

Value Creation Narrative

Message from the CEO



**Powerfully driving the Digital MODEL Shift,
aiming to serve as the Industrial Foundation
that underpins Monozukuri**

President and CEO
Ryusei Ono

Enhancing Our Adaptability To Change Amid Growing Uncertainty

MISUMI Group's mission has always been to maximize Customer's Time Value through process innovation in the Monozukuri industry. By leveraging digital technology to transform procurement processes, we are committed to ensuring "Reliable and Quick Delivery" and contributing to the overall advancement of Monozukuri industry.

Management is constantly confronting uncertainty. Since I assumed the role of President in 2013, I have faced changes beyond expectations over the past decade, such as the COVID-19 pandemic, Russia's invasion of Ukraine, and turmoil in the Middle East.

In particular, today's U.S.-China trade conflict and tariff policies directly affect our customers' investment decisions and have a significant impact on our business. It is not easy to judge when to accelerate and when to apply the brakes in response to changes in the external environment, but I believe that we must always do our best by flexibly assessing social conditions and the market.

In FY2024, despite an environment marked by ongoing geopolitical risks and forex fluctuations, we drove forth the "Digital MODEL Shift" ^{*1} and the "region-specific growth strategy," ^{*2} resulting in record-high sales of 401.9 billion yen. Operating income was 46.4 billion yen, and the operating margin improved to 11.6%. By region, China and Asia achieved high growth, compensating for sluggish performance in Europe and the Americas.

On the other hand, looking at the past several years, it is undeniable that growth has shown signs of slowing and precisely because the world is growing more uncertain, we are pushing for a fundamental restructuring of our Corporate Management Framework to further enhance our Dynamic Capabilities.

^{*1} A growth strategy that combines IT readiness and Monozukuri industry expertise to meet individual customer needs through mass customization.

^{*2} A growth strategy that responds to different customer needs in each global region.

Transforming the Entire Monozukuri Industry's Processes through the Digital MODEL Shift

MISUMI does not issue medium- to long-term management plans, which often come up in questions and feedback. This policy demonstrates our commitment to making optimal and agile decisions tailored to each circumstance, rather than focusing solely on formal plan execution to meet predetermined numerical targets following prolonged planning efforts. For stakeholders, we prioritize clear communication of our growth narrative and strategic direction for the medium to long term.

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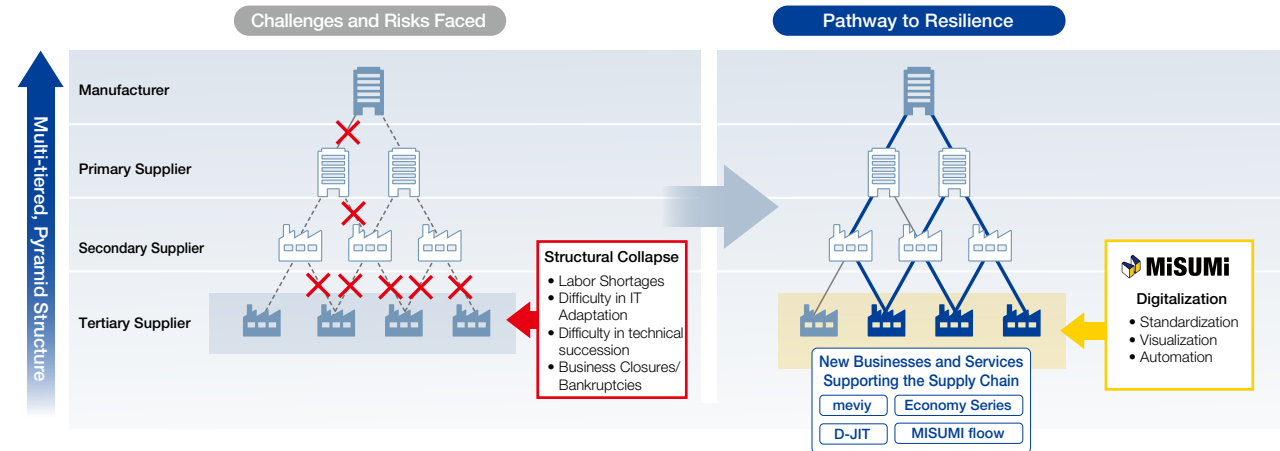
Our objective is to establish ourselves as the Industrial Foundation supporting the broader Monozukuri industry, which operates as a pyramid with set manufacturers at its apex and small to medium-sized enterprises forming the essential base. These enterprises, our primary customers, are instrumental in sustaining this foundation. The industry currently faces several challenges, including labor shortages, delays in digital adoption, and complexities in sourcing small quantities of diverse components—issues that exceed the capacity of any single organization to resolve independently. MISUMI addresses these concerns by consolidating solutions through its products and services. The advancement of our Business MODEL to effectively meet these needs represents a strategic priority for our Company.

While carrying forward our founding principle of “creating Customer’s Time Value,” my role in management is driving the “Digital MODEL Shift” even further by harnessing IT and AI to realize businesses and services that were not possible with conventional approaches. This is not simply a matter of partial digital efficiency; it is an initiative that seeks to fundamentally transform the conventions of the industry.

Specifically, we have already fully launched three services: “mevi,” “Economy Series,” and “D-JIT.” mevi is a digital parts processing service that enables customers to upload 3D data for custom machine parts; tasks that previously required manual handling and receive instant AI generated quotations, with shipments available in as little as one day. The Economy Series offers competitive pricing by rigorously re-examining the specifications, catering to mid-range market needs and helping eliminate inefficiencies for a broader customer base. D-JIT provides supply solutions for medium- and large-volume manufacturing components, integrating inventory data from over 700 Japanese and overseas suppliers alongside our internal production capabilities, visualizing dispersed market inventory data in real time.

These initiatives expand the scope of mass customization that MISUMI has been pursuing since its founding. While our Time-based Strategy is often associated purely with shortening lead times, customers’ needs are in fact far more diverse. In some cases, rather than simply demanding Reliable and Quick Delivery, customers specify their desired dates and times. When we are given such flexibility, we deliver products at more reasonable prices. This series of highly complex operations is supported by our Digital Transformation (DX) strategy, which we believe constitutes a Business MODEL that is extremely difficult to replicate. These efforts have been producing steady results, with sales driven by digital initiatives continuing to grow.

Strengthening the Monozukuri Supply Chain



Expanding Our Business Domain with Upstream and Downstream Strategies

One of the key strategic initiatives we are pursuing involves extending our business domain beyond the “midstream” segment of manufacturing to encompass both the “upstream” and “downstream” segments. Our customers span the entire Monozukuri industry, with a global customer base exceeding 320,000 companies. However, in practice, our business transactions are primarily limited to departments involved in the production of manufacturing equipment, which represents the “midstream” segment and accounts for only a small portion of the entire Monozukuri industry. Looking ahead, our goal is to become a partner capable of providing seamless services across the entire value chain, from the early stages of product development and prototyping (“upstream”) to mass production processes (“downstream”).

For our “upstream” expansion, we acquired Fictiv, based in California, USA, in June 2025. Fictiv specializes in the product development domain and has established strengths in custom mechanical components for prototyping and small-lot production. By leveraging Fictiv’s expertise, MISUMI aims to expand its reach within the custom parts segment. While valuing Fictiv’s entrepreneurial culture, we will support its continued growth through MISUMI’s robust Business Foundation and strive to maximize synergies between both organizations.

A further objective of this acquisition is to leverage Fictiv’s expertise in artificial intelligence (AI). AI represents a technology that

aligns closely with our business operations and is pivotal for our future growth. We have now established a generative AI R & D center at Fictiv, drawing top talent and creating a global framework for the adoption of cutting-edge technologies.

Downstream expansion is being driven by “MISUMI flow,” following development in China, was launched in Japan in April 2025. As the fourth initiative in our Digital MODEL Shift, following mevi, the Economy Series, and D-JIT. MISUMI flow mainly targets mass production factories, optimizing the procurement of manufacturing components and achieving overall cost reduction.

Manufacturing components tend to be overlooked in procurement priorities compared to direct materials due to their low unit price and sheer variety, but MISUMI flow addresses inefficiencies that have thus far been ignored.

Customer response in both Japan and China, where it has been rolled out, has been positive, and adoption is progressing at a faster pace than expected. Going forward, we will simultaneously expand the regions where it is introduced and enhance our service offerings, making it the core of our downstream strategy and striving to increase Customer’s Time Value in the mass production process.

Growth Chain-reaction Aspired Management Starts with Employee Challenges

The driving force behind the ongoing refinement of our Business MODEL is, without a doubt, the individual challenges undertaken by each employee. When employees strive to improve their work and

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skills, delivering results that create value for customers, it builds trust. This value is then returned to society, leading to the expansion of our customers' businesses, and ultimately cycles back to fuel our own growth. This virtuous cycle, which starts with employees taking on challenges connecting the growth of our Company, the Monozukuri industry, and society, is referred to as Growth Chain-reaction Aspired Management, as stated in our management philosophy. It embodies MISUMI's commitment to contributing to the sustainable development of society.

This is why developing talent is one of our most important strategic priorities, and I am personally deeply committed to this effort. In particular, the MISUMI Strategy School for management personnel is an expanded continuation of the Strategy Seminar established by Chairman Emeritus Tadashi Saegusa. I also serve as an instructor, engaging directly in person to help enhance the management literacy of our next generation of leaders.

Currently, to further strengthen our adaptability to change, we are reviewing our Company-wide systems and structures. We have formulated a growth strategy, updated our integrated profit management system, and are now entering the stage of transforming the organization itself. We are also making significant revisions to our personnel and evaluation systems to support employees who think independently, act proactively, and embrace new challenges.

As a first step, we introduced the Next Challenge Program in FY2023. This HR initiative empowers employees to take ownership

of their own career paths, taking the next step in their professional journeys, serving as the cornerstone of our future talent strategy. By resetting current positions and enabling all employees to apply for roles and responsibilities they aspire to, we encourage personal growth and foster greater internal mobility. In fact, about 20% of our employees experienced a job transfer in FY2024. Our goal is to become the world's Best Place To Grow, where employees can achieve their full potential.

Capital Policy and Governance

In our capital policy, we place emphasis on shareholder returns and investments in a balanced manner, for sustainable growth.

Specifically, beginning in FY2025, we increased our dividend payout ratio to 35% from the prior level. Additionally, to improve capital efficiency, we have decided to acquire treasury stock. Due to advances in cash management, we have been able to reduce on-hand cash, including BCP reserves, from approximately 100 billion yen to around 70 billion yen. The difference is being allocated to shareholder returns, and we are flexibly conducting share buybacks with an upper limit of 25 billion yen or 17 million shares.

On the other hand, our capital policy is not focused solely on short-term profits. I believe there are times when we should invest, even at the expense of short-term profits. Through a balanced approach to growth investments and shareholder returns, we will deliver returns that surpass our cost of capital and seek to increase our equity spread.

Soundness and transparency in governance are being enhanced at both the Board of Directors and executive levels. Currently, Outside Directors constitute 40% of the Board; meetings are characterized by dynamic discussions that are not predetermined, rather than mere formalities. To enhance their understanding of frontline operations, we occasionally hold Board meetings at factories or logistics sites, integrating these sessions with on-site inspections. Furthermore, we provide numerous opportunities for Outside Directors to have individual dialogues with senior management, ensuring that diverse perspectives are reflected in our management approach.

On the execution side, we are advancing the introduction of new systems aligned with organizational reforms. Participation of executives from other business units is now mandatory in each business unit's management meetings. Through open discussions and collective decision-making, we strive to establish an even higher standard of governance.

Becoming a Foundation Supporting the Sustainability of the Monozukuri Industry

Our commitment to acting as an Industrial Foundation stems from a strong desire to make the Monozukuri industry more sustainable. Small and medium-sized enterprises, which form the backbone of manufacturing, will continue to face challenges unless innovation in manufacturing and procurement processes advances. If the foundation of the industry weakens, there is a risk that traditional supply chains may cease to function.

These challenges are not unique to Japan; they are also common in the United States, Europe, China, and other regions, where younger generations are increasingly moving away from manufacturing. That is why the MISUMI Group aims to contribute to the sustainability of the Monozukuri industry by supplementing the functions of small and medium-sized enterprises with new digitally driven MODELS and strengthening supply chains globally.

Ultimately, our goal is to serve as the Industrial Foundation that underpins the Monozukuri industry from the ground up. Like electricity or water, we strive to be an essential part of daily life—so much so that customers may not even be conscious of “using MISUMI,” yet can always count on receiving the necessary parts reliably when needed. We aim to provide peace of mind and trust.

To realize this ideal, we remain committed to continually innovating our Digital MODEL Shift initiatives and maximizing Customer's Time Value. We hope all stakeholders will look forward to our Group's further growth and share candid opinions on our initiatives.