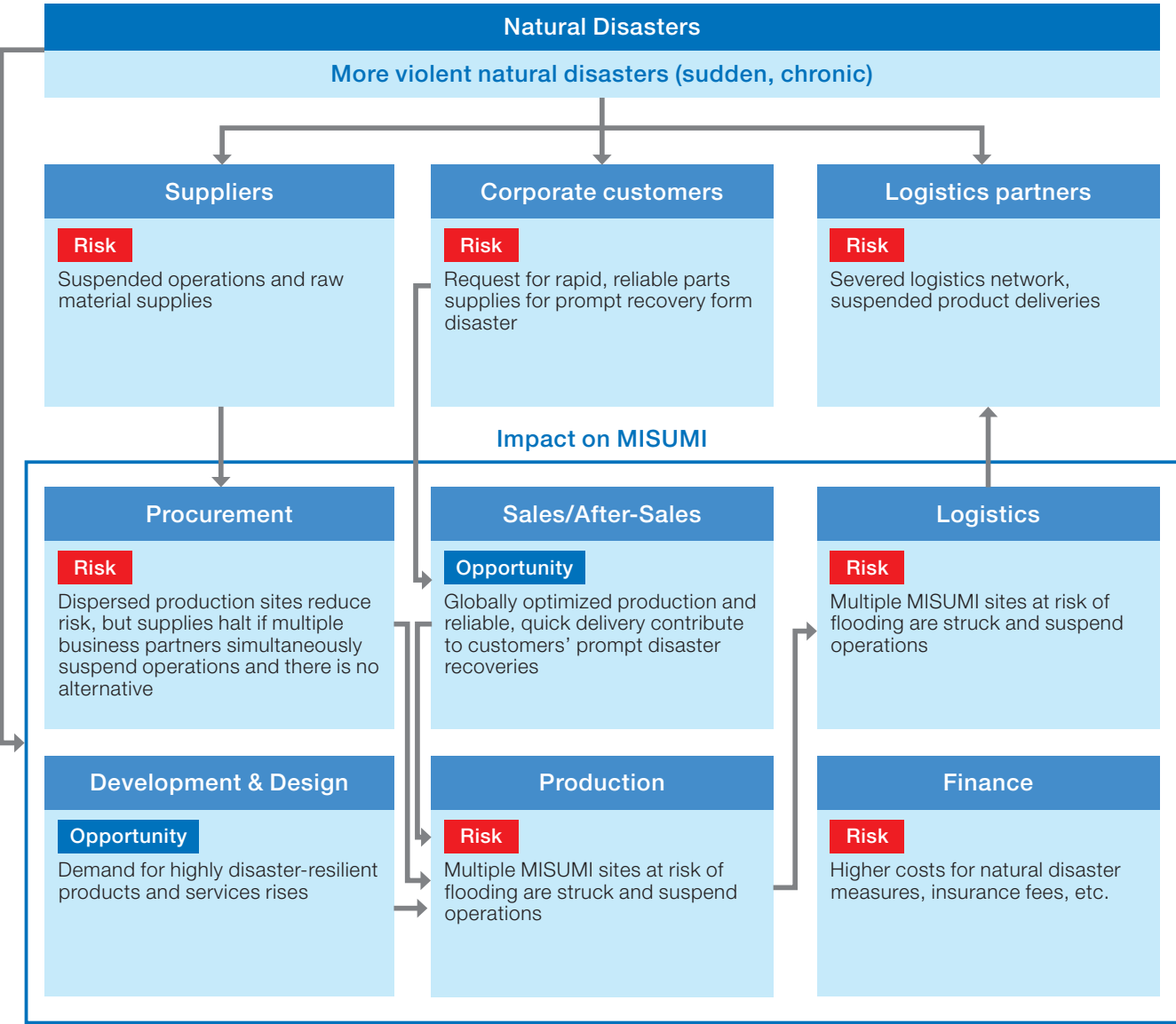


● Scenario: Temperatures 4 Degrees

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.

Our Company is expanding its operations not only in Japan, but also in China, Asia, Europe, and the Americas, and has established a global network of 108 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 | • 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 | • 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 | • 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 | • Stronger communication for PR and publicity directed at investors |
| Medium | Select appropriate suppliers | Medium-term | • 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

Risks are prioritized based on the likelihood, magnitude, and timing of financial impact. We are building a risk management system that focuses on the fact that the amount of CO₂ emissions associated with our customers’ energy use is relatively high compared to our Company.

Our Company conducts a risk assessment once a year of Business Companies and Platforms that execute operations. We report significant cases and management issues to the Board of Directors. Climate change has also been identified as a high-priority risk.

In areas where damage from storms and flooding is expected, we are strengthening the resiliency of our facilities and conducting training focused on employee and facility safety. Meanwhile, in areas that have experienced little such risk or where risk is difficult to predict, we focus on daily monitoring while striving to minimize disaster damage and ensure rapid recovery.

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.

We have built a system for business continuity planning that includes pandemics such as infectious diseases, in addition to the impact of escalating disasters.

In addition to the existing corporate entity in Japan, we also established a system of documents, processes, and communication for disaster countermeasures, at our overseas subsidiaries.

In preparation for physical risks such as severe storm and flood damage, we will enhance these systems and conduct necessary training.

Our Company has disclosed the “Sustainable Procurement Guidelines” that we have developed to our main suppliers in Japan and encouraged them to agree to these guidelines. In addition, we have requested a questionnaire to verify their efforts in environmental activities including greenhouse gas (GHG) emissions, as well as confirming the state of their management system implementations. These measures are part of a fact finding survey.

We will continue to focus on the entire supply chain, quantitatively identify risks and opportunities, and plan and implement practical countermeasures.

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.

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.

Environmental management KPIs <https://www.misumi.co.jp/english/esg/environment/iso.html#KPI>

● Greenhouse Gas(GHG)Emissions

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

| Input | | Unit | FY2019 | FY2020 | FY2021 | FY2022 |
|--------------------|--|------------------------------|---------|---------|---------|---------|
| Energy consumption | Grid-connected Electric Power | MWh | 118,704 | 113,616 | 116,741 | 111,907 |
| | Gasoline | kℓ | 986 | 820 | 636 | 634 |
| | Diesel | kℓ | 203 | 151 | 149 | 419 |
| | Kerosene | kℓ | 9 | 13 | 10 | 6 |
| | LPG | t | 69 | 62 | 66 | 55 |
| | LNG | t | 2,036 | 1,781 | 1,625 | 8 |
| | Natural gas | Thousand m³ | 2,036 | 1,781 | 1,625 | 938 |
| | City gas | Thousand m³ | 759 | 614 | 652 | 702 |
| | Other supplied energy (Including steam, hot water) | GJ | 9,577 | 8,544 | 6,833 | 6,978 |
| Output | | Unit | FY2019 | FY2020 | FY2021 | FY2022 |
| GHG emissions | Scope1 | Thousand t-CO ₂ e | 10 | 9 | 8 | 6 |
| | Scope2 | Thousand t-CO ₂ e | 66 | 61 | 63 | 15 |
| | Scope3 | Thousand t-CO ₂ e | 1,524 | 1,399 | 1,637 | 1,528 |
| Total (Scope1+2+3) | | Thousand t-CO ₂ e | 1,600 | 1,469 | 1,708 | 1,549 |

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

Reduction Results

In FY2022, we implemented measures to reduce greenhouse (GHG) gas emissions for the entire Group by more than 60% compared with emissions in FY2020.

Specifically, we introduced photovoltaic Onsite PPAs (*1) at our production site in Vietnam, promoted energy conservation related to air conditioning at our domestic production site (Shizuoka), introduced CO₂-free electricity (*2) at domestic production sites and our Head Office building, and purchased renewable energy certificates (I-REC, TIGR, etc.*3) for our production sites in Vietnam, China, Thailand, and India.

Also, we have partially adopted calculations based on “primary-data based emissions” (*4) for Scope 3 Category 1 and have requested our major suppliers to disclose their GHG emissions.

*1 Onsite PPA (Power Purchase Agreement) is a contractual arrangement in which a company has another company construct, own, operate, and maintain power generation facilities on its land, and the Company purchases the electricity generated from the said power generation facilities
*2 Carbon-free electricity is generated from renewable energy sources that do not emit CO₂ during generation
*3 I-RECs (International Renewable Energy Certificates) are certificates of renewable electricity generated under the rules and system provided by the I-REC Standard Foundation (Netherlands). Similarly, TIGR (Tradable Instrument for Global Renewables) is a certificate of renewable electricity generated and certified under the rules and system provided by APX (USA). The I-RECs and TIGRs purchased by our Company are certificates limited to renewable electricity generated within the respective country's market
*4 Primary-data based emissions: Emissions that are based on the data obtained directly from business partners and are not calculated with the spend-based method (secondary emission factors provided by the Ministry of the Environment are not used)

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 |

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 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.



FA Businesses (Single Axis Unit)



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.

Initiatives at Production Sites

● Environmental policy

1. Compliance with domestic and international environment-related laws and regulations and other requirements

2. Energy creation:Maximizing the use of renewable energy

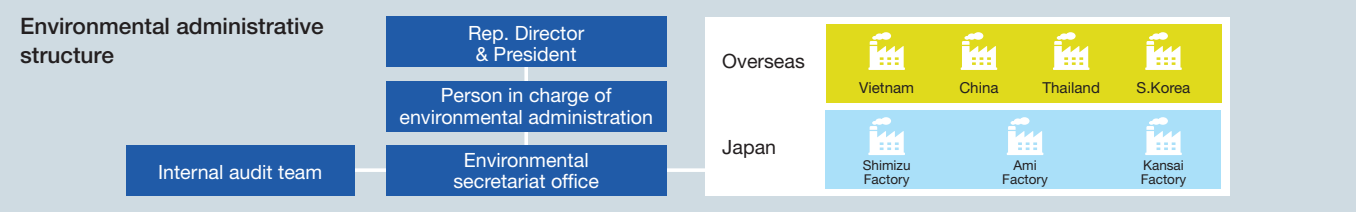
3. Energy saving:Promote overall + individual energy saving improvement activities
4. Environmentally friendly:Minimizing waste and reducing environmental impact in production activities

5. Prevention of environmental pollution

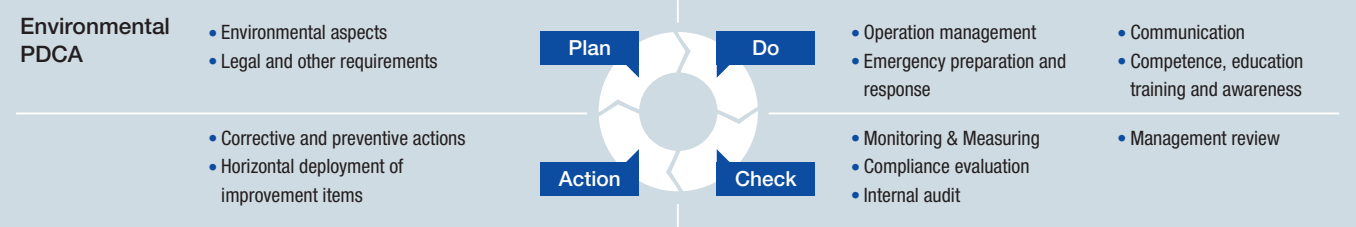
1) Leakage of oils and harmful substances

2) Leakage of noise from the site boundary

● Environmental Management



*Ami and Kansai factories Received Certification on December 6, 2023.



Environmental management KPIs <https://www.misumi.co.jp/english/esg/environment/iso.html#KPI>

- **Environmental Committee** The Environmental Committee meetings are held regularly to promote practical environmental improvement activities. The committee shares environmental activity policies, environmental management KPIs, environmental improvement activity plans and results, etc., to strengthen environmental management.
- **Internal audit / External audit** To confirm the operational status and effectiveness of the Environmental Management System and laterally deploy good environmental activities practices, we conduct an internal audit every year and undergo an external audit by the ISO14001 certification body. The results of internal and external audits reported by the Environmental Committee lead to continuous improvement of the Environmental Management System.
- **Environmental education** We provide environmental education to employees based on the environmental education training plan. In addition, to strengthen the environmental management system, we carry out regular environmental education activities, such as taking internal audit training every year, centered on on-site managers.

<https://www.misumi.co.jp/english/esg/environment/iso.html>

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 greenhouse gas (GHG) emissions from our production sites in Japan by approximately 6,000 tons a year. That will be an 8.6% reduction in GHG 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

Initiatives in Logistics

To reduce GHG emissions in logistics, we introduced EV vehicles to one of our delivery routes in the Chubu region in July 2022. Preparations are underway for a nationwide rollout as we advance.

Initiatives for a Product-related Circular Economy

As part of our support for customers' environmental measures, in October 2023, we launched a service to collect and recycle bobbins for some of the electrode wires sold by MISUMI. Instead of disposing of the used bobbins collected by us, we reuse them as fuel and as packaging materials when collecting used bobbins.

Social Initiatives

Supply Chain Management

MISUMI Group is continuously improving the Customer's Time Value and growing its business activities. Today, corporate supply chains are expanding globally, and our business activities and responses to social demands are something our Group cannot complete on our own. Therefore, the cooperation with our business partners, who provide us with products and services, is essential. We have developed the "MISUMI Group Sustainable Procurement Guidelines" to align with the values of our Group and collaborate with our suppliers in a fair, unbiased, and transparent manner. We aim to fulfill our social responsibility throughout the supply chain by building mutual trust with our suppliers.

Procurement Policy

MISUMI Group provides customers around the world with "convenience in selection and purchasing" and "Time Value" to reduce waste and person-hours in the industrial world through the "reliable quick delivery" of products. We are committed to continuously improving time value. We are constantly evolving our Business MODEL and working to strengthen our business foundation, including production, logistics, and IT, and building the human resources to support these efforts. We will seek out and procure from suppliers in an open, fair, and impartial way, both domestically and internationally. In selecting suppliers, we will make rational decisions based on a comprehensive evaluation of the time value of services provided, including quality, price, and delivery time, as well as organizational and technical capabilities for continuous improvement, and in addition, compliance with laws and regulations, environmental conservation, health and safety, and protection of human rights. We value good communication with our suppliers and will work with them to improve sustainable procurement activities. We may ask for their cooperation in providing "Time Value" and periodic or irregular reporting and audits as appropriate. We may also ask that our suppliers' supply chain endorse our Procurement Guidelines. MISUMI Group Sustainable Procurement Guidelines https://www.misumi.co.jp/assets/doc/csr/news/SP_Guidelines_en.pdf

Respect for Human Rights

MISUMI Group Inc. has established the following basic policy on respect for human rights in its Code of Conduct. Code of Conduct <https://www.misumi.co.jp/english/esg/governance/compliance.html>

- MISUMI Group companies respect the human rights of executives and employees to the maximum extent possible, realizing and cultivating a safe and friendly work environment.
- Executives and employees will take the initiative to cooperate in realizing and cultivating a safe and friendly work environment.
- We will not discriminate against, harass, or violate the human rights of any of our stakeholders, including executives and employees, for any reason, including race, nationality, gender, religion, creed, birth, age, or physical disability.

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.

| | | | |
|---|--------------------------------------|---------------------|-------------------------------------|
| Act on the Protection of Personal Information | Related Regulations / In-house Rules | Rules of Employment | Personal Information Handling Rules |
|---|--------------------------------------|---------------------|-------------------------------------|

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.

| | | | | | |
|--|--|------------------------------|---|---|---------------------------|
| Compliance with laws and company regulations and rules | | Retention of confidentiality | Retention of honor and credibility | Prohibition of unauthorized use of management information, etc. | |
| Prohibition of unjust enrichment, etc. | Prohibition of unauthorized use of equipment and systems, etc. | | Restrictions on the use of company facilities | Restrictions on side jobs | Prohibition of harassment |

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.

MISUMI Group Human Rights Policy

MISUMI Group Inc. has established a Human Rights Policy after deliberations by the Board of Directors. All Officers and employees of the companies in MISUMI Group will act in accordance with this policy, and we will promote understanding and initiatives throughout the entire supply chain, including suppliers.

MISUMI Group Human Rights Policy https://www.misumi.co.jp/assets/img/esg/social/misumi_humanright_en.pdf

Measures to Enhance Human Capital

Growth Chain-reaction Aspired Management: Starting from Employees’ Next Challenges

MISUMI addresses inefficiencies in the Industrial Automation (IA) industry through a time-based strategy, enhancing Customer’s Time Value.

Increasing the Customer’s Time Value in the IA industry leads to accelerated automation and labor-saving, contributing not only to the IA industry but also to the sustainable development of our society. The sustainable development of society creates demand in the industrial sector, bringing new opportunities for MISUMI. This structure, where the IA industry, society, and our demand are interconnected and develop together, is an aspired style of management referred to by our Group as “Growth Chain-reaction”, and we aim for its sustainable realization.

[p.1 “Growth Chain-reaction”](#)

To realize Growth Chain-reaction, MISUMI is committed to the continuous evolution and development of the “MISUMI MODEL,” with a mission to thoroughly pursue reliable, quick delivery and minimize customer inefficiencies. To fulfill our mission of achieving “MISUMI MODEL evolution and development,” we encourage our employees to continuously pursue their next challenge, whether it involves trying to new strategy or taking on a new role. Consistently committing to the improvement of Customer’s Time Value (Your Time, Our Priority) and to the MISUMI MODEL evolution and development, fuels our Group’s Growth Chain-reaction and contributes to the personal growth of employees themselves. The “next challenge of employees,” as defined in MISUMI Value’s, serves as the starting point of our Group’s Growth Chain-reaction and is the cornerstone of “Human Capital Management.”

[MISUMI Value’s \[https://www.misumi.co.jp/sites/default/files/2024-04/misumivalues_en.pdf\]\(https://www.misumi.co.jp/sites/default/files/2024-04/misumivalues_en.pdf\)](https://www.misumi.co.jp/sites/default/files/2024-04/misumivalues_en.pdf)

MISUMI’s Human Capital Management: Best Place To Grow

Constantly asking oneself and those around them, “What’s next?” and actively taking on the next challenge lead to personal growth. This process enhances individual performance (a sense of growth) and motivates further “next challenges” by rewarding to the achievements (anticipation of future growth), forming a cycle that boosts “energized individuals, adding value to, and nurturing individual energy (further energized individuals)”. Simultaneously, we should bind each individual’s “What’s next?” efforts as organization, in order to drive the MISUMI MODEL evolution, enriching Customer’s Time Value. This will lead to increased corporate value and form a virtuous cycle that raises the organization’s added value through strategic alignment.

These two cycles, sparked by the question “What’s next?”, must continuously revolve like dual wheels to drive the growth of our Group’s employees and organization, laying the foundation for a Growth Chain-reaction. This structure embodies our Group’s philosophy of “Human Capital Management,” demonstrating that our Group is rich with challenges and offering the greatest growth potential worldwide for employees—essentially, the “Best Place To Grow.” By globally embedding this cycle, accelerating the growth of both employees and the organization, and consistently being the “Best Place To Grow” for employees, our Group fulfills the mission of innovating the MISUMI MODEL.

Mechanisms to Remain the Best Place To Grow

To ensure that MISUMI remains the “Best Place To Grow” for employees, it’s vital that the growth cycle of individuals and organizations—initiated by the question “What’s next?”—continues to turn consistently all times and places, in tandem with each employee’s challenges and efforts. This growth cycle is strengthened by mechanisms designed to propel employee challenges forward. Our Group enhances employee challenges through these four mechanisms and subsystems:

- ① MISUMI HR Strategy, which accelerates “Individual Challenges and Growth” (energized individuals’ cycle).
- ② MISUMI Management Model, which accelerates “Organizational Challenges and Growth” (strategic alignment cycle).
- ③ MISUMI Talent Development, which directly supports employees’ growth
- ④ MISUMI Organizational Development, which creates an environment for taking on challenges without constraints.

By globally implementing these four mechanisms and subsystems, we ensure that MISUMI remains the “Best Place To Grow” for employees by rapidly and sustainably driving the dual forces of energized individuals and strategic alignment.

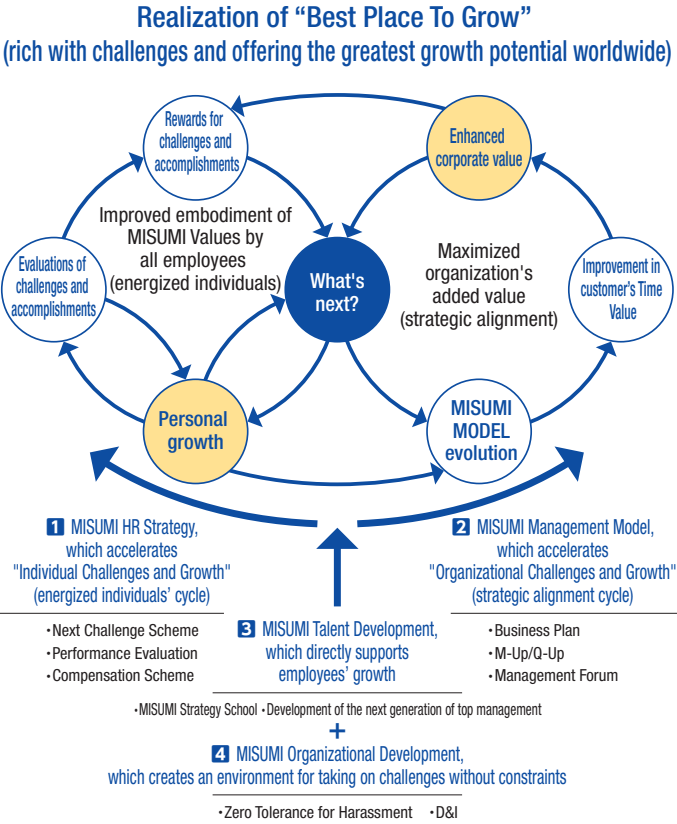
① MISUMI HR Strategy, which accelerates “Individual Challenges and Growth”

To foster the MISUMI MODEL evolution and Customer’s Time Value, our Group has identified the following behavioral competencies that all employees should demonstrate:

- Strong growth orientation
- Strategic thinking
- Strong proactiveness and ownership

Employees who exhibit these competencies by taking on challenges, achieving results, and then progressing to the next challenge are generously rewarded. To ensure that these processes work properly and sustainably, an aligned HR strategy is essential.

Starting in fiscal year 2023, our Group has defined and is implementing the following framework as the unified “HR strategy of the MISUMI Group.”



● Next Challenge Scheme

This is a scheme by which employees actively decide “What’s next?” for their own career paths.

This scheme encompasses the following “Next Challenge (XX Next)” formats:

Do Next: Tackling new, challenging strategic themes under current position

Go Next: Taking new assignment across teams, departments, Business Company, or regions

Up Next: Trying higher position (promotion) autonomously (e.g., from member to leader, leader to director), with the possibility of “skipping-grade promotion”(e.g., from leader to department head)

Be Next*: Proactively raising your hands for ‘rank promotion’ within the same “band”

Senior Next*: A scheme for selecting “next challenges” for employees reaching retirement age

*This system is targeted only in Japan.

Among these, our Company’s unique schemes are “Do Next” and “Go Next.”

Employees can essentially decide whether to reassign or not through voluntary career choices. We believe, however, that “fixating” employees in one workplace for many years and turning it into vested interests hinder growth.

Therefore, in Do Next and Go Next, every year, employees must “reset” their “current position” to a clean slate. Whether they want to continue in their current role or change to new role, they must “apply” to the organization they wish to join to determine their workplace. Organizations are also required to enhance their appeal to gather talent while encouraging their members towards “next challenges”.

In other words, it turns the Company into a “job market”, enabling diverse career choices and organizational formations aimed at continuous next challenges.

Moreover, Go Next allows for challenges across countries and job types.

Additionally, as a metric to gauge “employees’ next challenges,” our Group sets internal mobility as a KPI.

| | |
|--|-----|
| The current mobility rate in Japan (transfer rate through Next Challenge): | 15% |
| Current target value (annual mobility rate): | 20% |

● Performance Evaluation

It comprises two modules: an evaluation of the demonstration of behavioral competencies defined based on MISUMI Value’s and its outcomes.

Behavioral Competency Evaluation: A system designed to assess the behaviors actually demonstrated (competencies defined in MISUMI Value’s) in terms of growth orientation, strategic thinking, proactiveness and ownership, and involvement of others.

Outcome Evaluation: A system for assessing the level of achievement against stretch goals.

The criteria used in the competency evaluation are established globally as the most crucial elements required of “employees working at MISUMI,” regardless of their position or job type.

In the outcome evaluation, by integrating the same degree of stretch set in the “Business Plan” (described later) of each organization into each individual’s goals beforehand, it encourages challenges towards goals that align with the strategy across the entire organization.

● Compensation Scheme

The core principle of remuneration within our Group is to reward individuals who have achieved success-those who have taken on challenges and delivered results- with a total compensation package that is highly competitive in the market.

We structure remuneration to align with this principle, ensuring it is consistent with the practices and legal frameworks of each region. For example, in MISUMI’s Japan region, the employee remuneration structure and operation are as follows:

Base Salary: Basic compensation determined by responsibilities.

P Bonus: A bonus based on individual performance achievement.

B Bonus: A bonus based on the organization’s growth level.

Stock Compensation: Compensation for managerial employees’ medium to long-term contributions.

These MISUMI HR strategy initiatives are initially being implemented in Japan.

In the future, adjustments will be made to tailor these initiatives to the specific circumstances of each country.

② MISUMI Management Model, which accelerates “Organizational Challenges and Growth”

To enhance Customer’s Time Value through the advancement of the MISUMI MODEL, it is essential for the organization to strategically align with and support the individual efforts of its employees.

Our Group, through the management system outlined below, continuously seeks to advance its organizational initiatives, reinforcing strategic alignment and challenges, and fostering growth towards achieving MISUMI MODEL innovation.

● Business Plan

In our Group, all managerial employees are expected to fulfill their managerial responsibilities by independently developing a growth strategy (Business Plan) and leading its implementation. The process of having each organization draft a business plan enables the development and execution of highly effective medium- to long-term business strategies that accurately reflect the markets they engage, encompassing customers, competitors, market conditions, and their own strengths.

Creating a business plan starts with formulating a strategy, and once the strategic direction is approved, numerical targets are established to set a budget, allowing the strategy to be executed within the approved scope. Business plans at the Business Company or Platform level undergo comprehensive review by all Group Executive Officers, who assess the strategy and its validity not only for their own organization but also in terms of collaboration with other organizations.

By thoroughly discussing and approving these plans at the Management level, they receive Company-wide support as part of MISUMI’s overarching strategy, even though they are specific to each organization.

The process of formulating business plans significantly enhances the growth orientation, strategic thinking, and proactiveness of managerial employees by involving them in the drafting process.

This hands-on approach fosters strong commitment and plays a crucial role in the development of executive talent.

● M-Up/Q-Up

We are rigorously implementing efforts towards MISUMI MODEL innovation on a global scale. To confirm, commend, and share progress and significant achievements across the entire Company, we conduct the Company-wide “M-Up (MISUMI-Model Up)” and “Q-Up (Quality-Up)” at production-related organizations annually.

M-Up starts with reviewing MISUMI MODEL evolution efforts and achievements at each organization or across organizations through preliminary rounds in each region.

Themes that advance from the preliminaries compete in block finals, dividing the global MISUMI into five blocks. Themes that win the block finals are presented in the global finals, where awards such as the grand prize are determined.

Q-Up follows a similar process to determine the recipients of the Global Excellence Awards.

By globally sharing various efforts from each region during the block finals and finals, we maximize mutual learning and further accelerate the advancement of the MISUMI MODEL, establishing a crucial platform for our Group’s “MISUMI MODEL innovation.”

● Management Forum

In our Group, we conduct Management Forums throughout the year to facilitate direct dialogue between top management and employees. These forums are designed to foster forming a common awareness to management issues and mutual understanding between management and employees, and a collaboration beyond organizational boundaries, by sharing management topics or status quo of ongoing key strategies through Q&A sessions or discussions,

Management Forums are conducted not only at the company-wide level but also at various tiers, including Business Company/Platform and departmental levels. In our Company, we prioritize Management Forums not only as a platform to enhance communication between leaders and team members but also as an opportunity for employees’ development and organizational growth. To ensure that Forums are actively held across the Company, we have established a Forum Promotion Committee with representatives from each organization, who lead the execution of the Forums.

③ MISUMI Talent Development, which directly supports employees’ growth

To further ensure the challenges and growth of employees and the organization toward MISUMI MODEL innovation, our Group provides a unique talent development platform that is not generally available.

● MISUMI Strategy School

Our top Management, taking on the role of instructor, directly train employees, enhancing the perspectives and strategic thinking skills essential for effective leadership in order to fulfill our mission of achieving MISUMI MODEL evolution. Intensive courses are offered throughout the year, primarily targeted at mid-level and senior employees, encouraging them to deeply reflect on the necessary actions they must take.

These courses require thorough preparation, including assigned readings, reports, and extended lectures over multiple days that incorporate discussions and comprehensive post-class assignments, making them exceptionally rigorous.

By integrating both theory and practice, these courses are highly effective, enabling employees to develop a “common language,” strengthen their strategic thinking, and cultivate a commitment to transformation through their active engagement.

● Development of the Next Generation of Top Management

We identify future executive candidates and develop next-generation talent by having MISUMI unique way of every single Group Executive Officers being mentor for every single candidate, anticipating their eventual integration into the management team.

This process is kept confidential from the candidates; however, their development progress and business execution status are regularly monitored by the Group Executive Officers.

④ MISUMI Organizational Development, which creates an environment for taking on challenges without constraints

Our Company empowers individuals to embrace a wide range of challenges, develop strategies, and execute them independently, regardless of age, nationality, years of experience, or whether they are new graduates or mid-career hires.

As a result, we have cultivated a unique and healthy corporate culture characterized by strong diversity and minimal political influence.

We particularly emphasize two key initiatives to create an environment where employees can confidently pursue their next challenges without constraints.

● Zero Tolerance for Harassment

In 2017, our Company implemented a Zero Tolerance for Harassment declaration within the MISUMI Group. We actively promote initiatives toward this goal by regularly conducting compliance training for employees worldwide, completely overhauling and globally deploying our Corporate and Employee Codes of Conduct and establishing widely publicized internal reporting systems.

As a result, the number of harassment cases has declined in recent years. For instance, in fiscal year 2023, there were very few cases resulting in sanctions due to harassment, with only two cases reported in Japan and one case outside Japan.

However, we recognize that we have not yet achieved Zero Harassment. Therefore, we will further strengthen our education, preventive measures, and response strategies to eradicate harassment. Additionally, to ensure that harassment is neither hidden nor concealed, we will continuously provide information about our internal reporting system and consultation services.

● D&I (Diversity & Inclusion)

Our Company is dedicated to fostering an inclusive environment by strictly prohibiting any form of discrimination based on nationality, gender, age, educational background, or employment status, regardless of whether employees are new graduates or mid-career hires. Recruitment, promotions, and transfers are based solely on individual skills and achievements.

As evidence of this commitment, our Company boasts a notably high percentage of female managers, with 17% in MISUMI Japan and 24% globally — distinctions within the manufacturing industry. Additionally, in MISUMI Japan, 85% of our hires are mid-career professionals, contributing to a highly diverse workforce.

We believe that diverse talent and perspectives drive innovation within the MISUMI MODEL. Therefore, our Company is committed to further enhancing diversity, particularly by increasing the number of locally hired executives in each region and improving the ratio of female managers. We are implementing comprehensive measures globally to achieve these objectives. In the interim, we have set a target to raise the global ratio of female managers to 30%, and we are actively working toward this goal.

| | |
|---|-----|
| Current global percentage of female managers: | 24% |
| Target: | 30% |

Details of the Group’s sustainability initiatives are available on our website.

<https://www.misumi.co.jp/english/esg>

Manufacturing Support Activities

MISUMI Group is engaged in various manufacturing support activities, including support for students who will lead the next generation of manufacturing.

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.

At the tournament, the MISUMI Awards are presented to the robots that impress the audience with their excellent design and dynamic movements.

On September 23-24, 2023, “MISUMI Presents the 42nd ROBO-ONE” was held with an audience for the first time in three years, and in addition to the visitors, more than 420,000 viewers*2 watched the tournament on the live streaming service “Twitch*1”.

*1 A live streaming platform provided by Amazon.com

*2 Number of live stream viewers (total for the two days from September 23 to 24, 2023, based on MISUMI’s research)



ROBO-ONE special website:
<https://www.misumi.co.jp/robo-one/>
(only available in Japanese)

42nd ROBO-ONE MISUMI Award Winners

Shibatank Jr. Koshi Shibata

Neutrino—Peace Hida-Kamioka High School Robotics Club
Nao Kurazumi and Satone Nakashima

Taiwan No.1 Tsai, Sheng-En

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.

● Introducing Some of the Supported Groups in FY2023

MISUMI Student Manufacturing Support (FY2023: 110 groups in total)

Team name: Tokyo University of Technology, Light and Energy Laboratory (Ohkubo Lab)

Comment from a student: We are working towards the practical application of “solar-pumped lasers,” which create laser beams using only sunlight, and no electricity. MISUMI Student Manufacturing Support provided support mainly in the form of tools for machining the cavities that collect and compress light.

“MISUMI Student Manufacturing Support” special website:
<https://www.misumi.co.jp/st-project/> (only available in Japanese)





Corporate Governance

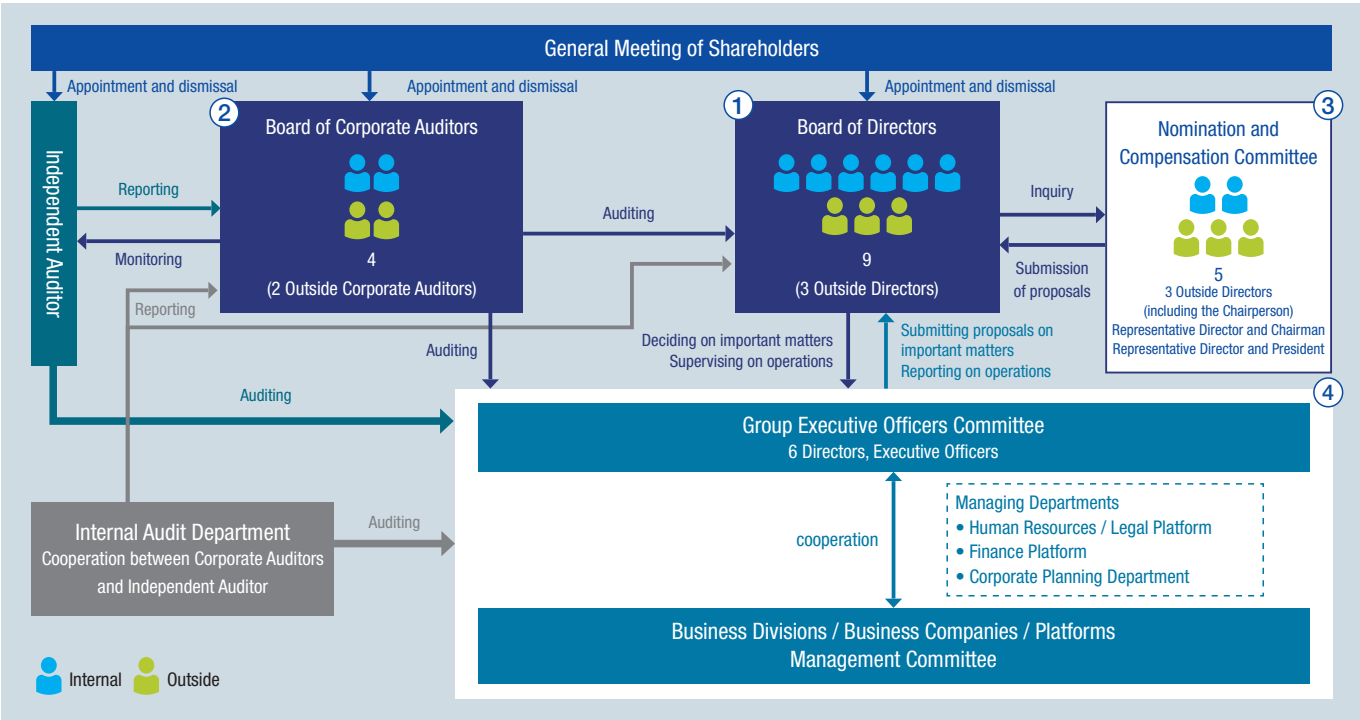
MISUMI Group enacted and disclosed the MISUMI Group Corporate Governance Basic Policy with the aim of contributing to the Group's continuous growth and medium- to long-term enhancement of its corporate value.

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] | 4 [2] |
| Number of Directors [of which, Outside Directors] | 9 [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) Long-term incentive compensation (restricted stock) |

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 nine 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 | ○ | ○ | ○ | ○ | ○ | | | |
| Arata Shimizu | Director | ○ | ○ | | ○ | ○ | | | |
| Tomoki Kanatani | Director | | ○ | ○ | ○ | ○ | | | |
| Shigetaka Shimizu | Director | | ○ | ○ | ○ | ○ | | | |
| Shaochun Xu | Director | | | ○ | | | ○ | ○ | ○ |
| Yoichi Nakano | Outside Director | ○ | | ○ | | | ○ | ○ | |
| Tomoharu Suseki | Outside Director | ○ | | ○ | | ○ | | | ○ |
| Keiko Yano | Outside Director | ○ | ○ | ○ | | | ○ | | ○ |
| Ichiro Otokozawa | Corporate Auditor | ○ | | ○ | | | | ○ | ○ |
| Takaaki Wada | Corporate Auditor | | | ○ | | ○ | ○ | | |
| Juichi Nozue | Outside Corporate Auditor | | | ○ | | | | | ○ |
| Nanako Aono | Outside Corporate Auditor | ○ | | | | | | ○ | |

*Male: 10 persons, female: 3 persons; Japanese national: 12 persons, foreign national: 1 person

② Board of Corporate Auditors

The Board of Corporate Auditors comprises four 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 | Outside Director | Yoichi Nakano(Chairperson) | Outside Director | Tomoharu Suseki |
| | Representative Director and Chairman | Kosuke Nishimoto | Outside Director | Keiko Yano |
| | Representative Director and President | Ryusei Ono | | |

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

The Group Executive Officers' Committee is composed of six 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 nine Directors, three of whom are Outside Directors, and of the four 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 FY2023 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.

(As of June 13, 2024)

| Outside Director | Reason for Appointment | Number of Board of Directors' Meetings Attended in the Fiscal Year Ended March 2024 |
|------------------|---|---|
| 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 |
| 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 | 14 out of 14 |
| Keiko Yano | Has served in various capacities in the cars and automotive components industry as an executive in several global companies, including a joint venture formed by a Japanese company and an American company, and has ample experience and broad knowledge | — |

| Outside Corporate Auditor | Reason for Appointment | Number of Board of Directors' Meetings Attended in the Fiscal Year Ended March 2024 | Number of Board of Corporate Auditors Meetings Attended in the Fiscal Year Ended March 2024 |
|---------------------------|--|---|---|
| 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 | 24 out of 24 |
| 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 | 24 out of 24 |

Assessing the Effectiveness of the Board of Directors

Evaluation Process (year ended March 31, 2024)

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, 2024)

The Board of Directors of the Company has assessed that the effectiveness has been sufficiently ensured, as follows:

- Sufficient time has been devoted to the discussion of proposals submitted to the Board of Directors, with serious and vigorous discussions among those present, and appropriate decisions have been made and oversight has been properly exercised with respect to executive matters.
- Outside Directors and Outside Corporate Auditors are 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.
- The function and management method of the Company's Board of Directors are continuously innovated to enhance their effectiveness. This leads to the enrichment of active deliberation of the Board of Directors, the strengthening of supervision and the guidance of execution.
- There are three independent Outside Directors, which meets the Prime Market requirement for more than one-third of directors to be independent Outside Directors.
- At the Annual General Meeting of Shareholders in June 2024, a female Outside Director was appointed, further improving the diversity of the Board of the Directors.
- The Nomination and Compensation Committee has been established as an advisory body, which deliberates and submits proposals to the Board of Directors on evaluation/compensation matters and on the election/dismissal of members of Directors, including the Representative Directors. It also discusses and implements succession planning for the Representative Directors.

Going forward, we will continue to discuss the roles, functions, operations and meeting agenda of the Board of Directors, so that the Board has a good view of future business growth and response to globalization efforts. We will also engage in ongoing dialogue with our stakeholders, including shareholders and investors, and consider the number, composition, diversity and balance of knowledge, experience and skills of the Directors and Outside Directors.

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 | • 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 | • 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 | • 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

In November 2022, the MISUMI Group revised the existing “Code of Conduct” and implemented a new “Corporate Code of Conduct” and “Employee Code of Conduct.” The new Code of Conducts stipulates actions based on the “Aspiration,” “Value Provided,” and “Mission” that realize MISUMI's growth chain management, and actions based on global social demands such as the principles of the United Nations Global Compact. In addition, among them, the actions that should be taken as a company are summarized in the “Corporate Code of Conduct,” and the actions that each officer and employee should take are summarized in the “Employee Code of Conduct.”

We will create a handbook and conduct education and training in order to spread this within the company.

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

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>

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
<https://www.misumi.co.jp/english/esg/governance/whistleblower.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.

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

The Board of Corporate Auditors reviews the administration of the Internal Control System every year.

The Internal Audit Department sets approximately ten sites or organizations for the audit target every year and conducts an 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 violations 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

(As of June 13, 2024)

Directors



Kosuke Nishimoto
Representative Director and Chairman



Ryusei Ono
Representative Director and President



Arata Shimizu
Senior Executive Director



Tomoki Kanatani
Executive Director



Shigetaka Shimizu
Executive Director



Shaochun Xu
Director



Yoichi Nakano
Lead Outside Director



Tomoharu Suseki
Outside Director



Keiko Yano
Outside Director

Chairman Emeritus



Tadashi Saegusa
Second-Era Founder

Executive Officers

Kosuke Nishimoto
Representative Director and Chairman

Ryusei Ono
Representative Director and President

Arata Shimizu
Senior Executive Director and CIO Representative Corporate Officer,
Digital Transformation System Platform and Representative Corporate Officer,
SCM Operation Platform

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

Shigetaka Shimizu
Executive Director and President, Japan Business Company

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

Mitsunobu Yoshida
Senior Corporate Officer and
President, ID* Business Company

Toru Arakawa
Senior Corporate Officer and President, China Business Company

Ryuji Ohora
Senior Corporate Officer and President, Americas Business Company

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

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

Corporate Officers

Hideka Shoji
Vice President, Japan Business Company

Koichi Kawakami
Vice President, Japan Business Company and Chief Executive in charge of ME
Business *ME=Machinery Electronics

Nobumasa Watanabe
President, OST Business Company

Takashi Baba
President, Factory-MRO Business Company

Noriaki Murata
President, Europe Business Company

Takumi Toya
Representative Corporate Officer, Production Platform

Masatake Sumi
Chief of Headquarters EC Service Development Office

Yusuke Kido
Chief of Headquarters DJ System Promotion Office

Corporate Auditors

Ichiro Otokozawa
Corporate Auditor

Takaaki Wada
Corporate Auditor

Juichi Nozue
Outside Corporate Auditor

Nanako Aono
Outside Corporate Auditor

Founders

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, 2015 – 2024

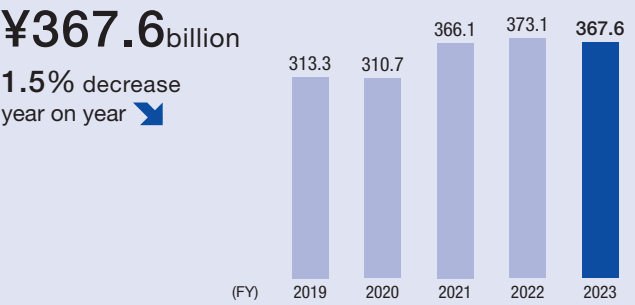
(Million yen)

| Year ended March 31: | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|-----------|---------|---------|---------|----------|---------|---------|---------------------|---------------------|---------------------|----------|
| Net sales | | 208,562 | 240,139 | 259,015 | 312,969 | 331,936 | 313,337 | 310,719 | 366,160 | 373,151 | 367,649 |
| FA Business | | 99,094 | 109,653 | 84,669 | 105,184 | 109,230 | 99,403 | 102,244 | 119,253 | 121,932 | 118,219 |
| Die Components Business | | 64,737 | 69,732 | 69,797 | 76,523 | 76,443 | 72,413 | 66,871 | 75,108 | 79,125 | 79,932 |
| VONA Business | | 48,248 | 60,474 | 104,548 | 131,262 | 146,262 | 141,519 | 141,602 | 171,799 | 172,093 | 169,497 |
| Adjustments | | (3,517) | 279 | — | — | — | — | — | — | — | — |
| Operating income | | 23,759 | 25,690 | 27,127 | 34,848 | 31,874 | 23,640 | 27,199 | 52,210 | 46,615 | 38,365 |
| Income before income taxes (and minority interests) | | 22,942 | 25,003 | 26,071 | 34,516 | 31,815 | 22,781 | 23,496 | 51,131 | 46,533 | 39,219 |
| Net income attributable to owners of parent | | 14,291 | 16,907 | 18,387 | 25,601 | 24,034 | 16,504 | 17,138 | 37,557 | 34,282 | 28,152 |
| As of March 31: | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Total assets ⁴ | | 184,784 | 194,186 | 212,041 | 243,492 | 252,393 | 264,684 | 288,921 | 347,390 | 378,458 | 413,517 |
| Total equity | | 132,138 | 141,462 | 154,530 | 185,203 | 203,520 | 209,514 | 231,147 | 277,225 | 311,286 | 344,515 |
| CAPEX, depreciation and amortization as of and for the years ended March 31: | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Capital expenditures (CAPEX) | | 8,487 | 9,126 | 7,219 | 15,421 | 21,414 | 18,018 | 14,016 | 16,508 | 13,625 | 17,976 |
| Depreciation and amortization | | 7,024 | 7,821 | 7,439 | 8,105 | 8,758 | 11,339 | 13,101 ⁵ | 13,589 ⁵ | 14,712 ⁵ | 15,747 |
| Capital expenditures (CAPEX) Depreciation and amortization | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Return on equity ² | (%) | 11.5 | 12.4 | 12.4 | 15.1 | 12.4 | 8.0 | 7.8 | 14.8 | 11.7 | 8.6 |
| Return on assets ² | (%) | 13.2 | 13.2 | 12.8 | 15.2 | 12.8 | 8.8 | 8.5 | 16.1 | 12.8 | 9.9 |
| Current ratio | (%) | 429.2 | 445.8 | 430.3 | 362.1 | 444.4 | 434.6 | 478.9 | 483.0 | 577.5 | 627.7 |
| Interest coverage ratio ³ | (times) | 1,470.3 | 5,179.8 | 4,972.6 | 21,868.1 | 8,853.9 | 360.1 | 541.8 | 623.9 | 270.4 | 371.0 |
| Per share data as of and for the years ended March 31: | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Earnings per share ¹ | (yen) | 52.28 | 61.65 | 66.94 | 91.01 | 84.80 | 58.18 | 60.36 | 132.15 | 120.53 | 99.75 |
| Cash dividends per share ¹ | (yen) | 13.05 | 15.42 | 16.71 | 22.60 | 21.20 | 14.55 | 15.09 | 33.04 | 30.14 | 27.47 |
| Equity per share ¹ | (yen) | 482.17 | 515.39 | 560.79 | 653.71 | 717.56 | 737.99 | 813.57 | 975.04 | 1,093.98 | 1,222.38 |
| Cash flow per share ¹ | (yen) | 41.26 | 60.89 | 70.80 | 85.86 | 46.00 | 99.40 | 128.44 | 194.82 | 110.52 | 193.61 |
| Stock valuations as of and for the years ended March 31: | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Price/Earnings ratio (PER) | (times) | 30.9 | 26.1 | 30.1 | 32.1 | 32.5 | 40.5 | 53.3 | 27.7 | 27.4 | 20.7 |
| Price/Cash flow ratio (PCFR) | (times) | 39.2 | 26.5 | 28.4 | 34.0 | 59.8 | 23.7 | 25.0 | 18.8 | 29.9 | 10.7 |
| Price/Book value ratio (PBR) | (times) | 3.4 | 3.1 | 3.6 | 4.5 | 3.8 | 3.2 | 4.0 | 3.8 | 3.0 | 1.7 |
| Number of customers (companies) for the years ended March 31: | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| In Japan (machine-related only) | | 66,230 | 79,571 | 90,223 | 100,598 | 116,238 | 126,975 | 142,144 | 129,801 | 115,934 | 108,663 |
| Overseas | | 108,849 | 133,053 | 152,374 | 161,400 | 185,120 | 191,201 | 196,188 | 205,006 | 204,442 | 209,434 |
| Total number of customer companies | | 175,079 | 212,624 | 242,597 | 261,998 | 301,358 | 318,176 | 338,332 | 334,807 | 320,376 | 318,097 |
| Number of employees as of March 31: | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Number of employees | (persons) | 8,876 | 9,628 | 10,167 | 11,241 | 12,300 | 12,138 | 11,682 | 11,842 | 11,804 | 11,039 |

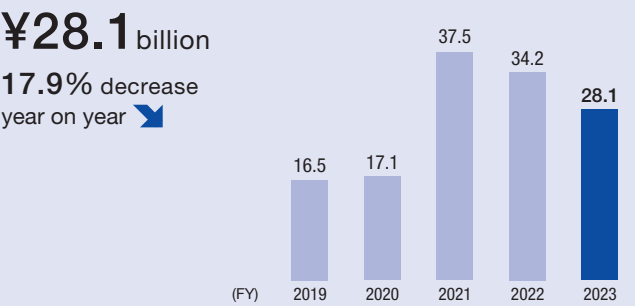
Notes: Amounts are rounded down to the nearest million yen.
*1 After adjustment for stock split effective July 1, 2015.
*2 ROE was calculated based on of net income attributable to owners of parent for the relevant period, and ROA was calculated on the basis of income before income taxes (and minority interests) for the relevant period.
*3 Interest coverage ratio = Net cash provided by operating activities ÷ Interest payment
*4 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.
*5 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, 2024 was ¥1,823 million.

* ID=Industrial Digital Manufacturing

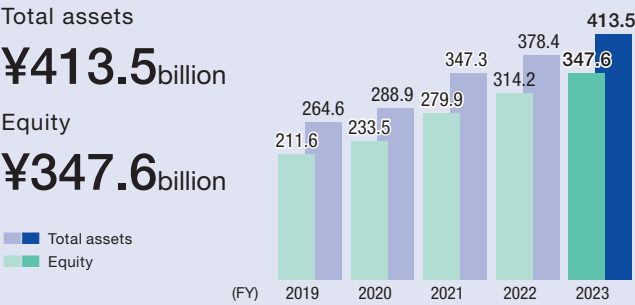
Net Sales (Billion yen)



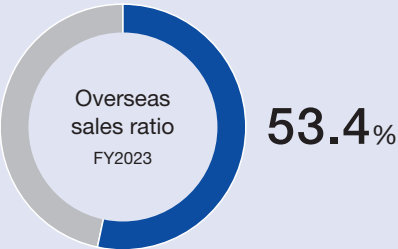
Net Income Attributable to Owners of Parent (Billion yen)



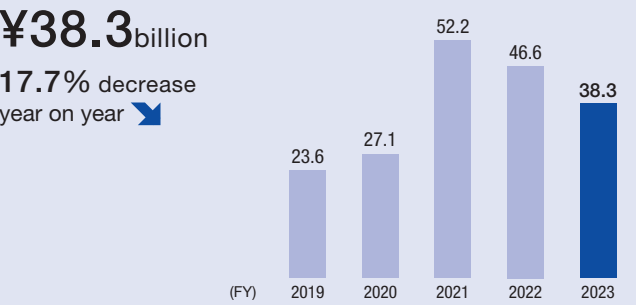
Total Assets and Equity (Billion yen)



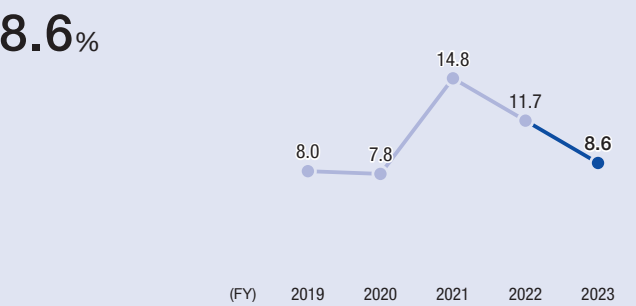
Overseas Sales



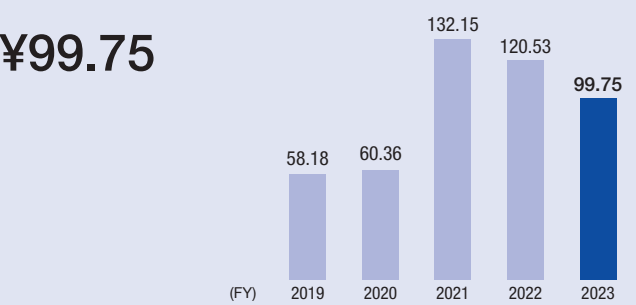
Operating Income (Billion yen)



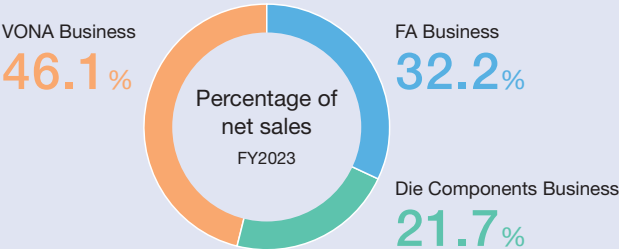
Return on Equity (ROE) (%)



Earnings per Share (Yen)



Net Sales by Segment



Business and Other Risks

Material risks that we recognize as having the potential to significantly impact the financial situation, business results, and cash flows 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 FY2023.

Sustainability issues

Companies are required to contribute to the sustainable development of society through their business activities. This includes efforts to address climate change by curbing greenhouse gas emissions and efforts to address human rights issues with initiatives that respect the basic human rights, individuality, and diversity of individuals. These efforts require cooperation not only within our Group but throughout the value chain, including suppliers.

Regarding climate change, the Group has declared its support for the TCFD recommendations and participation in the TCFD Consortium. In addition to identifying the risks and opportunities presented by climate change scenarios and evaluating their business impact, it promotes a wide range of energy conservation activities. Regarding human rights issues, the Group has established the MISUMI Group Human Rights Policy and, in addition to ensuring awareness among all employees, it strives to obtain the understanding and support of suppliers and others for this policy. The Group has also established the Sustainable Procurement Guidelines as a supply chain management initiative, and it endeavors to encourage consensus with major suppliers. The Group conducts a fact-finding survey on the promotion of environmental activities, respect for human rights, health and safety, etc., and the status of the management system. With regard to environmental activities, the Group works to promote sustainable procurement activities through cooperation, such as by sharing energy usage data and calculating reduction targets to reduce greenhouse gas emissions, and plans to further expand these activities going forward.

However, if these risk responses are not appropriate, public trust in MISUMI Group may deteriorate, affecting its business performance and financial position.

Impact of market trends in specific industries on earnings

In its FA and Die Components Businesses, our 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.

Our 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 Group.

Expansion of overseas business operations

Our 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. In the current consolidated fiscal year, we are facing increased instability in overseas business due to ongoing tensions between the U.S. and China, geopolitical and security uncertainties such as the situations in Ukraine and Palestine, as well as structural changes in the post-COVID market and the development of regional blocs in the global supply chain.

Our Group continues to monitor political and economic conditions in the jurisdictions of each regional business unit and globally tracks and responds appropriately to changes in the legal systems that affect our operations. However, if there are sudden changes in these circumstances, it could affect the performance and financial condition of our Group.

Procurement of products and raw materials

MISUMI Group procures many goods and raw materials from domestic and overseas suppliers. However, rising procurement prices due to tight supply and demand as well as potential disruptions in the supply chain could lead to procurement difficulties. As a result, there may be a deterioration in profitability due to rising purchase prices and a decrease in product sales to customers.

Our Group is working to strengthen the business foundations of IT, production, and logistics and to reinforce our supply chain. However, changes in circumstances that exceed expectations could potentially affect the Group's 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.

Our 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), our 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. Our Group's production sites are dispersed around the world, ensuring that some production systems will continue to function during disasters. 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.

Information security

Our 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, our 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 significant 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

Our Group engages in transactions using different currencies and terms. Transactions primarily in foreign currencies, as well as balances of receivables and payables denominated in foreign currencies, are susceptible to foreign exchange fluctuations. To mitigate these risks to a certain extent, we use forward exchange contracts. However, it is impossible to avoid the effects of foreign exchange fluctuations, and unforeseen volatility could impact our Group's performance and financial standing.

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 are unable to hire and train personnel as planned, our business operations may be restricted, affecting our Group's business performance and financial position.

Consolidated Balance Sheet

MISUMI Group Inc. and Consolidated Subsidiaries
March 31, 2024

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|----------|--|
| | 2024 | 2023 | 2024 |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents (Note 15) | ¥133,377 | ¥106,641 | \$ 880,899 |
| Time deposits (Note 15) | 15,471 | 12,917 | 102,180 |
| Receivables: | | | |
| Trade notes (Note 15) | 13,126 | 16,490 | 86,695 |
| Trade accounts (Note 15) | 62,743 | 59,870 | 414,391 |
| Other | 1,054 | 1,061 | 6,959 |
| Allowance for doubtful receivables | (302) | (437) | (1,997) |
| Inventories (Notes 3 and 4) | 78,378 | 77,391 | 517,658 |
| Other | 9,534 | 8,690 | 62,967 |
| Total current assets | 313,381 | 282,623 | 2,069,752 |
| | | | |
| PROPERTY, PLANT AND EQUIPMENT (Note 21): | | | |
| Land | 3,880 | 3,899 | 25,627 |
| Buildings and structures | 29,057 | 29,186 | 191,911 |
| Machinery and vehicles | 49,627 | 43,506 | 327,764 |
| Right-of-use assets | 9,439 | 9,256 | 62,340 |
| Other | 18,905 | 14,474 | 124,859 |
| Total | 110,908 | 100,321 | 732,501 |
| Accumulated depreciation and impairment loss | (59,866) | (51,916) | (395,388) |
| Net property, plant and equipment | 51,042 | 48,405 | 337,113 |
| | | | |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities (Note 15) | 6 | 6 | 41 |
| Investments in unconsolidated subsidiaries and associated companies | 197 | 203 | 1,300 |
| Software | 29,710 | 28,125 | 196,221 |
| Deferred tax assets (Note 11) | 7,680 | 6,892 | 50,723 |
| Other assets | 11,501 | 12,204 | 75,959 |
| Total investments and other assets | 49,094 | 47,430 | 324,244 |
| TOTAL | ¥413,517 | ¥378,458 | \$2,731,109 |

See notes to consolidated financial statements.

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|----------|--|
| | 2024 | 2023 | 2024 |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Payables: | | | |
| Trade notes and accounts (Note 15) | ¥ 20,984 | ¥ 22,435 | \$ 138,593 |
| Accounts payable—other | 9,583 | 8,909 | 63,292 |
| Lease obligations (Note 6) | 1,785 | 2,164 | 11,786 |
| Income taxes payable (Note 11) | 5,791 | 4,277 | 38,248 |
| Provision for bonuses (Note 2.o) | 3,153 | 3,236 | 20,825 |
| Provision for office relocation expenses (Note 2.p) | | 609 | |
| Other | 8,633 | 7,312 | 57,018 |
| Total current liabilities | 49,929 | 48,942 | 329,762 |
| | | | |
| LONG-TERM LIABILITIES: | | | |
| Lease obligations (Note 6) | 5,034 | 5,521 | 33,250 |
| Liability for retirement benefits (Note 7) | 7,437 | 7,026 | 49,116 |
| Deferred tax liabilities (Note 11) | 649 | 799 | 4,286 |
| Provision for loss on business liquidation (Note 2.q) | 1,139 | | 7,522 |
| Other | 1,650 | 1,946 | 10,895 |
| Total long-term liabilities | 15,909 | 15,292 | 105,069 |
| | | | |
| COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14 and 16) | | | |
| | | | |
| EQUITY (Notes 8, 9 and 18): | | | |
| Common stock—authorized, 1,020,000,000 shares in 2024 and 1,020,000,000 shares in 2023 issued, 284,847,897 shares in 2024 and 284,675,397 shares in 2023 | 14,146 | 13,937 | 93,431 |
| Capital surplus | 24,304 | 24,292 | 160,517 |
| Stock acquisition rights | 2,087 | 1,989 | 13,788 |
| Retained earnings | 266,651 | 245,558 | 1,761,119 |
| Treasury stock—at cost, 3,008,099 shares in 2024 and 130,070 shares in 2023 | (9,159) | (80) | (60,492) |
| Accumulated other comprehensive income: | | | |
| Foreign currency translation adjustments | 48,477 | 27,508 | 320,168 |
| Defined retirement benefit plans | 97 | 72 | 638 |
| Non-controlling interests | 1,076 | 948 | 7,109 |
| Total equity | 347,679 | 314,224 | 2,296,278 |
| TOTAL | ¥413,517 | ¥378,458 | \$2,731,109 |

Consolidated Statement of Income

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2024

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|----------|----------|--|
| | 2024 | 2023 | 2022 | 2024 |
| NET SALES (Notes 20 and 21) | ¥367,650 | ¥373,152 | ¥366,160 | \$2,428,173 |
| COST OF SALES..... | 200,273 | 202,073 | 199,296 | 1,322,717 |
| Gross profit | 167,377 | 171,079 | 166,864 | 1,105,456 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)..... | 129,011 | 124,464 | 114,653 | 852,068 |
| Operating income (Note 21) | 38,366 | 46,615 | 52,211 | 253,388 |
| OTHER INCOME (EXPENSES): | | | | |
| Interest and dividend income | 3,413 | 1,358 | 532 | 22,539 |
| Interest expense | (147) | (161) | (99) | (971) |
| Exchange loss—net | (620) | (557) | (450) | (4,094) |
| Gain on sale of non-current assets | | | 57 | |
| Loss on retirement of non-current assets | (313) | (107) | (67) | (2,066) |
| Impairment loss (Notes 5 and 21)..... | (148) | (44) | (642) | (978) |
| Loss related to COVID-19 | | (91) | (784) | |
| Office relocation expenses | | (1,171) | | |
| Loss on liquidation of business (Note 2.q and 5) | (1,898) | | | (12,532) |
| Other—net..... | 567 | 691 | 373 | 3,745 |
| Other expenses—net | 854 | (82) | (1,080) | 5,643 |
| INCOME BEFORE INCOME TAXES | 39,220 | 46,533 | 51,131 | 259,031 |
| INCOME TAXES (Note 11): | | | | |
| Current | 11,853 | 12,510 | 13,975 | 78,284 |
| Deferred..... | (888) | (384) | (466) | (5,865) |
| Total income taxes | 10,965 | 12,126 | 13,509 | 72,419 |
| NET INCOME..... | 28,255 | 34,407 | 37,622 | 186,612 |
| NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS..... | 103 | 124 | 65 | 679 |
| NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT ... | ¥ 28,152 | ¥ 34,283 | ¥ 37,557 | \$ 185,933 |

| PER SHARE OF COMMON STOCK (Notes 2.x, 8 and 18): | Yen | | | U.S. Dollars (Note 1) |
|--|--------|---------|---------|--------------------------|
| | 2024 | 2023 | 2022 | 2024 |
| Net income | ¥99.75 | ¥120.53 | ¥132.15 | \$0.66 |
| Diluted net income | 99.48 | 120.18 | 131.72 | 0.66 |
| Cash dividends applicable to the year | 27.47 | 30.14 | 33.04 | 0.18 |

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2024

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|---------|---------|--|
| | 2024 | 2023 | 2022 | 2024 |
| NET INCOME..... | ¥28,255 | ¥34,407 | ¥37,622 | \$186,612 |
| OTHER COMPREHENSIVE INCOME (LOSS) (Note 17): | | | | |
| Deferred gain (loss) on hedges | | (37) | 37 | |
| Foreign currency translation adjustments | 20,866 | 8,361 | 15,706 | 137,813 |
| Defined retirement benefit plans | 25 | 72 | 154 | 163 |
| Share of other comprehensive income in associates | 4 | 8 | 9 | 28 |
| Total other comprehensive income..... | 20,895 | 8,404 | 15,906 | 138,004 |
| COMPREHENSIVE INCOME (Note 17) | ¥49,150 | ¥42,811 | ¥53,528 | \$324,616 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17): | | | | |
| Owners of the parent | ¥49,145 | ¥42,763 | ¥53,439 | \$324,584 |
| Non-controlling interests | 5 | 48 | 89 | 32 |

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2024

| | Thousands | Millions of Yen | | | | | | | | | |
|---|---|-----------------|--------------------|--------------------------------|----------------------------------|----------------------|-------------------|---|---|--|--------------|
| | Number of Shares of Common Stock Outstanding | 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 | 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 8) | | | | | | (7,817) | | | | | (7,817) |
| Increase in treasury stock (136 shares) | | | | | | | (0) | | | | (0) |
| Disposal of treasury stock | | | | | | | | | | | |
| Issuance of new shares (Note 9) | 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 8) | | | | | | (9,245) | | | | | (9,245) |
| Increase in treasury stock (174 shares) | | | | | | | (1) | | | | (1) |
| Disposal of treasury stock | | | | | | | | | | | |
| Issuance of new shares (Note 9) | 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 |
| Net income attributable to owners of parent... | | | | | | 28,152 | | | | | 28,152 |
| Cash dividends, ¥24.94 per share (Note 8) | | | | | | (7,059) | | | | | (7,059) |
| Increase in treasury stock (3,180,529 shares) ... | | | | | | | (10,000) | | | | (10,000) |
| Disposal of treasury stock (302,500 shares) ... | | | (198) | | | | 921 | | | | 723 |
| Issuance of new shares (Note 9) | 173 | 209 | 210 | | | | | | | | 419 |
| Net change in the year | | | | 98 | 128 | | | | 20,969 | 25 | 21,220 |
| BALANCE, MARCH 31, 2024..... | 284,848 | ¥14,146 | ¥24,304 | ¥2,087 | ¥1,076 | ¥266,651 | ¥ (9,159) | | ¥48,477 | ¥ 97 | ¥347,679 |

| | 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, 2023 | \$92,047 | \$160,440 | \$13,139 | \$6,262 | \$1,621,806 | \$ (528) | | \$181,680 | \$475 | \$2,075,321 |
| Net income attributable to owners of parent... | | | | | 185,933 | | | | | 185,933 |
| Cash dividends, \$0.16 per share (Note 8) | | | | | (46,620) | | | | | (46,620) |
| Increase in treasury stock (3,180,529 shares) ... | | | | | | (66,048) | | | | (66,048) |
| Disposal of treasury stock (302,500 shares) ... | | (1,307) | | | | 6,084 | | | | 4,777 |
| Issuance of new shares (Note 9) | 1,384 | 1,384 | | | | | | | | 2,768 |
| Net change in the year | | | 649 | 847 | | | | 138,488 | 163 | 140,147 |
| BALANCE, MARCH 31, 2024..... | \$93,431 | \$160,517 | \$13,788 | \$7,109 | \$1,761,119 | \$(60,492) | | \$320,168 | \$638 | \$2,296,278 |

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2024

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|----------|----------|--|
| | 2024 | 2023 | 2022 | 2024 |
| OPERATING ACTIVITIES: | | | | |
| Income before income taxes | ¥ 39,220 | ¥ 46,533 | ¥ 51,131 | \$259,031 |
| Adjustments for: | | | | |
| Income taxes paid | (11,565) | (17,587) | (10,316) | (76,380) |
| Depreciation and amortization | 17,565 | 16,587 | 15,341 | 116,009 |
| Share-based compensation expenses..... | 777 | 596 | 589 | 5,132 |
| Exchange (gain) loss..... | 46 | (115) | 47 | 303 |
| Impairment loss..... | 148 | 44 | 642 | 978 |
| Office relocation expenses..... | | 1,171 | | |
| Loss on liquidation of business | 1,898 | | | 12,532 |
| Loss on retirement of non-current assets..... | 313 | 107 | 67 | 2,066 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in receivables | 4,288 | 1,307 | (512) | 28,322 |
| (Increase) decrease in inventories..... | 3,638 | (13,693) | (2,857) | 24,026 |
| Increase (decrease) in payables | (1,866) | 620 | 1,029 | (12,325) |
| Increase (decrease) in other current liabilities..... | (27) | (958) | 99 | (176) |
| Other—net | 133 | (3,164) | 131 | 881 |
| Total adjustments | 15,348 | (15,085) | 4,260 | 101,368 |
| Net cash provided by operating activities | 54,568 | 31,448 | 55,391 | 360,399 |
| INVESTING ACTIVITIES: | | | | |
| Purchase of fixed assets | (17,976) | (13,626) | (16,508) | (118,727) |
| Proceeds from sales of fixed assets | 8 | 107 | 220 | 55 |
| Refund from time deposits | 16,909 | 14,230 | 7,103 | 111,679 |
| Payment into time deposits..... | (18,393) | (19,647) | (13,463) | (121,477) |
| Other—net..... | 457 | (97) | (114) | 3,015 |
| Net cash used in investing activities | (18,995) | (19,033) | (22,762) | (125,455) |
| FINANCING ACTIVITIES: | | | | |
| Proceeds from issuance of stock | 0 | 0 | 17 | 1 |
| Purchase of treasury stock..... | (10,095) | (1) | (1) | (66,677) |
| Proceeds from share issuance to non-controlling shareholders ... | | 34 | | |
| Repayments of lease obligations..... | (1,804) | (1,958) | (1,808) | (11,915) |
| Dividends paid | (7,059) | (9,245) | (7,817) | (46,620) |
| Other—net..... | (11) | | | (71) |
| Net cash used in financing activities | (18,969) | (11,170) | (9,609) | (125,282) |
| FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS | 10,132 | 3,953 | 6,459 | 66,920 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS..... | 26,736 | 5,198 | 29,479 | 176,582 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 106,641 | 101,443 | 71,964 | 704,317 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | ¥133,377 | ¥106,641 | ¥101,443 | \$880,899 |

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 2022 and 2023 consolidated financial statements to conform them to the classifications used in 2024. 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 ¥151.41 to \$1, the rate of exchange at March 31, 2024. 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, 2024 include the accounts of the Company and its 51 (51 as of March 31, 2023) 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 2024 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. Provision for Loss on Business Liquidation — This provision is made at the estimated amount of losses to provide for losses associated with the cancellation of factory construction.

r. 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.

s. Restricted Stock Compensation Plan — The Company has a Restricted Stock Compensation Plan in which the compensation and other consideration paid to Directors (excluding Outside Directors) of the Company and employees of the Group is charged to income mainly over their service period.

t. 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.

u. 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.

v. 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.

w. 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.

x. 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, 2024 was ¥64,269 million (\$424,471 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. INVENTORIES

Inventories at March 31, 2024 and 2023 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------|-----------------|---------|------------------------------|
| | 2024 | 2023 | 2024 |
| Merchandise..... | ¥58,629 | ¥57,134 | \$387,222 |
| Finished goods..... | 5,640 | 5,617 | 37,249 |
| Materials..... | 7,387 | 7,602 | 48,791 |
| Supplies | 2,559 | 2,580 | 16,901 |
| Work in process | 4,163 | 4,458 | 27,495 |
| Total | ¥78,378 | ¥77,391 | \$517,658 |

The balance of inventories at the end of the fiscal year is the amount after write down on the basis of any decreased profitability. The devaluation of inventories is included in cost of sales as follows.

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------|------------------------------|
| | 2024 | 2023 | 2024 |
| Cost of sales (devaluation of inventories)..... | ¥ 3,641 | ¥ 1,599 | \$ 24,050 |

5. IMPAIRMENT

The Group, in principle, groups its assets based on the business department. For the fiscal year ended March 31, 2024, the Group recognized impairment losses of ¥148 million (\$978 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 ¥148 million (\$978 thousand) for land, buildings and software, etc. In addition, the Group recognized a loss on liquidation of business of ¥797 million (\$5,263 thousand) for the idle assets located in Foshan City, China. This is associated with a decision to cancel the construction of a factory for SURUGA SEIKI (FOSHAN) CO., LTD., a subsidiary that belongs to the Group's FA Business segment. The loss of ¥797 million (\$5,263 thousand) was recorded mainly for leasehold interests in land and construction in progress.

For the fiscal year ended March 31, 2023, the Group recognized impairment losses of ¥44 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 ¥44 million 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.

Recoverable amount is measured mainly by value in use. The recoverable value of idle assets that are not expected to be sold or used in the future are valued at zero.

6. LONG-TERM DEBT

Lease obligations at March 31, 2024 and 2023 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|--------|------------------------------|
| | 2024 | 2023 | 2024 |
| Long-term lease obligations (repayment terms vary from 2025 through 2034, at the weighted-average annual percentage interest rate of 2.0%)..... | ¥5,572 | ¥6,682 | \$36,800 |
| Total | 5,572 | 6,682 | 36,800 |
| Less current portion..... | 1,654 | 1,973 | 10,921 |
| Long-term lease obligations, less current portion..... | ¥3,918 | ¥4,709 | \$25,879 |

(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, 2024 are as follows:

| Fiscal year ending March 31 | 2024 | |
|-----------------------------|-----------------|------------------------------|
| | Millions of Yen | Thousands of U.S. Dollars |
| 2025..... | ¥1,654 | \$10,921 |
| 2026..... | 1,469 | 9,701 |
| 2027..... | 1,208 | 7,982 |
| 2028..... | 844 | 5,574 |
| 2029 and after | 397 | 2,622 |
| Total | ¥5,572 | \$36,800 |

7. 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, 2024 and 2023 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------------|-----------------|--------|------------------------------|
| | 2024 | 2023 | 2024 |
| Balance at beginning of year..... | ¥ 9,677 | ¥9,298 | \$63,914 |
| Current service cost..... | 1,132 | 1,102 | 7,478 |
| Interest cost..... | 62 | 57 | 407 |
| Actuarial gains | (111) | (114) | (730) |
| Benefits paid..... | (609) | (677) | (4,024) |
| Past service costs..... | | (13) | |
| Others..... | 137 | 24 | 904 |
| Balance at end of year..... | ¥10,288 | ¥9,677 | \$67,949 |

(2) The changes in plan assets for the fiscal years ended March 31, 2024 and 2023 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------------------|-----------------|--------|------------------------------|
| | 2024 | 2023 | 2024 |
| Balance at beginning of year..... | ¥2,652 | ¥2,427 | \$17,515 |
| Expected return on plan assets..... | 56 | 39 | 372 |
| Actuarial losses..... | (137) | (75) | (904) |
| Contributions from the employer | 294 | 313 | 1,940 |
| Benefits paid..... | (97) | (66) | (640) |
| Others..... | 83 | 14 | 550 |
| Balance at end of year..... | ¥2,851 | ¥2,652 | \$18,833 |

(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, 2024 and 2023 was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|---------|------------------------------|
| | 2024 | 2023 | 2024 |
| Funded defined benefit obligations | ¥ 3,412 | ¥ 3,265 | \$ 22,533 |
| Plan assets..... | (2,851) | (2,652) | (18,833) |
| | 561 | 613 | 3,700 |
| Unfunded defined benefit obligations..... | 6,876 | 6,413 | 45,416 |
| Net liability for defined benefit obligations..... | ¥ 7,437 | ¥ 7,026 | \$ 49,116 |

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|---------|------------------------------|
| | 2024 | 2023 | 2024 |
| Liability for retirement benefits..... | ¥ 7,437 | ¥ 7,026 | \$ 49,116 |
| Asset for retirement benefits | | | |
| Net liability for defined benefit obligations..... | ¥ 7,437 | ¥ 7,026 | \$ 49,116 |

(4) The components of net periodic benefit costs for the fiscal years ended March 31, 2024 and 2023 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------------------|-----------------|--------|------------------------------|
| | 2024 | 2023 | 2024 |
| Service cost..... | ¥1,132 | ¥1,102 | \$7,478 |
| Interest cost | 62 | 57 | 407 |
| Expected return on plan assets | (56) | (39) | (372) |
| Recognized actuarial losses..... | 73 | 83 | 487 |
| Recognized past service costs | (14) | (14) | (94) |
| Others | 53 | 9 | 352 |
| Net periodic benefit costs | ¥1,250 | ¥1,198 | \$8,258 |

(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, 2024 and 2023 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------|-----------------|--------|------------------------------|
| | 2024 | 2023 | 2024 |
| Past service costs | ¥(14) | ¥ (14) | \$ (94) |
| Actuarial gains | 49 | 116 | 323 |
| Total | ¥ 35 | ¥102 | \$229 |

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|--------|------------------------------|
| | 2024 | 2023 | 2024 |
| Past service costs | ¥(100) | ¥(114) | \$ (660) |
| Unrecognized actuarial gains (losses)..... | (31) | 14 | (205) |
| Total | ¥(131) | ¥(100) | \$ (865) |

(7) Plan assets as of March 31, 2024 and 2023

(a) Components of plan assets
Plan assets consisted of the following:

| | 2024 | 2023 |
|--------------------------------|-------------|------|
| | | |
| Cash and cash equivalents..... | 37% | 34% |
| General accounts | 63 | 66 |
| 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, 2024 and 2023 were set forth as follows:

| | 2024 | 2023 |
|---|----------------------|---------------|
| | | |
| Discount rate..... | 0.50% — 1.14% | 0.50% — 1.02% |
| Expected rate of return on plan assets..... | 1.62% | 1.70% |

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 ¥438 million (\$2,893 thousand) and ¥394 million for the fiscal years ended March 31, 2024 and 2023, respectively.

8. 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, 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 | \$23,191 | Retained earnings | ¥12.34 | \$0.08 | March 31, 2023 | June 21, 2023 |
| Board of Directors meeting on October 26, 2023 | Common stock | ¥3,548 | \$23,429 | Retained earnings | ¥12.60 | \$0.08 | September 30, 2023 | December 5, 2023 |

Year ended March 31, 2023

| 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, 2022 | Common stock | ¥4,182 | Retained earnings | ¥14.71 | March 31, 2022 | June 22, 2022 |
| Board of Directors meeting on October 27, 2022 | Common stock | ¥5,062 | Retained earnings | ¥17.80 | September 30, 2022 | December 6, 2022 |

Dividends with Record Dates Falling in the Fiscal Year Ended March 31, 2024, but with Effective Dates Falling in the Fiscal Year Ending March 31, 2025

| 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 13, 2024 | Common stock | ¥4,191 | \$27,680 | Retained earnings | ¥14.87 | \$0.10 | March 31, 2024 | June 19, 2024 |

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.

9. STOCK OPTIONS

At the 61st Annual General Meeting of Shareholders held on June 15, 2023, the Company resolved to introduce a Restricted Stock Compensation Plan and abolished the stock option system. Accordingly, no new stock acquisition rights will be allotted under the stock option system in the future.

Information related to the stock options for the fiscal year ended March 31, 2024 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) | 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) | 2017 Stock Option (1) | 2017 Stock Option (2) | 2017 Stock Option (3) | 2018 Stock Option (1) | 2018 Stock Option (2) | 2018 Stock Option (3) |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | (Shares) | | | | | | | | | | | |
| 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 | 52,700 | 11,500 | 54,700 | 48,100 | 12,100 | 29,600 | 80,900 |
| Vested | | | | | | | | | | | | |
| Exercised | | 8,700 | | 16,800 | | 17,600 | | 18,500 | 18,000 | | 17,300 | 28,400 |
| Canceled..... | | | | | | | | | | | | 600 |
| 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 | 51,900 |
| For the Fiscal Year Ended March 31, 2024 | | | | | | | | | | | | |
| Non-vested: | | | | | | | | | | | | |
| March 31, 2023—outstanding | | | | | | | | | | | | |
| Granted..... | | | | | | | | | | | | |
| Canceled..... | | | | | | | | | | | | |
| Vested | | | | | | | | | | | | |
| March 31, 2024—outstanding | | | | | | | | | | | | |
| Vested: | | | | | | | | | | | | |
| 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 | 51,900 |
| Vested | | | | | | | | | | | | |
| Exercised | | 4,800 | | 9,400 | | 10,700 | | 9,800 | 6,700 | | | 17,300 |
| Canceled..... | | | | 1,000 | | 1,100 | | | 900 | | | |
| March 31, 2024—outstanding | 21,900 | 2,700 | 18,100 | 13,700 | 15,400 | 23,300 | 11,500 | 26,400 | 22,500 | 12,100 | 12,300 | 34,600 |
| | 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 (\$ 7.74) | ¥1,136 (\$ 7.50) | ¥1,483 (\$ 9.79) | ¥1,428 (\$ 9.43) | ¥1,876 (\$12.39) | ¥1,809 (\$11.95) | ¥2,786 (\$18.40) | ¥2,726 (\$18.00) | ¥3,073 (\$20.30) | ¥3,147 (\$20.78) | ¥3,126 (\$20.65) | ¥2,345 (\$15.49) |

| | 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, 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 | 18,100 | | | 21,100 | | | 15,000 | | | | | |
| Vested..... | | 76,400 | 125,100 | | | | | | | 14,800 | | |
| Exercised | | 51,100 | 41,200 | | | | | | | | | |
| Canceled..... | | | 600 | | | | | | | | | |
| March 31, 2023—outstanding | 18,100 | 25,300 | 83,300 | 21,100 | | | 15,000 | | | 14,800 | | |
| For the Fiscal Year Ended March 31, 2024 | | | | | | | | | | | | |
| Non-vested: | | | | | | | | | | | | |
| March 31, 2023—outstanding | | | | | 108,200 | 81,100 | | 89,400 | 86,800 | | 99,900 | 133,600 |
| Granted..... | | | | | | | | | | | | |
| Canceled..... | | | | | | 6,000 | | | 8,800 | | | 9,700 |
| Vested..... | | | | | 108,200 | 75,100 | | | | | | |
| March 31, 2024—outstanding | | | | | | | | 89,400 | 78,000 | | 99,900 | 123,900 |
| Vested: | | | | | | | | | | | | |
| March 31, 2023—outstanding | 18,100 | 25,300 | 83,300 | 21,100 | | | 15,000 | | | 14,800 | | |
| Vested..... | | | | | 108,200 | 75,100 | | | | | | |
| Exercised | | | 29,900 | | 83,900 | | | | | | | |
| Canceled..... | | | | | | | | | | | | |
| March 31, 2024—outstanding | 18,100 | 25,300 | 53,400 | 21,100 | 24,300 | 75,100 | 15,000 | | | 14,800 | | |
| | 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..... | ¥2,652 | ¥2,626 | ¥2,644 | ¥2,572 | ¥2,548 | ¥3,256 | ¥3,784 | ¥3,757 | ¥4,554 | ¥2,920 | ¥2,868 | ¥3,195 |
| | (\$17.52) | (\$17.34) | (\$17.46) | (\$16.99) | (\$16.83) | (\$21.50) | (\$24.99) | (\$24.81) | (\$30.08) | (\$19.29) | (\$18.94) | (\$21.10) |

(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, 2024
None.

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.

10. RESTRICTED STOCK COMPENSATION PLAN

The Company introduced a Restricted Stock Compensation Plan as compensation for Directors and employees.

This transaction is not a transaction based on Article 202-2 of the Companies Act in which shares are issued or disposed of without the payment of the monies or contribution of property as compensation for Directors and employees. Therefore, “Practical Solution on Transactions that Grant Shares as Compensation for Directors, etc.” (PITF No. 41, January 28, 2021) does not apply.

Information related to restricted stock for the fiscal year ended March 31, 2024 is as follows:

| Restricted Stock | Persons Granted | Number of Stocks Granted | Date of Grant | Conditions for Removal of Transfer Restriction | Transfer Restriction Period |
|------------------------------|-------------------------------|-----------------------------|----------------------|---|--|
| 2023 Restricted Stock (1) | 5 directors | 114,500 shares | August 10, 2023 | *1 | *2 |
| 2023 Restricted Stock (2) | 105 employees of the Group | 188,000 shares | February 28, 2024 | *1, *3 | From February 28, 2024 to February 27, 2027 |

*1 The transfer restriction of all allotted shares shall be removed at the time of expiration of the transfer restriction period.
*2 The period from the date of grant until the date on which an eligible person ceases to hold the status of an officer or employee of the Company or its subsidiaries or associates.
*3 If an eligible employee ceases to hold the status of an officer or employee of the Company or its subsidiaries or associates (including due to death) prior to the expiration of the transfer restriction period, the Company automatically acquires at that time free of charge all allotted shares from which the transfer restriction has not been removed at the time the eligible employee ceased to hold the said status.

Restricted stock activity is as follows:

| | 2023 Restricted Stock (1) | 2023 Restricted Stock (2) |
|--|------------------------------|------------------------------|
| | (Shares) | |
| For the Fiscal Year Ended March 31, 2024 | | |
| March 31, 2023—outstanding | | |
| Granted..... | 114,500 | 188,000 |
| Acquired free of charge | | |
| Transfer restriction removed | | |
| March 31, 2024—outstanding | 114,500 | 188,000 |
| | Yen (U.S. Dollars) | |
| Fair value price at grant date..... | ¥2,763.5 | ¥2,164 |
| | (\$18.25) | (\$14.29) |

* To eliminate arbitrary pricing of the fair value price at grant date, it is based on the closing price of the Company's common stock at Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of resolution of the Board of Directors.

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, 2024 and 2023.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2024 and 2023, are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------|---------------------------|
| | 2024 | 2023 | 2024 |
| Deferred tax assets: | | | |
| Devaluation of inventories..... | ¥ 2,913 | ¥ 1,906 | \$ 19,242 |
| Accrued enterprise tax | 247 | 230 | 1,632 |
| Provision for bonuses..... | 662 | 699 | 4,371 |
| Unrealized gain | 712 | 622 | 4,703 |
| Liability for retirement benefits | 2,410 | 2,272 | 15,916 |
| Depreciation..... | 738 | 708 | 4,870 |
| Asset retirement obligations | 543 | 693 | 3,588 |
| Tax losses carried forward..... | 490 | 479 | 3,237 |
| Other—net..... | 3,093 | 2,167 | 20,426 |
| Subtotal..... | 11,808 | 9,776 | 77,985 |
| Valuation allowance on tax losses carried forward* | (438) | (439) | (2,890) |
| Valuation allowance on total deductible temporary differences | (333) | (287) | (2,199) |
| Subtotal..... | (771) | (726) | (5,089) |
| Deferred tax assets..... | 11,037 | 9,050 | 72,896 |
| Deferred tax liabilities: | | | |
| Reserve for advanced depreciation of property, plant and equipment..... | (74) | (75) | (487) |
| Accelerated depreciation of property, plant and equipment | (1,100) | (943) | (7,268) |
| Asset retirement cost | (414) | (507) | (2,733) |
| Valuation of intangible assets | (630) | (676) | (4,164) |
| Other—net..... | (1,788) | (756) | (11,807) |
| Deferred tax liabilities | (4,006) | (2,957) | (26,459) |
| Net deferred tax assets..... | ¥ 7,031 | ¥ 6,093 | \$ 46,437 |

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

| | Millions of Yen | | | | | | |
|----------------------------------|-------------------------|--------------------------------------|---|--|---|----------------------|---------|
| | 2024 | | | | | | |
| | 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 ... | ¥ 6 | ¥ 9 | ¥ 11 | ¥ 9 | | ¥ 455 | ¥ 490 |
| Valuation allowance | ¥(6) | ¥(9) | ¥(11) | ¥(9) | | (403) | (438) |
| Deferred tax assets..... | | | | | | ¥ 52 | ¥ 52 *2 |

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

*2 Deferred tax assets of ¥52 million were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of ¥490 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 | | | | | | |
|----------------------------------|-------------------------|--------------------------------------|---|--|---|----------------------|---------|
| | 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.

| | Thousands of U.S. Dollars | | | | | | |
|----------------------------------|---------------------------|--------------------------------------|---|--|---|----------------------|-----------|
| | 2024 | | | | | | |
| | 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 ... | \$ 40 | \$ 56 | \$ 71 | \$ 61 | | \$ 3,009 | \$ 3,237 |
| Valuation allowance | \$(40) | \$(56) | \$(71) | \$(61) | | (2,662) | (2,890) |
| Deferred tax assets..... | | | | | | \$ 347 | \$ 347 *2 |

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

*2 Deferred tax assets of \$347 thousand were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of \$3,237 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, 2024 and 2023, is as follows:

| | 2024 | 2023 |
|--|-------|-------|
| Normal effective statutory tax rate..... | 30.6% | 30.6% |
| (Adjustments) | | |
| Directors' bonus expenses not deductible for income tax purposes..... | 0.0 | 0.0 |
| 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 | 0.1 | (0.2) |
| Difference in applicable tax rates for subsidiaries | (3.3) | (4.7) |
| Tax credit..... | (1.0) | (0.7) |
| Other—net | 1.4 | 0.9 |
| Actual effective tax rate..... | 28.0% | 26.1% |

Accounting Treatment of Corporate and Local Corporate Taxes or Accounting Treatment for Tax Effect Accounting Related to Such Taxes

The Company and certain consolidated subsidiaries in Japan apply the group tax sharing system, and perform 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 ¥3,983 million (\$26,307 thousand), ¥2,802 million and ¥1,212 million for the fiscal years ended March 31, 2024, 2023 and 2022, 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, 2024 and 2023 are as follows.

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------|-----------------|---------|---------------------------|
| | 2024 | 2023 | 2024 |
| Credit lines | ¥15,000 | ¥15,000 | \$99,069 |
| Credit lines used..... | | | |
| Credit lines unused..... | ¥15,000 | ¥15,000 | \$99,069 |

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, 2024 and 2023 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------|-----------------|---------|---------------------------|
| | 2024 | 2023 | 2024 |
| Due within one year | ¥ 2,698 | ¥ 2,505 | \$ 17,817 |
| Due after one year | 20,027 | 22,725 | 132,272 |
| Total | ¥22,725 | ¥25,230 | \$150,089 |

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. 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.

b. 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 mainly 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.

c. Risk Management for Financial Instruments

(1) 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 the end of the fiscal year is represented by financial assets, which are exposed to credit risk on the balance sheet.

(2) Market risk (risk of foreign currency fluctuations and interest) management

Regarding the operating receivables and operating payables denominated in foreign currencies, the Group principally utilizes foreign currency forward contracts to hedge foreign currency fluctuation risk, which are monitored by each currency. Regarding 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.

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

The finance department prepares and updates its cash management plan periodically based on 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.

d. 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.

(1) 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, 2024 and 2023 are as follows:

| | Millions of Yen | | |
|------------------------|-----------------|------------|------------|
| | 2024 | | |
| | Carrying Amount | Fair Value | Difference |
| Derivatives, net | ¥ (63) | ¥ (63) | |

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

| | Thousands of U.S. Dollars | | |
|------------------------|---------------------------|------------|------------|
| | 2024 | | |
| | Carrying Amount | Fair Value | Difference |
| Derivatives, net | \$(417) | \$(417) | |

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.

(2) Shares, etc. without market prices as of March 31, 2024 and 2023

| | Carrying Amount | |
|-----------------------|-----------------|---------------------------|
| | Millions of Yen | Thousands of U.S. Dollars |
| | 2024 | 2023 |
| Unlisted stocks | ¥6 | ¥6 |
| | | \$41 |

e. Maturity Analysis for Financial Assets Subsequent to March 31, 2024 and 2023

| | Millions of Yen | | | |
|---------------------------------|-------------------------|---------------------------------------|--|---------------------|
| | 2024 | | | |
| | 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 | ¥ 133,377 | | | |
| Time deposits | 15,471 | | | |
| Trade notes receivable | 13,126 | | | |
| Trade accounts receivable | 62,743 | | | |
| Total | ¥ 224,717 | | | |

| | 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 | | | |

| | Thousands of U.S. Dollars | | | |
|---------------------------------|---------------------------|---------------------------------------|--|---------------------|
| | 2024 | | | |
| | 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 | \$ 880,899 | | | |
| Time deposits | 102,180 | | | |
| Trade notes receivable | 86,695 | | | |
| Trade accounts receivable | 414,391 | | | |
| Total | \$1,484,165 | | | |

f. 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.

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

| Millions of Yen | | | | |
|------------------------|---------|---------|---------|--------|
| 2024 | | | | |
| Fair Value | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Derivatives, net* | | | | |
| Currency-related | | ¥ (63) | | ¥ (63) |

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

| Thousands of U.S. Dollars | | | | |
|---------------------------|---------|----------|---------|----------|
| 2024 | | | | |
| Fair Value | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Derivatives, net* | | | | |
| Currency-related | | \$ (417) | | \$ (417) |

*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.

(2) 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, 2024 and 2023 are as follows:

| Millions of Yen | | | | |
|-------------------------------------|-----------------|------------------------------------|------------|-----------------------|
| 2024 | | | | |
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Gain /Loss |
| Foreign currency forward contracts: | | | | |
| Buying | ¥ 1,952 | | ¥ (40) | ¥ (40) |
| Selling | ¥ 1,320 | | ¥ (23) | ¥ (23) |

| 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) |

| Thousands of U.S. Dollars | | | | |
|-------------------------------------|-----------------|------------------------------------|------------|-----------------------|
| 2024 | | | | |
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Gain /Loss |
| Foreign currency forward contracts: | | | | |
| Buying | \$12,890 | | \$ (262) | \$ (262) |
| Selling | \$ 8,716 | | \$ (155) | \$ (155) |

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, 2024 and 2023 are as follows:

None.

17. COMPREHENSIVE INCOME (LOSS)

Reclassifications and income from tax effects attributable to other comprehensive income (loss) for the fiscal years ended March 31, 2024, 2023 and 2022 were as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|--|-----------------|--------|---------|---------------------------|
| | 2024 | 2023 | 2022 | 2024 |
| Deferred gain (loss) on hedges: | | | | |
| Adjustments arising during the year..... | | | ¥ 53 | |
| Reclassification adjustments to profit or loss | | ¥ (53) | | |
| Amount before income tax effect | | (53) | 53 | |
| Income tax effect..... | | 16 | (16) | |
| Total | | (37) | 37 | |
| Foreign currency translation adjustments: | | | | |
| Adjustments arising during the year..... | ¥20,866 | 8,361 | 15,706 | \$137,813 |
| Reclassification adjustments to profit or loss | | | | |
| Amount before income tax effect | 20,866 | 8,361 | 15,706 | 137,813 |
| Income tax effect..... | | | | |
| Total | 20,866 | 8,361 | 15,706 | 137,813 |
| Defined retirement benefit plans: | | | | |
| Adjustments arising during the year..... | 37 | 105 | 209 | 242 |
| Reclassification adjustments to profit and loss | (2) | (3) | 11 | (13) |
| Amount before income tax effect | 35 | 102 | 220 | 229 |
| Income tax effect..... | (10) | (30) | (66) | (66) |
| Total | 25 | 72 | 154 | 163 |
| Share of other comprehensive income (loss) in associates | | | | |
| Adjustments arising during the year..... | 4 | 8 | 9 | 28 |
| Total other comprehensive income (loss)..... | ¥20,895 | ¥8,404 | ¥15,906 | \$138,004 |

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, 2024, 2023 and 2022 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, 2024 | | | | |
| Basic EPS— | | | | |
| Net income available to common shareholders | ¥28,152 | 282,213 | ¥ 99.75 | \$0.66 |
| Effect of dilutive securities— | | | | |
| Stock options | | 787 | | |
| Diluted EPS— | | | | |
| Net income for computation..... | ¥28,152 | 283,000 | ¥ 99.48 | \$0.66 |
| Year ended March 31, 2023 | | | | |
| Basic EPS— | | | | |
| Net income available to common shareholders | ¥34,283 | 284,421 | ¥120.53 | |
| Effect of dilutive securities— | | | | |
| Stock options | | 841 | | |
| Diluted EPS— | | | | |
| Net income for computation..... | ¥34,283 | 285,262 | ¥120.18 | |
| 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 | |

19. SUBSEQUENT EVENTS

At the meeting of the Board of Directors held on April 26, 2024, 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.

- a. Reasons for the repurchase of treasury stock
The Group is committed to the Growth Chain-reaction management, which starts with the employees’ challenges, to contribute to the sustainable growth of the IA (Industrial Automation) industry, which is our customer, and to support the sustainable development of society through automation and labor saving in the IA industry. To achieve this, we are actively investing for growth in the development of regions, businesses, new products, and services, and are working to advance our Business MODEL that contributes to increasing customer’s Time Value. In addition, to increase corporate value over the medium to long term, the Company will accurately assess the cost of capital and aim for a return on capital that exceeds the cost of capital and widening the equity spread. To that end, we will strike a balance between medium- to long-term investments in growth and returns to shareholders.

In terms of dividends, the Company will revise the benchmark payout ratio from 25% to 30%, 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.
- b. Type of stock to be repurchased
Ordinary stock of MISUMI Group Inc.
- c. Number of shares to be purchased
12,000,000 shares (maximum)
(Percentage of total shares issued (excluding treasury stock) 4.26%)
- d. Total purchase price
Up to ¥20,000 million (\$132,092 thousand)
- e. Acquisition period
From May 17, 2024 to November 29, 2024

- f. Acquisition method
Market acquisition through a discretionary transaction method on the Tokyo Stock Exchange

The Company conducted the repurchase of treasury stock as follows (as of July 31, 2024):
- Number of treasury stock repurchased: 3,932,800 shares
- Total purchase price: ¥10,515 million (\$69,448 thousand)

20. REVENUE RECOGNITION

- a. 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, c. Net Sales and Segment Profit by Reportable Segment and Breakdown of Revenue.”

- b. Information Fundamental to an Understanding of Revenue
Information fundamental to an understanding of revenue is as presented in “2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES I. Policy for Recognition of Significant Revenue and Expenses.”

- c. Information to Enable an Understanding of the Amount of Revenue for the Fiscal Year under Review and the Next Fiscal Year Onward
(1) Balance of contract assets and contract liabilities

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------|------------------------------|
| | 2024 | 2023 | 2024 |
| Receivables from contracts with customers (as of April 1, 2023 and 2022) | | | |
| Trade notes..... | ¥16,490 | ¥15,723 | \$108,911 |
| Trade accounts | 59,870 | 61,096 | 395,415 |
| Total as of April 1, 2023 and 2022 | 76,360 | 76,819 | 504,326 |
| Receivables from contracts with customers (as of March 31, 2024 and 2023) | | | |
| Trade notes..... | 13,126 | 16,490 | 86,695 |
| Trade accounts | 62,743 | 59,870 | 414,391 |
| Total as of March 31, 2024 and 2023 | 75,869 | 76,360 | 501,086 |
| Contract liabilities (as of April 1, 2023 and 2022)..... | 1,183 | 1,680 | 7,814 |
| Contract liabilities (as of March 31, 2024 and 2023)..... | ¥ 1,550 | ¥ 1,183 | \$ 10,235 |

- 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, 2024, ¥1,183 million (\$7,814 thousand) was included in contract liabilities as of April 1, 2023. There has been no material change in contract liabilities in the fiscal year ended March 31, 2024. Of the revenue recognized in the fiscal year ended March 31, 2023, ¥1,680 million 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.
- (2) 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

a. 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.

b. 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.

c. Net Sales and Segment Profit by Reportable Segment and Breakdown of Revenue

| | Millions of Yen | | | | | |
|--|---------------------|-------------------------|---------------|----------|-------------|--------------|
| | 2024 | | | | | |
| | Reportable Segments | | | | Adjustments | Consolidated |
| | FA Business | Die Components Business | VONA Business | Total | | |
| Net sales: | | | | | | |
| Revenue from contracts with customers..... | ¥118,219 | ¥79,933 | ¥169,498 | ¥367,650 | | ¥367,650 |
| Sales to customers..... | 118,219 | 79,933 | 169,498 | 367,650 | | 367,650 |
| Total | 118,219 | 79,933 | 169,498 | 367,650 | | 367,650 |
| Segment profit* | ¥ 15,098 | ¥ 9,140 | ¥ 14,128 | ¥ 38,366 | | ¥ 38,366 |

*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 | | | | | |
|--|---------------------|-------------------------|---------------|----------|-------------|--------------|
| | 2023 | | | | | |
| | Reportable Segments | | | | Adjustments | Consolidated |
| | FA Business | Die Components Business | VONA Business | Total | | |
| 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 | | | | 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 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 | | | | | |
|--|---------------------------|-------------------------|---------------|-------------|-------------|--------------|
| | 2024 | | | | | |
| | Reportable Segments | | | | Adjustments | Consolidated |
| | FA Business | Die Components Business | VONA Business | Total | | |
| Net sales: | | | | | | |
| Revenue from contracts with customers..... | \$780,789 | \$527,922 | \$1,119,462 | \$2,428,173 | | \$2,428,173 |
| Sales to customers..... | 780,789 | 527,922 | 1,119,462 | 2,428,173 | | 2,428,173 |
| Total | 780,789 | 527,922 | 1,119,462 | 2,428,173 | | 2,428,173 |
| Segment profit* | \$ 99,715 | \$ 60,362 | \$ 93,311 | \$ 253,388 | | \$ 253,388 |

*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.

d. Information by Region

| | Millions of Yen | | | | | | |
|----------------|-----------------|----------|----------|----------|----------|---------|-----------|
| | 2024 | | | | | | |
| | Japan | China | Asia | America | Europe | Others | Total |
| Net Sales..... | ¥ 171,142 | ¥ 60,853 | ¥ 57,498 | ¥ 42,840 | ¥ 26,201 | ¥ 9,116 | ¥ 367,650 |

| | 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 |

| | Thousands of U.S. Dollars | | | | | | |
|----------------|---------------------------|-----------|-----------|-----------|-----------|----------|-------------|
| | 2024 | | | | | | |
| | Japan | China | Asia | America | Europe | Others | Total |
| Net Sales..... | \$1,130,321 | \$401,909 | \$379,752 | \$282,937 | \$173,049 | \$60,205 | \$2,428,173 |

| | Millions of Yen | | | | | |
|------------------------------------|-----------------|---------|---------|---------|---------|----------|
| | 2024 | | | | | |
| | Japan | China | Vietnam | America | Others | Total |
| Property, plant and equipment..... | ¥14,753 | ¥13,683 | ¥ 5,519 | ¥ 8,246 | ¥ 8,841 | ¥ 51,042 |

| | 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 |

| | Thousands of U.S. Dollars | | | | | |
|------------------------------------|---------------------------|----------|----------|----------|----------|-----------|
| | 2024 | | | | | |
| | Japan | China | Vietnam | America | Others | Total |
| Property, plant and equipment..... | \$97,438 | \$90,372 | \$36,448 | \$54,461 | \$58,394 | \$337,113 |

e. Impairment Losses by Reportable Segment

For the fiscal year ended March 31, 2024, impairment loss was not allocated to reportable segments.

The amount of impairment loss was ¥148 million (\$978 thousand) for the fiscal year ended March 31, 2024.

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

The amount of impairment loss was ¥44 million 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.

Independent Auditor’s Report



Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of MISUMI Group Inc.:

<Audit of Consolidated Financial Statements>

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, 2024, 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, 2024, 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.

Member of
Deloitte Touche Tohmatsu Limited

| 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 |
| <p>The Group recorded merchandise and finished goods inventories of 64,269 million yen (15.5% of the total assets) on the consolidated balance sheet as of March 31, 2024.</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.</p> <p>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.</p> <p>For the industry in which the Group belongs, world-wide increase in demand for automation considering various social issues in the industrial sector, mainly from the manufacturing industry, is expected.</p> <p>However, there are certain future market uncertainties due to factors such as increase in geopolitical risk, 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.</p> <p>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.</p> | <p>We performed the following audit procedures to test reasonableness of accounting estimates relating to the valuation of merchandise and finished goods, among others:</p> <p>Testing the design and operating effectiveness of internal controls</p> <p>—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.</p> <p>—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.</p> <p>Risk assessment procedures</p> <p>—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.</p> <p>Audit procedures responsive to the assessed risks</p> <p>—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:</p> <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 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. |

Company Profile and Stock Information

(As of March 31, 2024)

Company Overview

| | |
|--------------|---|
| Trade name | MISUMI Group Inc. |
| Established | February 23, 1963 |
| Headquarters | Kudan Kaikan Terrace, 6-5, Kudan-Minami 1-chome, Chiyoda-ku, Tokyo 102-8583, Japan |
| Common stock | 14,146 million yen |

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

Stock Information

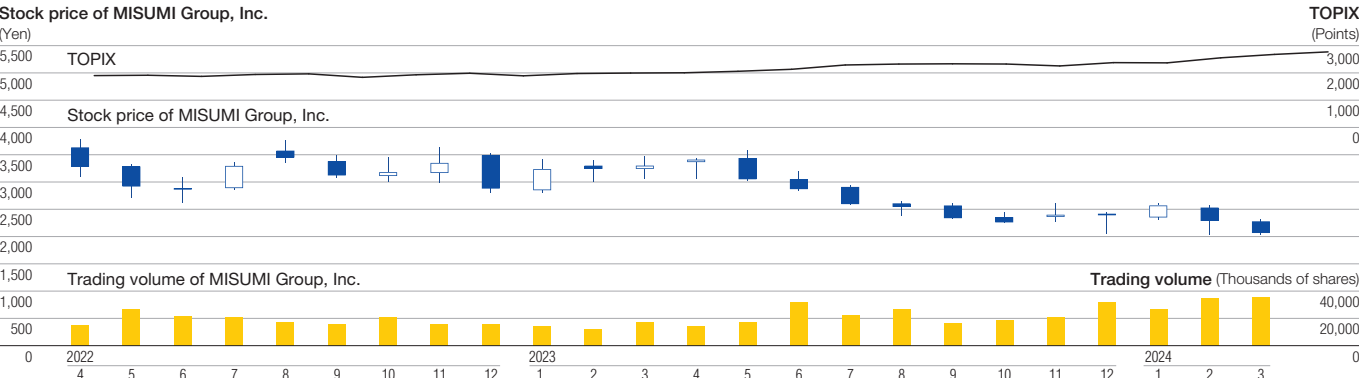
| | |
|------------------------------------|----------------------|
| Total number of authorized shares | 1,020,000,000 shares |
| Total number of shares outstanding | 284,847,897 shares |
| Number of shareholders | 10,912 |

Major Shareholders

| Name | Number of shares held (thousands) | Percentage of shares outstanding (%) |
|---|-----------------------------------|--------------------------------------|
| The Master Trust Bank of Japan, Ltd. | 50,589 | 17.95 |
| Custody Bank of Japan, Ltd. | 22,282 | 7.91 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 18,901 | 6.71 |
| BNYM AS AGT/CLTS NON TREATY JASDEC | 12,498 | 4.43 |
| STATE STREET BANK AND TRUST COMPANY 505103 | 5,829 | 2.07 |
| RBC IST 15 PCT LENDING ACCOUNT – CLIENT ACCOUNT | 5,650 | 2.01 |
| STATE STREET BANK WEST CLIENT – TREATY 505234 | 5,140 | 1.82 |
| JPMorgan Securities Japan Co., Ltd | 4,879 | 1.73 |
| THE BANK OF NEW YORK MELLON 140044 | 4,860 | 1.72 |
| RBC IST 15 PCT NON LENDING ACCOUNT – CLIENT ACCOUNT | 4,859 | 1.72 |

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

Monthly Stock Price Range/Trading Volume



Please direct any inquiries to: Investor Relations Department, MISUMI Group Inc. | Tel: +81-3-6777-7501 | E-mail: cc@misumi.co.jp

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, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to MISUMI Group Inc. and its subsidiaries were ¥280 million and ¥29 million, respectively.

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

Our firm and its designated engagement partners 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

August 30, 2024