

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	403,500	10.2	57,300	9.7	57,600	9.7	42,000	11.8	147.72

(Note) Revision of the latest financial results forecasts: None

*Notes:

- (1) Changes in significant consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
 (Note) For details, please refer to 2. Quarterly Consolidated Financial Statements and Primary Notes, (4) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies) on page 9 of the attached document.

- (4) Total number of shares outstanding (common shares)
 - 1) Total number of shares outstanding at the end of the period (including treasury stock):
 - As of September 30, 2022 : 284,525,097 shares
 - As of March 31, 2022 : 284,452,897 shares
 - 2) Total number of treasury stock at the end of the period:
 - As of September 30, 2022 : 130,070 shares
 - As of March 31, 2022 : 129,896 shares
 - 3) Weighted average number of shares outstanding during the period:
 - Six months ended September 30, 2022 : 284,364,717 shares
 - Six months ended September 30, 2021 : 284,149,628 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit corporations.

* Explanation on the appropriate use of forecasts and other notes

The earnings forecasts and other forward-looking statements herein are based on information available to the Company at the time of preparation and certain assumptions deemed to be reasonable, and actual results may differ significantly from the forecasts due to various factors. For the assumptions on the earnings forecasts and notes on their use, please refer to "Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements" on page 3 of the attached document.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The global economy during the first half of the FY2022 was challenging due to the ongoing impact of the COVID-19 infection, demand slowed down in China due to the lockdown and power restrictions in some areas. Japan was also affected by the China lockdown and remained sluggish, especially in the automotive sector. In addition, the shortage of materials and parts, which has continued since last year, did not improve in earnest, and capital investment in automation-related facilities and factory operations declined. Meanwhile, demand remained steady in overseas regions except China.

Under this economic environment, MISUMI Group is leveraging its unique business model, which encompasses manufacturing and distribution businesses. By advancing the business foundation that supports these businesses globally, we contribute to industries worldwide related to automation demand, particularly the manufacturing industry, by responding to customers' reliable, quick delivery needs. Despite our efforts to accurately capture customer demand by utilizing the strong business foundation built to date in IT, logistics, and production as well as our global network, the China lockdown had a strong impact.

Consequently, despite the slowdown in demand, consolidated net sales were ¥188,158 million (3.2% increase year-on-year) thanks to the impact from foreign exchange rate effects.

In terms of profits, an increase in expenses related to the introduction of a new core system, resulted in an operating income of ¥26,898 million (5.6% decrease year-on-year). As a result, ordinary income was ¥27,527 million (4.1% decrease year-on-year), and net income attributable to owners of the parent totaled ¥20,240 million (2.8% decrease year-on-year).

① Factory Automation (FA) Business

In the FA business, except for Japan and China, where demand slowed, growth continued in other regions with sales of ¥61,415 million (4.0% increase year-on-year) and operating income was ¥12,241 million (4.3% decrease year-on-year).

② Die Components Business

In the Die components business, growth continued in the Americas and Europe, while automotive-related capital expenditures and factory utilization declined in other regions. Sales totaled ¥39,900 million (6.4% increase year-on-year) and operating income was ¥4,732 million (7.1% decrease year-on-year).

③ VONA Business

VONA business is MISUMI Group's sales and distribution business of manufacturing / automation-related equipment parts and MRO (Maintenance, Repair, and Operations) products. In addition, this business segment includes MISUMI brand products and third-party manufacturers' products. Despite the continued impact of shortages of products and sales discontinuation of some products, expansion was seen in Asia, Americas, and Europe, resulting in sales of ¥86,842 million (1.4% increase year-on-year) and operating income was ¥9,924 million (6.4% decrease year-on-year).

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of the end of the second quarter of the fiscal year were ¥377,335 million, an increase of ¥29,945 million (+8.6%) compared to the previous year-end. This was mainly attributable to an increase of ¥27,377 million (+10.8%) in current assets due to increases in cash and deposits, and merchandise and finished goods, an increase of ¥2,373 million (+5.1%) in property, plant and equipment.

Total liabilities amounted to ¥62,766 million, a decrease of ¥4,664 million (-6.9%) compared to the previous year-end. This was mainly attributable to a decrease of ¥5,825 million (-11.1%) in current liabilities due to decreases in accounts payable - other, income taxes payable and provision for bonuses, despite an increase of ¥1,161 million (+7.7%) in long-term liabilities.

Total net assets amounted to ¥314,569 million, an increase of ¥34,609 million (+12.4%) compared to the previous year-end. This was primarily because shareholders' equity increased by ¥16,239 million (+6.3%) due to an increase in retained earnings, and accumulated other comprehensive income including foreign currency translation adjustments increased by ¥18,063 million (+94.6%).

As a result, the equity ratio was 82.6%, compared to 79.8% at the end of the previous year.

2) Cash flows

At the end of the second quarter of the fiscal year, cash and cash equivalents amounted to ¥114,469 million, an increase of ¥13,026 million compared to the previous year-end.

Cash flows from operating activities amounted to a net cash inflow of ¥15,055 million (a net cash inflow of ¥28,345 million for the same period in the previous year). The breakdown is as follows. Income before income taxes was ¥27,391 million. Depreciation and amortization was ¥7,857 million. The amount of decrease in provision for bonuses was ¥2,411 million. The amount of decrease in notes and accounts receivable - trade was ¥2,180 million. The amount of increase in inventories was ¥6,695 million. The amount of decrease in accounts payable - other was ¥2,220 million. Income taxes paid was ¥9,019 million.

Cash flows from investing activities amounted to a net cash outflow of ¥5,501 million (a net cash outflow of ¥12,494 million for the same period in the previous year). The main item was purchase of fixed assets of ¥4,885 million.

Cash flows from financing activities amounted to a net cash outflow of ¥5,164 million (a net cash outflow of ¥3,503 million for the same period in the previous year). The main item was dividends paid of ¥4,182 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements

There are no changes to the full-year consolidated earnings forecast for the fiscal year ending March 31, 2023, announced on May 6, 2022. Regarding the future business environment, although the trend of global automation-related demand will remain unchanged over the medium to long term, the impact of COVID-19 infection and a slowdown in demand due to shortages of parts and other factors are increasing uncertainty. Considering our measures and exchange rate effects, we will not change the previously announced earnings forecast.

In the event of any significant events that may affect our business performance due to changes in the business environment, we will promptly disclose such information.

The forecast for dividends is announced in the press release dated October 27, 2022, titled "Announcing an interim dividend distribution and revisions to forecasts for year-end and annual dividends."

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	108,895	122,669
Notes and accounts receivable - trade	76,819	77,606
Merchandise and finished goods	50,593	58,213
Work in process	2,823	4,128
Raw materials and supplies	8,324	10,231
Other	5,950	7,932
Allowance for doubtful accounts	(282)	(280)
Total current assets	253,123	280,501
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,815	14,042
Machinery, equipment and vehicles, net	16,272	16,723
Land	3,876	3,909
Other, net	12,555	14,218
Total property, plant and equipment	46,520	48,894
Intangible assets		
Software	28,527	28,318
Other	7,192	7,800
Total intangible assets	35,719	36,118
Investments and other assets		
Investment securities	6	6
Other	12,375	12,170
Allowance for doubtful accounts	(355)	(355)
Total investments and other assets	12,026	11,821
Total non-current assets	94,266	96,834
Total assets	347,390	377,335

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,617	21,473
Accounts payable - other	9,208	7,508
Income taxes payable	7,154	5,494
Provision for bonuses	4,819	2,585
Provision for directors' bonuses	250	—
Other	9,361	9,524
Total current liabilities	52,410	46,585
Long-term liabilities		
Liability for retirement benefits	6,872	7,055
Other	8,146	9,125
Total long-term liabilities	15,019	16,180
Total liabilities	67,430	62,766
Net assets		
Shareholders' equity		
Common stock	13,664	13,755
Capital surplus	24,020	24,111
Retained earnings	220,519	236,577
Treasury stock	(79)	(80)
Total shareholders' equity	258,125	274,364
Accumulated other comprehensive income		
Deferred gain (loss) on hedges	36	—
Foreign currency translation adjustments	19,063	37,161
Defined retirement benefit plans	(0)	2
Total accumulated other comprehensive income	19,100	37,163
Stock acquisition rights	1,937	2,106
Non-controlling interests	797	934
Total net assets	279,959	314,569
Total liabilities and net assets	347,390	377,335

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
For the Six Months Ended September 30, 2022 and 2021

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	182,238	188,158
Cost of sales	98,992	101,242
Gross profit	83,246	86,915
Selling, general and administrative expenses	54,751	60,017
Operating income	28,494	26,898
Non-operating income		
Interest income	235	488
Subsidy income	7	286
Miscellaneous income	167	193
Total non-operating income	410	968
Non-operating expenses		
Interest expenses	37	98
Foreign exchange losses	129	169
Miscellaneous loss	43	70
Total non-operating expenses	210	339
Ordinary income	28,694	27,527
Extraordinary losses		
Impairment loss	20	44
Loss related to COVID-19	294	91
Total extraordinary losses	314	135
Income before income taxes	28,379	27,391
Income taxes	7,511	7,095
Net income	20,868	20,296
Net income attributable to non-controlling interests	37	55
Net income attributable to owners of parent	20,831	20,240

Quarterly Consolidated Statement of Comprehensive Income
For the Six Months Ended September 30, 2022 and 2021

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net income	20,868	20,296
Other comprehensive income		
Deferred gain (loss) on hedges	16	(36)
Foreign currency translation adjustments	1,310	17,985
Defined retirement benefit plans	11	2
Share of other comprehensive income in associates	5	12
Total other comprehensive income	1,344	17,964
Comprehensive income	22,213	38,260
Comprehensive income attributable to		
Owners of parent	22,165	38,303
Non-controlling interests	47	(43)

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Income before income taxes	28,379	27,391
Depreciation and amortization	7,494	7,857
Impairment loss	20	44
Increase (decrease) in liability for retirement benefits	160	141
Increase (decrease) in provision for bonuses	139	(2,411)
Increase (decrease) in provision for directors' bonuses	(16)	(250)
Increase (decrease) in allowance for doubtful accounts	(29)	(31)
Interest and dividend income	(242)	(495)
Interest expenses	37	98
Share-based compensation expenses	303	350
Foreign exchange (gains) losses	(21)	(50)
Share of (profit) loss of entities accounted for using equity method	(21)	(24)
Loss related to COVID-19	294	91
(Increase) decrease in notes and accounts receivable - trade	1,733	2,180
(Increase) decrease in inventories	(1,537)	(6,695)
(Increase) decrease in consumption taxes refund receivable	(720)	(484)
Increase (decrease) in notes and accounts payable - trade	(749)	(1,110)
Increase (decrease) in accounts payable - other	(917)	(2,220)
(Increase) decrease in other assets	(291)	(722)
Increase (decrease) in other liabilities	(47)	1
Subtotal	33,969	23,661
Interest and dividend income received	185	558
Interest expenses paid	(36)	(58)
Payments related to COVID-19	(234)	(86)
Income taxes refund	270	0
Income taxes paid	(5,808)	(9,019)
Net cash provided by operating activities	28,345	15,055
Cash flows from investing activities		
Purchase of fixed assets	(7,704)	(4,885)
Proceeds from sales of fixed assets	22	41
Payments into time deposits	(6,012)	(8,296)
Refund from time deposits	1,113	7,979
Payments for lease and guarantee deposits	(575)	(750)
Proceeds from collection of lease and guarantee deposits	652	411
Other, net	9	(1)
Net cash used in investing activities	(12,494)	(5,501)
Cash flows from financing activities		
Proceeds from issuance of stock	16	0
Dividends paid	(2,608)	(4,182)
Proceeds from share issuance to non-controlling shareholders	—	34
Repayments of lease obligations	(901)	(1,015)
Other, net	(10)	(0)
Net cash used in financing activities	(3,503)	(5,164)
Effect of exchange rate change on cash and cash equivalents	505	8,636
Net increase (decrease) in cash and cash equivalents	12,852	13,026
Cash and cash equivalents at beginning of period	71,964	101,443
Cash and cash equivalents at end of period	84,816	114,469

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Changes in scope of consolidation or application of equity method)

DT dynamics Corporation was included in the scope of consolidation during the second quarter of the fiscal year due to its establishment.

(Changes in accounting policies)

(Application of the U.S. GAAP ASU 2016-02 "Leases")

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

As a result of the application of the said accounting standard, "Other, net" under property, plant and equipment increased by ¥960 million, "Other" under current liabilities increased by ¥221 million, and "Other" under long-term liabilities increased by ¥1,044 million.

The application of the said accounting standard has only a minimal impact on income and loss for the six months ended September 30, 2022.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year. As a result, accounting treatment and disclosure of corporate and local income taxes and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021, hereinafter, "PITF No. 42"). Pursuant to the provision in Paragraph 32 (1) of PITF No. 42, the Company has judged that there is no impact from the change in accounting policies as a result of applying PITF No. 42.

(Segment information)

[Segment information]

For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

1. Net sales, segment income, and information on disaggregation of revenue by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Revenue from contracts with customers	59,073	37,515	85,649	182,238	–	182,238
Sales to customers	59,073	37,515	85,649	182,238	–	182,238
Internal sales to other segments	–	–	–	–	–	–
Total	59,073	37,515	85,649	182,238	–	182,238
Segment income	12,796	5,091	10,606	28,494	–	28,494

Segment income before amortization of goodwill*	12,796	5,343	10,606	28,746	–	28,746
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*(Note) Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

2. Impairment loss on non-current assets or goodwill by reportable segment

Description is omitted due to immateriality.

For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Net sales, segment income, and information on disaggregation of revenue by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Revenue from contracts with customers	61,415	39,900	86,842	188,158	–	188,158
Sales to customers	61,415	39,900	86,842	188,158	–	188,158
Internal sales to other segments	–	–	–	–	–	–
Total	61,415	39,900	86,842	188,158	–	188,158
Segment income	12,241	4,732	9,924	26,898	–	26,898

Segment income before amortization of goodwill*	12,241	4,985	9,924	27,150	–	27,150
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*(Note) Amortization of other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment income.

2. Impairment loss on non-current assets or goodwill by reportable segment

Description is omitted due to immateriality.

[Supplementary information]

For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
87,157	37,786	26,984	16,395	10,304	3,611	182,238

(Note) Net sales represent the net sales of the Group in Japan and other countries or regions.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
15,953	8,279	6,105	4,493	7,204	42,037

For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
84,069	37,492	29,298	21,284	11,642	4,370	188,158

(Note) Net sales represent the net sales of the Group in Japan and other countries or regions.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
14,829	11,341	6,754	6,785	9,183	48,894