MiSUMi ANNUAL REPORT 2010

MISUMI Group Inc.

Profile

Since its establishment in 1963, The MISUMI Group has been a powerful "behind-the-scenes" presence supporting the Japanese machine industry. One of The MISUMI Group's first achievements was the standardization of press die components by means of innovative catalog sales operations. We have continued to grow by providing the products customers require with high quality, low cost, and short delivery periods.

The MISUMI Group's innovation and foresight have led to a unique business model and organizational model that have earned high evaluations and are continuing to inspire other Japanese companies to undertake important innovations. In line with our slogan "a battle against time," we are making relentless efforts each day to achieve further increases in customer satisfaction and management efficiency. We are continually evolving our MISUMI QCT Model for concurrently optimizing quality (Q), cost (C), and time (T) factors as well as applying farsighted management strategies to provide powerful support for manufacturing industries in Japan and elsewhere throughout the world. That is our objective and our mission.

Contents

Forward-Looking Statements

This annual report contains forward-looking statements regarding The MISUMI Group's business performance estimates and business environment forecasts. All forward-looking statements are based on judgments derived from information available to The MISUMI Group at the time of publication, and these forecasts include uncertainties. Certain risks and uncertainties could cause MISUMI's actual results to differ materially from any projections presented in this report. Please be advised that our actual business performance and the future business environment may differ substantially from the forecasts indicated in this document.

Consolidated Financial Highlights

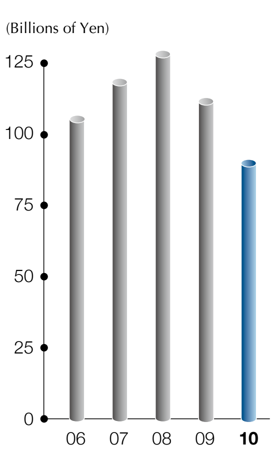
MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Change	Thousands of U.S. Dollars[1]
	2010	2009	**2010**/2009	**2010**
For the Year:				
Net sales	**¥89,180**	¥110,041	− 19.0 %	**$958,517**
Factory Automation Businesses[2]	**50,667**	62,376	− 18.8	**544,571**
Die Components Businesses	**22,761**	28,424	− 19.9	**244,631**
Electronics Businesses	**8,079**	10,282	− 21.4	**86,834**
Diversified Businesses	**7,673**	8,959	− 14.3	**82,481**
Operating income	**8,408**	11,017	− 23.7	**90,370**
Income before income taxes and minority interests	**7,778**	9,640	− 19.3	**83,596**
Net income	**3,886**	4,687	− 17.1	**41,767**
At Year-end:				
Total assets	**¥92,941**	86,080	8.0 %	**$998,934**
Total equity	**75,667**	71,696	5.5	**813,274**
Interest-bearing debt	**1,200**	1,862	− 35.6	**12,898**

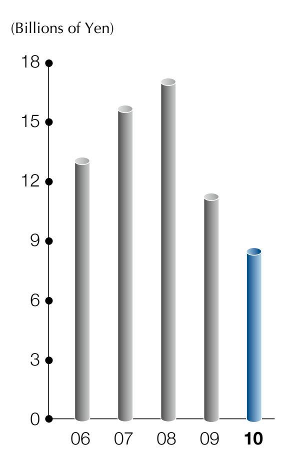
Per Share Data:	Yen		Change	U.S. Dollars
Net income	**¥43.84**	52.89	− 17.1 %	**$0.47**
Cash dividends	**10.00**	13.00	− 23.1	**0.11**
Equity	**853.70**	808.90	5.2	**9.18**

Notes: 1. U.S. Dollars converted at ¥93.04 per U.S. Dollar, the exchange rate effective March 31, 2010. Please see Note 1 in the Consolidated Financial Statements
2. In accordance with a change to the categorization of our business segments effective FY2009, the Optical-related businesses are now included within Factory Automation businesses. Year-on-year comparisons for Factory Automation are based on the new business segmentations.

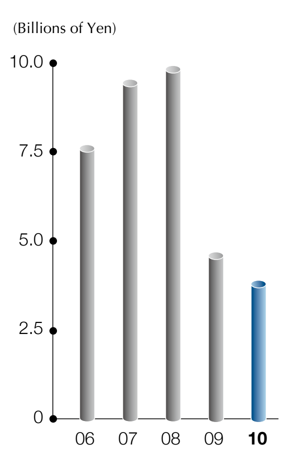
Net Sales



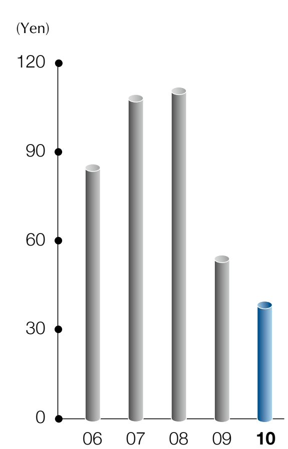
Operating Income



Net Income



Earnings per Share



The MISUMI Group is expanding its international business with its sights on a renewed growth trajectory

Tadashi Saegusa (left) Representative Director, Chairman and CEO Masayuki Takaya (right) Representative Director and President

Top Message

Business performance at the MISUMI Group Inc. in the Fiscal Year 2009 (April 1, 2009, through March 31, 2010) resulted in a decline in sales and profits due to the effects of the global recession that began in the latter half of FY2008.
However, sales overseas recovered in the second half, driven by Asia, while Japan experienced a moderate recovery. Viewing the recession as an opportunity to implement reforms to our earnings structure, the MISUMI Group delivered results far above our initial estimates.

Fiscal Year 2009 Business Performance

In FY2009 the MISUMI Group achieved net sales of ¥89.1 billion (down 19% compared to the previous year), operating income of ¥8.4 billion (down 23.7%) and net income of ¥3.8 billion (down 17.1%). The company's operating margin was 9.4%.

In the first half, net sales were down 39.5% year-on-year in the wake of the economic recession that began in the latter half of FY2008. In the second half, however, Asia led the recovery, driven by marked economic growth in China, and Japan also experienced a moderate recovery. As a result, second-half net sales grew 9.1% year-on-year. The recovery in the fourth quarter was particularly strong, with sales up 42.5% year-on-year.

Operating income was slightly lower than the previous year but the effects of earnings structure reforms we implemented in FY2009 bore fruit, leading to results far higher than our original plans.

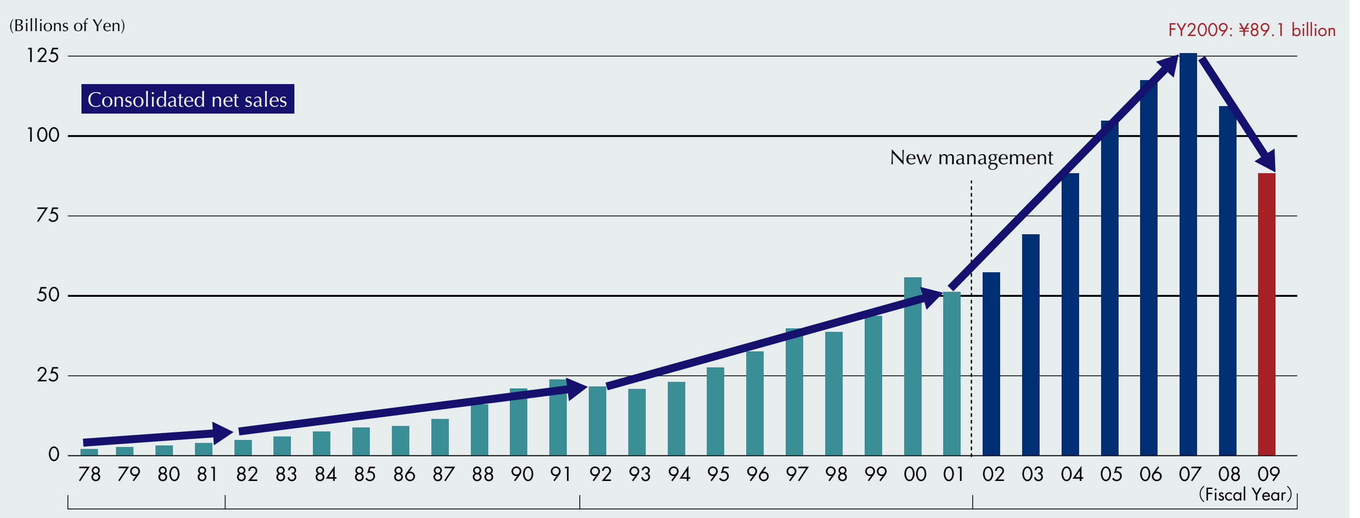
We decided on year-end dividends of ¥8 per share. Including the interim dividend of ¥2 per share, the annual dividend totaled ¥10 per share.

FY2009 Earnings Structure Reforms

At the start of FY2009, the MISUMI Group projected annual net sales of ¥83 billion, a decline of about ¥27 billion compared to the ¥110 billion achieved in the previous year (FY2008). This substantial decline in sales coupled with exchange rate movements would have depressed operating income by about ¥10 billion. That would mean that if we missed our sales plan by even a narrow margin, we risked posting a loss on the operating level.

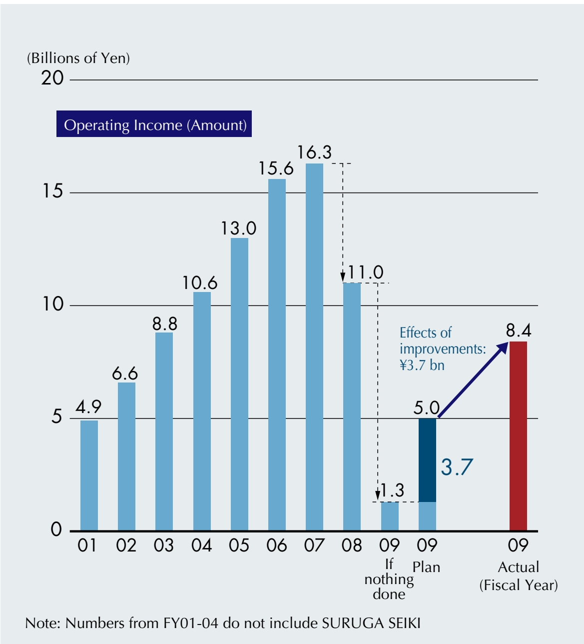
Viewing the recession as an opportunity, we set out to reform our earnings structure. The reforms implemented successfully bolstered profitability. We improved our gross margin to a record high 39%, even as we grappled with a shrinking top-line. Meanwhile, further cost-cutting bolstered our operating margin above 10% in the second half. The effects of these reforms, coupled with better-than-expected sales performance, resulted in annual operating income of ¥8.4 billion, far higher than our originally forecasted ¥5 billion.

■ Growth of The MISUMI Group



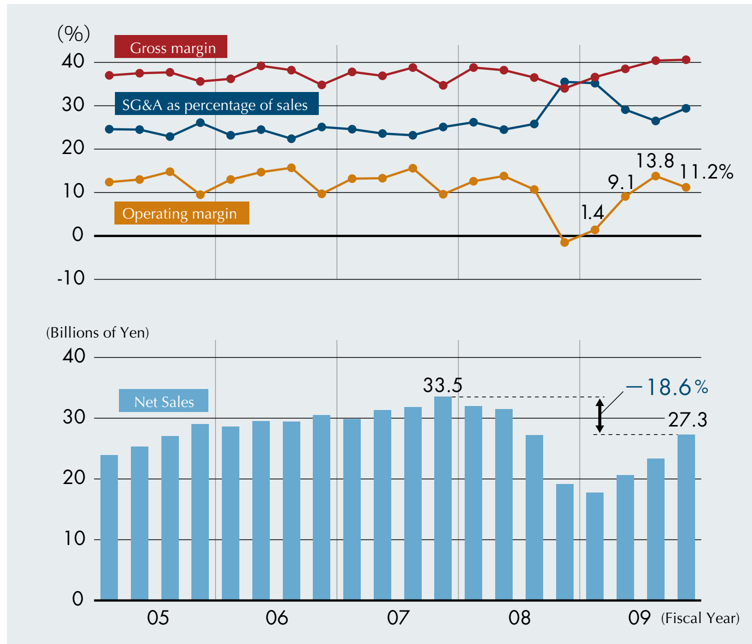
Note: FY89 has been omitted because of a change in the fiscal term.

Improvements to Operating Income (Amount)



Note: Numbers from FY01-04 do not include SURUGA SEIKI

Improvements to Profitability



Specifics About the Reforms Implemented

Increasing Profitability of Loss-making and Low-margin Products

We revised our catalog pricing schemes to better reflect product operation costs. We shared the benefits of the new pricing scheme with our customers by deepening discounts on high-volume orders as we raised prices in lower-volume zones. We published catalogs reflecting the new price schemes in June 2009. As a result, our gross margin improved substantially.

Cutting Operational Costs

We succeeded in reducing costs far in excess of plan at our marketing centers, which primarily take orders from customers. The cost reductions were achieved with the digitalization of order-taking—more than 60% of domestic orders are taken online—and cumulative effects of work efficiency improvements.

We also lowered logistics costs compared to the previous year, although not to the extent planned, due to the drag of lower volumes caused by declining sales and a more diverse product base. In FY2010, we will implement more reforms, including the introduction of a new IT system and a reduction of work processes.

Implementing Structural Reforms at SURUGA SEIKI

At the end of September 2009, operations ceased as planned at IFT (Iwaki Fine Technology), a loss-making business unit at SURUGA SEIKI CO., LTD. The business withdrawal was completed in the end of March 2010.

IFT was a precision die & mold business that SURUGA SEIKI acquired from Fujitsu in 2003. The business continued to lose money even after the acquisition despite reforms implemented beginning in FY2005, when IFT was integrated along with SURUGA SEIKI into the the MISUMI Group. Eventually, the decision was made to exit the business, given the effects of the economic recession felt beginning in the latter half of FY2008. In addition to closing IFT, SURUGA SEIKI has cut fixed costs primarily by lowering headcount at overseas plants and has reduced manufacturing and other costs through factory-floor improvements. The result was profitability improvements surpassing plan.

Reducing Personnel Expenses

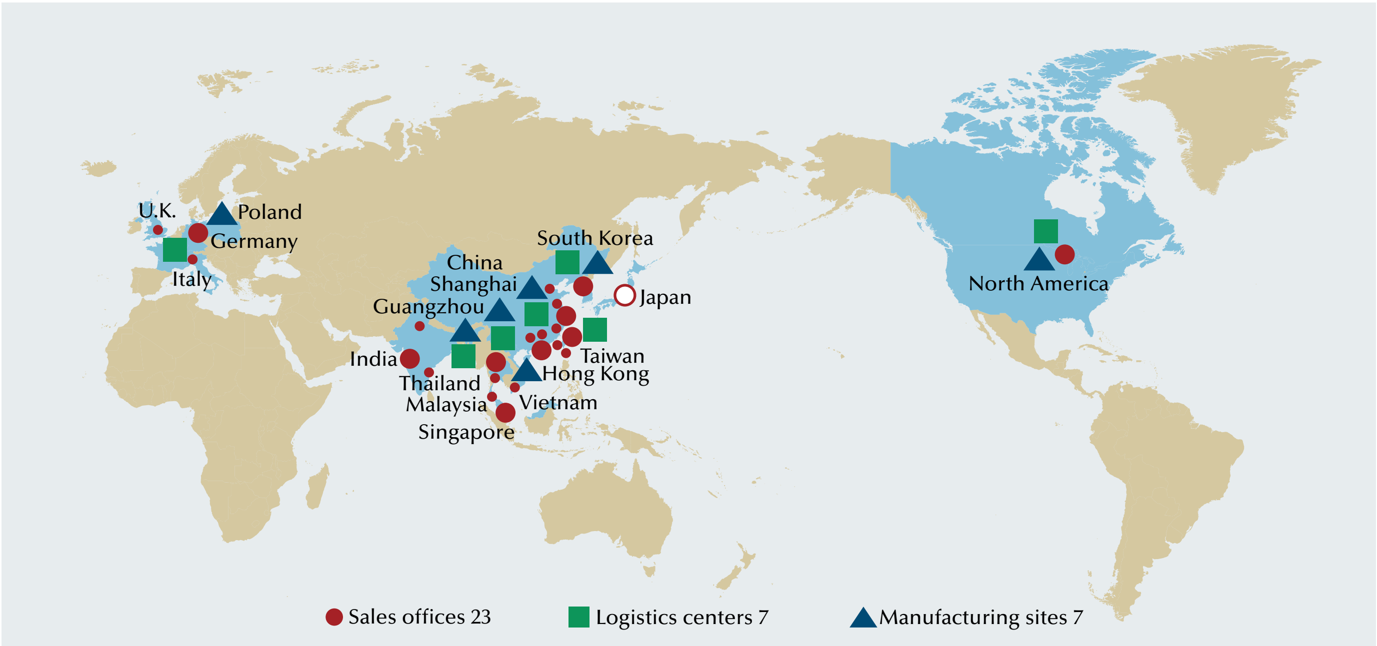
In the first half, the MISUMI Group succeeded in lowering personnel expenses according to plan by reducing headcount at overseas plants, phasing out temporary workers and freezing the hiring of mid-career recruits. In the second half, however, we resumed hiring at overseas plants to keep pace with the rapid recovery in international sales. In Japan, too, we recommenced hiring to prepare for future growth.

Our Basic Strategy Remains Unchanged, Despite the Recession

Evolving the MISUMI Business Model and the MISUMI Organizational Model

We at the MISUMI Group implemented emergency reforms aimed at shoring up earnings. At the same time,

International Expansion



we adhered to our basic strategy even amidst the recession and strove to evolve the MISUMI Business Model and the MISUMI Organizational Model.

Evolving the MISUMI Business Model: Expanding the International Business

Before a full-fledged expansion of the international business took place, international sales amounted to only ¥4.4 billion, or 8.6% of total sales, in FY2001. At the time, the international business relied primarily on exports from Japan. Since FY2002, however, our new management team changed course and set out to bring the MISUMI Business Model overseas in a three-pronged approach by establishing sales offices, distribution centers and manufacturing sites in each region.

Developing New Markets-Driving Innovations to the MISUMI QCT Model Overseas

In November 2009, the MISUMI Group published a local-currency version of our Press & Mold Catalog in India and began full marketing operations. After China, India has maintained the highest GDP growth rate among leading countries, and we expect a growing market for our mechanical industrial components. We hold seminars and market-outreach activities to recruit local manufacturing partners.

We now have a presence in 12 countries outside of Japan, including 23 sales offices, seven logistics centers and seven manufacturing sites. In each country, we are driving innovations to the MISUMI QCT Model (high Quality, low Cost, and short delivery Time).

Making Local-Language and Web Catalogs Available

In addition to expanding our sales network and manufacturing footprint overseas, issuing local-language catalogs is important to grow our international business. In December 2009, we issued new local-language catalogs in Italy, France and the Czech Republic—markets that follow only Germany in market size. With our foray into these new markets we have steadily added new customers. With these three new catalogs, we now have 28 types of catalogs available in local languages or local currencies in 12 countries overseas. Comparing that FY2002, when we had only four types in two countries, highlights how rapidly we have expanded our global catalog coverage over the past eight years. To complement our paper catalogs, by the end of FY2009 we completed our roll-out of a web catalog and an online ordering system in all local languages and currencies where we have local subsidiaries. The web catalog automatically generates a part number for ordering and displays a three-dimensional product preview. Moreover, users can download CAD data in a

Local language catalogs
Left: Press & Mold Standard Components Catalog (India)
Right: FA Mechanical Standard Components Catalog (Italy)

International business expansion

	Front end								Back end
	Local language / local currency catalogs					Web catalog Web ordering	Logistics centers		Manufacturing plants
	FA	Press	Mold	Tools	Electronics				
China	2004	2003	2004	2004		2008	2003 Shanghai, 2005 Guangzhou	2002 Shanghai, 2005 Guangzhou
Korea	2001	2000	2002		2006	2008	2006	2007
Taiwan	2003	2005	2006			2008	2006 outsourced	
Singapore	2006	2006	2006			2009		
Thailand	2006	2005	2007			2009	2005	2005
Europe	2004 (UK), 2006 (Germany), 2009 (France), 2009 (Italy), 2009 (Czech Republic)					2008	2006	2007
North America	2002, 2004 (inches)	2002	2003			2006	2004	1998, 2005 (expansion)
India	2010	2009				2009		
Vietnam								1995, 2005 (Plant No 2)
	28 versions in 12 countries					8 centers	7 centers	7 plants (not including expansions to existing sites)

variety of formats. The online ordering system makes for a quick process, from getting an estimate to placing the order. Together, the web catalog and online ordering system have enhanced customer convenience by reducing the time required to design or order parts.

Web catalog "e-catalog"

Growing the International Business Further

Awareness of the MISUMI Group overseas remains low, however. For example, MISUMI's FA Businesses have acquired only slightly more than 10% of our potential customer base, leaving substantial room for future growth. We will implement the following measures to grow the international business further:

1. Increase sales force to raise awareness and leverage web catalogs and online ordering to add customers
2. Boost cost competitiveness via local sourcing
3. Expand products with short delivery times
4. Fortify international business infrastructure, including order-taking systems and logistics
5. Build talent pools and organizations capable of accelerating growth in the international business

In FY2009 international sales were 24.7% of total sales. We will strive to accelerate global growth and first target 30%, then raise the bar higher.

Evolving the MISUMI Organizational Model: Company Cell Splits and Establishing an International Business Promotion Division

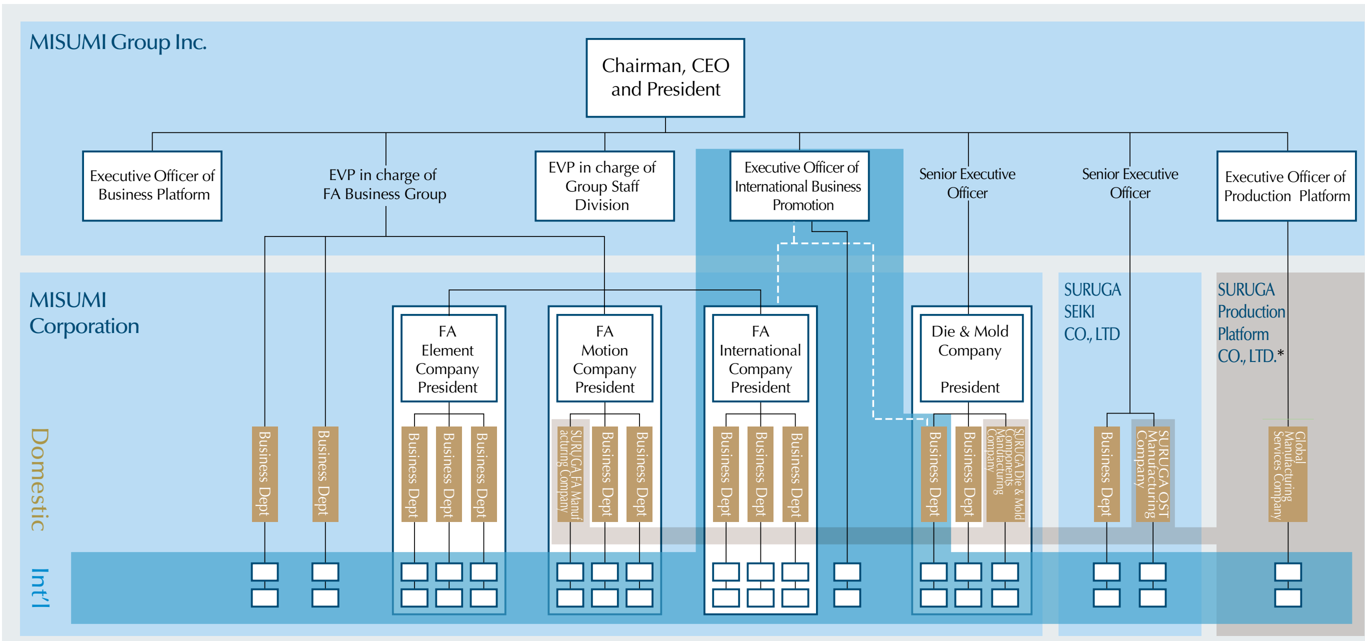
Cell Splits in the FA Company

At the MISUMI Group, when a business grows we split it up, implementing what we call a "cell split" to foster more organizational independence, under the belief that "small is beautiful." Each small team covers the full spectrum from product development to manufacturing and selling. The teams can be managed as independent corporations. Employees' passion and commitment to the business cultivates autonomy. This is the source of MISUMI's vitality.

In FY2007, we expanded this concept to the operating companies and launched four Companies along business lines such as FA and Die Components. Thereafter as sales grew so did the number of business units under the FA Businesses, eventually expanding to a scale beyond what could be managed by one Company President. Therefore, in October 2009, we split the FA Company into the FA Element Company and the FA Motion Company. Then in November we launched the FA International Company.

The FA Element Company and the FA Motion Company pursue growth by developing new products and expanding market share for existing products in each product segment. Thus, the organization was split to fuel

Evolving the MISUMI Organization Model



*Organization effective beginning FY2010 2H.

further growth. The FA International Company is charged with boosting lateral functions across the international business strategies of the FA Businesses Group and with strengthening ties between the FA Businesses Group and local subsidiaries overseas.

The International Business Promotion Division

In November 2009, we established an International Business Promotion Division to oversee all MISUMI Group subsidiaries located overseas at the same time we launched the FA International Company. The MISUMI Group has two platform groups. The Business Platform oversees marketing centers, logistics and global marketing functions. And the Production Platform drives innovations and technical advancements at the MISUMI Group and partner manufacturers. The International Business Promotion Division is our third platform, established to cover all overseas subsidiaries in the MISUMI Group and bring together functions overseas that straddle the two existing platforms, to accelerate the development of our international business.

Forecasts for Fiscal Year 2010

In FY2010 (April 1, 2010, through March 31, 2011) we expect international sales to reach a new high, backed by economic growth in China and the rest of Asia, and steps aimed at growing our international business. While falling short of a new record, we forecast sales in Japan will grow substantially as the export-led economic recovery leads to increased capital spending.

To enhance customer convenience, our FA Businesses will begin selling third-party brands in Autumn 2010. We expect an operating margin of 10% or higher, even with the greater burden of warehouse expansions and online ordering system enhancements required to support the expanded product line-up as well as increased expenses from higher headcounts and organizations aimed at growing the international business.

We at the MISUMI Group will continue to evolve the MISUMI Business Model and the MISUMI Organization Model to achieve further growth moving forward.

We thank our shareholders for their continued support.

Representative Director, Chairman and CEO
Tadashi Saegusa

Representative Director and President
Masayuki Takaya

Special Feature

Making new Inroads MISUMI's International Business

In only six years since the new management team took over in FY2002, sales at MISUMI's international business grew six-fold to 25 billion yen. Thereafter, the global recession triggered by the financial crisis temporarily weighed on business performance, but by FY2010 the international business had surpassed historical highs and has since continued to gather steam toward a rapid growth trajectory. That success was made possible by a strongly committed management team, which focused on international business expansion as an opportunity to drive growth at the MISUMI Group, and highly motivated employees, who seek to challenge themselves. Here we trace the inroads made by MISUMI's international business.

Front End Innovations

- FY1987 Established local subsidiary in the United States.
- FY1989 Established local subsidiary in Taiwan.
- FY1989 Established local subsidiary in U.K.
- FY1994 Established local subsidiary in Singapore.
- FY1995 Established local subsidiary in Hong Kong.
- FY1996 Established sales office in Bangkok, Thailand.
- FY1996 Established local subsidiary in Thailand.
- FY1999 Established local subsidiary in South Korea.
- FY2000 Published local-language catalog for Press products in South Korea.
- FY2001 Published local-language catalog for FA products in South Korea.

- FY1994 Opened manufacturing plant in Vietnam.
- FY1998 Opened manufacturing plant in North America.
- FY2001 Opened manufacturing plant in Shanghai, China.

FY 2002

NEW MANAGEMENT REGIME

- Published local-language catalogs (metric system) for Press and FA products in North America.
- Published local-language catalog for Mold products in South Korea.

FY 2003

- Established local subsidiary in Shanghai, China.
- Established local subsidiary in Germany.
- Opened logistics center in Shanghai.
- Published local-language catalog Mold products in North America.
- Published local-language catalog and FA products inTaiwan.
- Published local-language catalog for Press products in China.

- Attracted partner manufacturers to the MISUMI Production Park in Shanghai.

FY 2004

- Established sales office in Wuxi, China.
- Established sales offices in Taichung and Gaoxiong, Taiwan.
- Opened logistics center in North America.
- Published local-language catalogs for FA, Tool and Mold products in China.
- Published local-language catalog (inch system) for FA products in North America.
- Published English-language catalog for FA products in U.K.
- Published local-language catalog for Press products in Taiwan.

- Announced management integration with SURUGA SEIKI CO., LTD.
- Attracted partner manufacturers to the Wuxi MISUMI Production Park.

FY 2005

Management Integration with SURUGA SEIKI

- Established sales offices in Tianjin and Guangzhou, China.
- Opened logistics center in Guangzhou, China.
- Opened logistics center in Thailand.
- Opened logistics center in Germany.
- Published local-language catalog for Press products in Thailand.

- Opened manufacturing plant in Guangzhou.
- Built out second manufacturing plant in Vietnam.
- Added capacity to our North American plant.
- Opened manufacturing plant in Thailand.

Back End Innovations

FY 2006

- Established sales office in Malaysia.
- Opened logistics center in South Korea.
- Established sales office in Vietnam.
- Published German-language catalog for FA products in Germany.
- Published local-language catalog for Mold products in Taiwan.
- Published local-language catalogs for FA, Press and Mold products in Singapore.
- Published local-language catalog for Electronics products in South Korea.
- Published local-language catalogs for FA and Mold products in Thailand.
- Introduced Web Order System (WOS) in North America.
- Opened manufacturing plant in South Korea.

FY 2007

- Established sales office in Shenzhen, China.
- Introduced Web Order System (WOS) in China and Taiwan.
- Introduced e-catalogs in China and Taiwan.
- Opened a manufacturing plant in Poland.

FY 2008

NEW MANAGEMENT TEAM

- Established local subsidiary in India.
- Introduced Web Order System (WOS) in Europe, South Korea, Singapore, Thailand and India.
- Introduced e-catalogs in Singapore and Thailand.

FY 2009

- Opened sales office in Gurgaon, India.
- Published local-language catalog for Press products in India.
- Published local-language catalogs for FA products in France, Italy and the Czech Republic.
- Introduced e-catalogs in North America, Europe, South Korea and India.

FY 2010

Accelerating shift to international business

- Opened sales office in Italy.
- Opened sales office in Chennai, India.
- Opened sales office in Ningbo, China.
- Published local-language catalog for FA products in India.

International Business

Establishing a complete MISUMI QCT Model in each market we enter

Establishing a sales office, logistics center and manufacturing site in the world's leading countries within five years

At the end of FY2001, the international business accounted for less than 10% of total sales. To place the international business on a growth trajectory, the MISUMI Group needs to establish a complete MISUMI QCT Model in each overseas market it enters—such was the directive from top management after the new team was put into place. Management's decision represented a change in direction away from reliance on exporting mainly to Japanese customers that had made inroads overseas, to building out a complete operations base in each country where we do business. That meant establishing the front end (sales and distribution channels) and back end (manufacturing) in tandem. The aim was to achieve high quality at low cost with short delivery lead times and establish a presence supporting the world's manufacturing activities from behind the scenes. In this way, a new type of challenge began for the MISUMI Group.

From FY2002 into FY2007, the MISUMI Group made major up-front investments across traditional team boundaries to establish the MISUMI QCT Model in each local market we had entered. In only five years, we had established a complete set—sales office, logistics center and manufacturing site—in each of the world's major markets. Since then, our international business has expanded its footprint of sales offices to the present 12 countries.

The company's pursuits lay the foundation for cultivating management talent

We succeeded in growing our international business in short order thanks to our ability to apply know-how and experience gained in establishing the MISUMI QCT Model in China to our subsequent efforts. Furthermore, the integration of SURUGA SEIKI in April 2005 added manufacturing capabilities to our arsenal for expanding business overseas. That boosted our ability to drive strategic expansion by leaps and bounds.

Another driving force behind our business growth was none other than the high degree of motivation shown by MISUMI Group employees. These are people who take the initiative to tackle challenges in search of opportunity. The MISUMI Group has attracted a deep pool of talented employees who derive a sense of accomplishment from throwing themselves into new business ventures, overcoming challenges, achieving business success and, in the process, helping themselves to grow. Our success in growing the international business can be attributed to our employees' appetite for growth and a strong management commitment to ensure the growth potential of the MISUMI Group. Without both of these elements, the rapid growth we enjoy today would have been difficult to achieve.

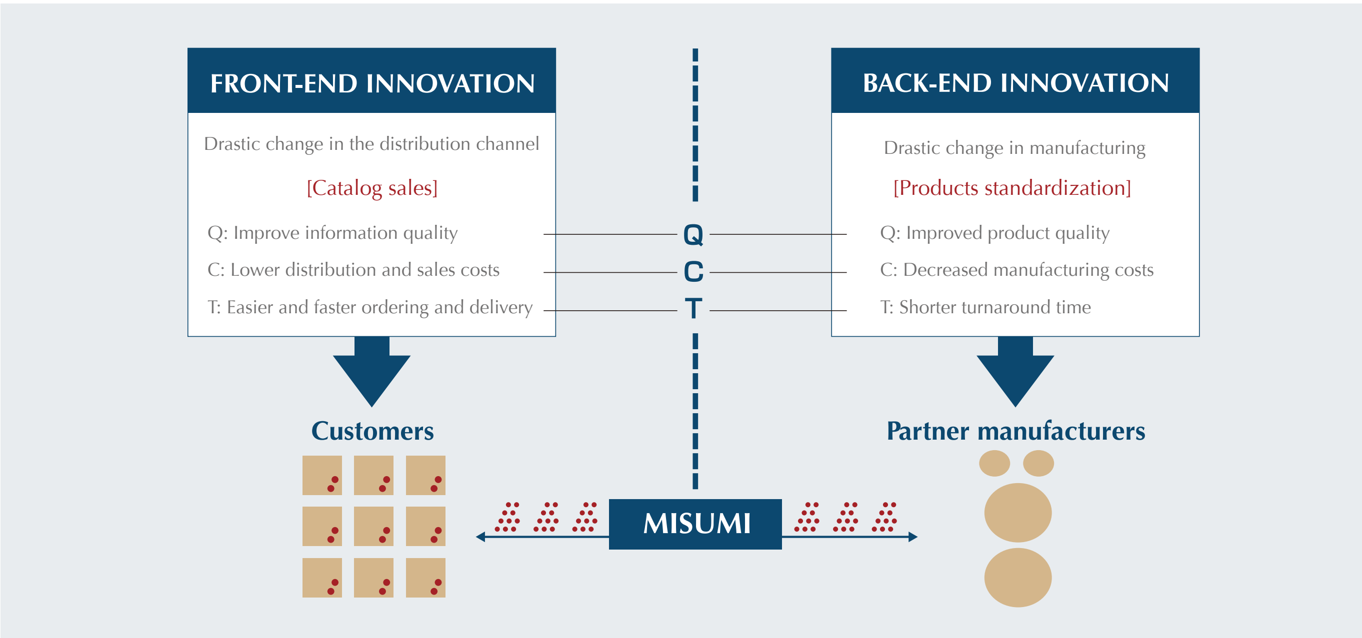
MISUMI has deployed small teams to make forays into untapped markets across the globe. From recruiting local hires to opening customer accounts and signing up partner manufacturers—all of this work started from scratch. In particular, the issue of cultivating talent among local hires who adhere to different cultures and working styles from the Japanese was common to all of our overseas markets. Moreover, customer needs and competitive environments differ by local region and by product. So our people had to search for the right answers to make headway with local customers. By the same token, we could waste no time in implementing measures to respond to a market that changes much faster than we had imagined. What ensued was a series of battles fought with blood, sweat and tears. Thanks to business plans that demand thoughtful foresight and serve as the basis for implementing MISUMI's strategy, we could quickly recognize differences between our business plan and reality, and respond promptly. Such opportunities promote growth at the company and develop talented managers at the same time.

Next, we will retrace the range of challenges we undertook in a number of regions.

Business expansion in Asia

"Make market inroads within one year." That was the first challenge given to the team dispatched to Shanghai in 2002. To that team, everything was a first—from searching for warehouses and catalog vendors, which play essential roles in MISUMI's business, to hiring local employees. "We cannot manage this operation premised on methods that work in Japan. And I learned first-hand it was my job not only to motivate the local hires and make the organization function as an integrated unit but, more broadly, to launch the overseas business," the then-manager reflects. According to that manager, the business started to make what felt like real progress at about the time the local hires had devel-

MISUMI QCT Model



oped into management talent.

The Chinese market is a place where powerful players from across the globe converged to tap new potential. Speed trumped all else in keeping pace with a dramatically changing market. Industries grew at speeds several times faster than they had previously in Japan. But the simple pursuit of speed at all costs in making market inroads might cause MISUMI's other strengths—product lineup, high quality, and short delivery times—to fall by the wayside and obscure our inherent competitive strengths. Balancing speedy market inroads with the establishment of a solid MISUMI QCT Model posed one of the most significant challenges. Preparing to publish the first local-language catalog for mainland China entailed an iteration of trial and error.

Local team members in China debated the future of the business during monthly visits from members of top management. In FY2003, MISUMI established a local sales office and logistics center, and established a local-procurement regime by inviting partner manufacturers from Japan and Taiwan to a local industrial complex, the MISUMI Production Park. This was the first successful implementation of the MISUMI QCT Model overseas. The process entailed dealing with an array of complex issues, from selecting the industrial park site and convincing Japanese partner manufacturers to open up shop in China, to building a local organization from scratch, and more. Tackling those challenges one by one, we succeeded in establishing the MISUMI QCT Model required to achieve product development, manufacturing and sales locally.

Shanghai QCT Logistics Center

Following the release of our press catalog, we issued local-language catalogs for FA, Tool and Mold components in FY2004. We launched our FA business in China, also. In so doing, we launched the Wuxi MISUMI Park as a centralized campus for partner manufacturers, and invited more manufacturers from Japan. At the same time, we pressed on with business expansion, opening sales offices in Guangzhou, Shenzhen and Ningbo.

Wuxi MISUMI Production Park

In other parts of Asia, MISUMI had sales offices in South Korea, Taiwan, Hong Kong and Singapore predating FY2002, but those businesses relied solely on exports from Japan, precluding MISUMI from exhibiting the inherent competitive strength of the MISUMI QCT Model. Starting in FY2002, MISUMI issued local-language catalogs in many countries, established manufacturing sites and logistics centers in Thailand and South Korea, and established complete MISUMI QCT Models in those countries, just as we had done in China. We have continued to aggressively pursue growth in emerging markets in Asia; we made inroads and began sales activities in Malaysia in FY2006 and in rapidly-growing India in FY2009.

Business expansion in North America

MISUMI had established a local subsidiary in the US before FY2002, but the business primarily relied on exporting products from Japan. It was not until MISUMI published a local-language catalog (metric units) in FY2002 that local operations picked up in full. Within about a year, however, MISUMI quickly developed a dedicated inch-based catalog offering products made with inch measurement standards, an offering we judged necessary to grow our business in the North American market. Meanwhile, the metric system had become the mainstream at engineering schools and younger designers were increasingly favoring the metric system. And MISUMI's metric-system catalog offered a far more expansive product lineup. Moreover, we were starting to see growth in orders for metric products due to a dearth of competitors in this area. This exemplifies the difficulty of discerning the right step to take amid ever-changing customer needs and an ever-evolving competitive environment.

Furthermore, efforts to expand sales with customers entailed repeated processes of trial and error. MISUMI representatives visited company after company, in a process dubbed "lunch and learn," offering pizza lunches to customer designers and giving lunch presentations to spread the word about MISUMI's business model. We deployed other travel-intensive sales-promotion activities, targeting 5,000 people a year, to tell the tale of the superiority of the MISUMI QCT Model all across the sprawling North-American continent. As a result, our customer base grew steadily and awareness of the MISUMI Group also rose.

In FY2004, we opened our own logistics center, which, together with our preexisting manufacturing facilities, completed the MISUMI QCT Model in North America as well. In FY2010, we will increase the number of products that can be delivered with short lead times by expanding our product warehouse to respond to customer demand for short delivery times. We will also improve our Web catalog functions in advance of other regions to enhance convenience and acquire new customers.

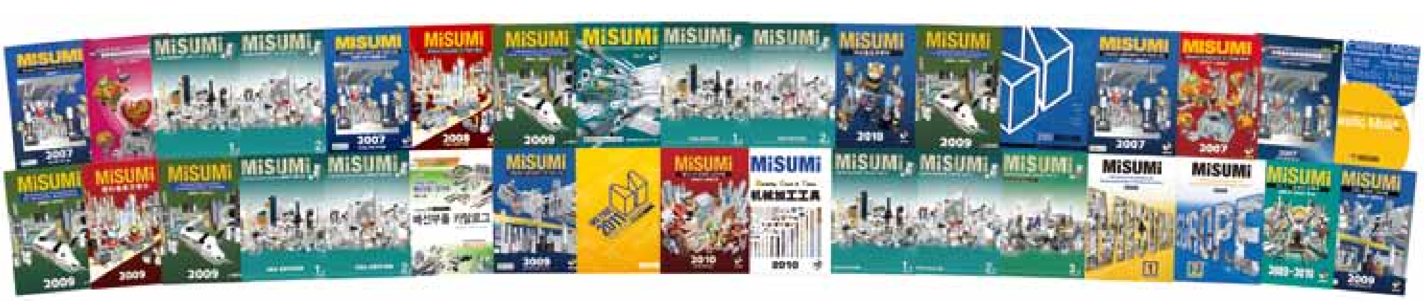
Business expansion in Europe

To deploy a full-scale business operation in Europe, we decided, based on market analysis, to focus our efforts on German-speaking regions. In FY2003, we opened a local subsidiary in Germany. We now cover all of Europe from Germany, layered with strategies tailored to local market characteristics.

The turning point for expanding our business in Europe came in FY2006, when we issued a German-language catalog. When we first established our business plan, our research had led us to conclude that designers in German-speaking regions would utilize English-language catalogs. However, customer response to the English-language catalogs did not meet our expectations. So we canvassed customer designers and learned that we needed to provide catalogs in our customers' mother tongue, even if those designers are capable of reading and writing English. We changed course immediately, and issued German-language catalogs. The response from customers was overwhelming, not only in Germany but also in other German-speaking regions such as Switzerland and Austria, paving the way for a substantial increase in customers.

Following that, we opened a logistics center in Germany in FY2005 and a manufacturing site in Poland in FY2006. That completed the MISUMI QCT Model in Europe. In FY2009, we published local-language catalogs in Italy, France and the Czech Republic. And in FY2010 we opened a branch office in Italy to strengthen local sales activities.

Moving forward, we will continue to expand into new markets in Europe and augment the competitive strength of the MISUMI QCT Model.



■ MISUMI local-language catalogs

Penetrating local markets leveraging the globally uniform MISUMI QCT Model

Strengthening efforts to shift from establishing a presence to penetrating the market

By FY2007, the MISUMI Group had for the most part put in place the MISUMI QCT Model in markets MISUMI had entered. Since FY2008 we have redoubled efforts to achieve market penetration. Our experiences establishing sales, distribution and manufacturing capabilities overseas taught us how fierce the competitive environment can be, with the presence of new rivals and a quickness to act that stands in stark contrast to Japan. To continue to grow moving forward, the MISUMI Group needs to foster wider recognition of our strengths in international growth markets. To date, we have aimed for international sales to contribute 30% of total sales. To raise that bar even higher, we will be implementing a variety of measures in each region.

Leveraging web catalogs to enhance front-end functions

Harnessing the power of the Internet can be a powerful weapon in expanding our international business. As information shifts from paper media to the World Wide Web, so too will orders shift from the phone or facsimile to the Internet. Rates of usage differ by geography, but from FY2008 to FY2009 the MISUMI Group rolled out its Web catalog (e-catalog) and online order-taking system (WOS: Web Order System) at all global locations to rapidly respond to these global trends.

Use of our Web site—to help select and design products, request estimates and make orders— dramatically enhances customer convenience while contributing to greater business flexibility for MISUMI. For example, we can now do things that were inconceivable when we relied on paper catalogs, things such as releasing new products simultaneously across the globe or making new products available for advance sale to Internet customers. In this way, our online catalog enhances front-end functions that benefit both MISUMI and our customers. Moving forward, we will continue to strive to enhance online ordering convenience and increase the percentage of all orders taken online.

e-catalog
(North American version)

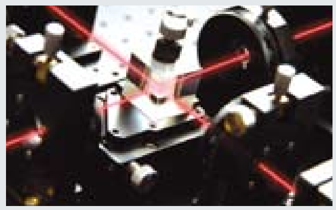
Globally optimized procurement through an acceleration of local sourcing

To strengthen our competitiveness in international markets, MISUMI needs to develop products that meet the needs of local customers, strengthen cost competitiveness by procuring products locally and expand the number of products we can deliver within short lead times. To date, we have actively searched for local manufacturers to work with, but local content still accounts for only a small percentage of total sales. Recently, however, we have seen sales of products procured locally grow at a rate that outstrips other products. We take this as a sign that the MISUMI QCT Model, which provides a product at a low price and short delivery lead time, is penetrating the market and receiving high marks from our customers.

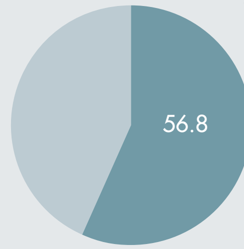
We will strive to spread our business model in each market by accelerating local production and local sourcing. On top of that, we will aim to build a global strategy that sources the optimal product from the optimal country.

Review of Operations of The MISUMI Group

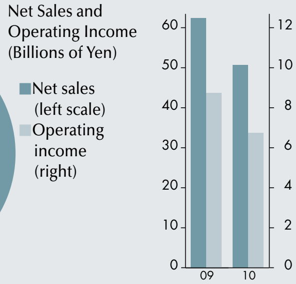
Factory Automation Businesses



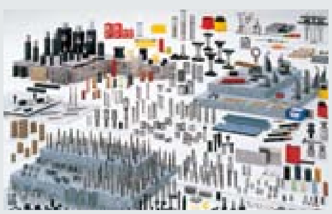
Percentage of Net Sales(%)



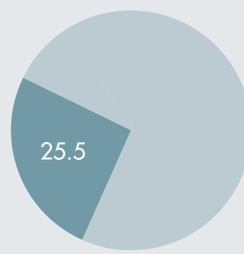
Net Sales and Operating Income (Billions of Yen)



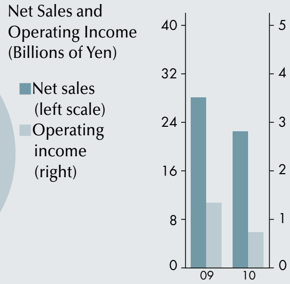
Die Components Businesses



Percentage of Net Sales(%)

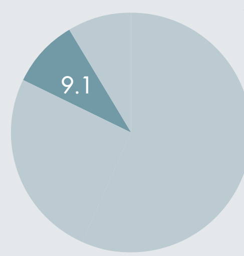


Net Sales and Operating Income (Billions of Yen)

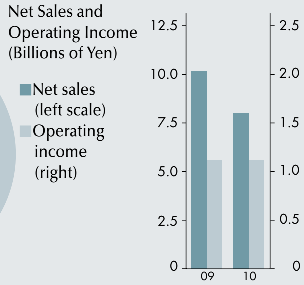


Electronics Businesses

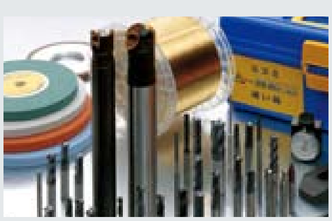
Percentage of Net Sales(%)



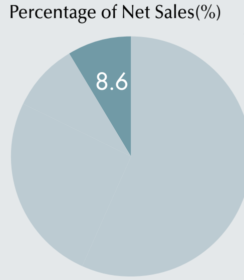
Net Sales and Operating Income (Billions of Yen)



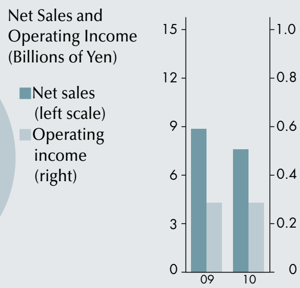
Diversified Businesses



Percentage of Net Sales(%)



Net Sales and Operating Income (Billions of Yen)



* In accordance with a change to the categorization of our business segments effective FY2009, the Optical-related businesses are now included within Factory Automation businesses. Year-on-year comparisons for Factory Automation are based on the new business segmentations.

Overview

Factory Automation (FA) Businesses provide mainly standard components, such as linear shafts, single axis units, pulleys, motors and aluminum frames that help streamline production and save labor costs in a range of FA and other systems. The Factory Automation Businesses account for the largest proportion of the Group's sales, and serve as the backbone of its operations.

Major Products

Shafts, shaft holders, set collars, linear bushings, oil-free bushings, slide guides, single axis units, aluminum frames, brackets, T-nuts, Hepa filter units, pipe frames, casters, adjuster pads, levers, handles, rods, hexagonal materials, screws, springs, shock absorbers, processed urethanes and rubber, antivibration and soundproof materials, manifolds, joints, piping parts, knuckle joints, hinge bases, links, heaters, insulator plates, rotary shafts, couplings, hinge pins, locating pins, switches, cutter (lathes and milling machines) machined components, processed sheet metal parts, XYZ-theta locating stages

Overview

Die Components Businesses develop and provide such standardized die and mold components as punches and dies, guide springs, ejector pins, core pins, and guides, including high-precision components for the automotive, electrical, and electronics industries.

Major Products

Punches and button dies, material guides, guide lifters, stopper guide pins and bushings, guide posts and bushings for die sets, coil springs, gas springs, cam parts, oil-free slide plates, lifting components, die and mold storage parts, ejector pins, ejector sleeves, center pins, core pins, block core pins, date-marked pins, pins with gas vents, angular pins and rocking blocks, slide core guide rails, sprue bushings and locating rings, runner and gate parts, electrodes, positioning and leader components, ejector space components, mold opening controllers, cooling and heat controlling components

Overview

Electronics Businesses develop and provide cables to connect FA equipment, harness cables, relay terminal blocks and connectors, as well as computers, peripherals, and other items for the field of measurement and control.

Major Products

Harnesses, cables, connectors, terminal blocks, wiring accessories, electrical plugs and sockets, switches, fans, control panel boxes, relay boxes, switch boxes, wiring tools, industrial PCs, camera installation parts, image-processing and GPIB-related products, computers and peripheral equipment, industrial displays, display arms, networking cables

Overview

Diversified Businesses provide machine tools, veterinary and medical supplies.

Major Products

Machine Tools:
Cutting tools (carbide-end mills, carbide drills), finishing tools

Veterinary and Medical Supplies:
Gauzes, dressings for protecting wounds, PROMICLOS veterinary materials, injection needles, etc.

Factory Automation Businesses

Factory Automation Businesses develop and supply standard components for automated machinery used in rationalization and laborsaving systems, including factory automation equipment.

Factory Automation Businesses are the principal pillar of the MISUMI Group and account for the largest portion of the Group's net sales, approximately 57%.

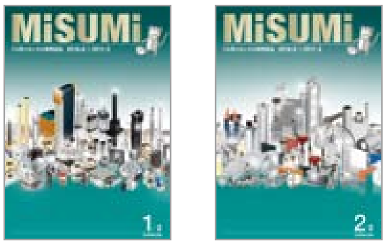
We offer mechanical standard components used in factory automation (FA) and other systems. Our FA Businesses encompass seven main businesses—Linear Motion, Rotation/Transfer, Positioning/Inspection, Adjustment/Fastening, Mechanical General Components, Structural Components and Fluid/Temperature Regulation—that cover approximately 650,000 products.

In the Linear Motion Business, we handle mechanical and peripheral components that go into linear motion mechanisms as well as industrial standard heaters, insulating boards and single axis actuator modular units. In the Rotation/Transfer Business, we offer rotary components, components that support rotary motion, and components such as belts and rollers that transfer power to other components. In the Positioning/Inspection Business, we provide locating pins and guides, XY stages and posts. In the Adjustment/Fastening Business, we supply fasteners such as bolts and washers as well as other components including magnets and springs. Our Mechanical General Components Business includes such materials components as metal plates, urethane and rubber, sound-proofing and anti-vibration materials, and custom-machined parts. Custom-machined parts are manufactured based on blueprints that customers can prepare with a large degree of freedom. Customers are free to design as they like with support from such tools as the C Navi custom-machined parts design procurement navigator (distributed on CDs) and the C Navi Guidebook. In the Structural Components Business, we offer aluminum frames and other parts used in automated equipment housings; pipe frames for cell manufacturing method facilities; casters for receiving and transporting items within plants; and such accessories as levers and handles for installation in equipment. In the Fluid/Temperature Regulation business, we supply peripheral parts for cylinder- and pump-driven hydraulic and pneumatic systems and piping components used in such fluid systems as those for water, oil, and chemicals.

New products added to the lineup include: a Flat Belt Single Track Miniature Conveyor featuring an internal motor that helps save space; a MISUMI-original Standard Stage, priced 50% to 20% below conventional products; an Ultra Low Profile Hexagon Socket Head Bolt featuring an extremely low bolt head profile; Channel brushes and Roll brushes that can be delivered in short lead times as a result of the standardization of industrial brushes; and LED lamps for housings featuring long life usage to serve as next-generation lighting to replace fluorescent lighting.

Our web catalog ("e-catalog") offers convenient features that shorten design time such as automatic product number generation and 2D and 3D CAD data.

Moreover, as a unique SURUGA SEIKI business, we develop and provide optics research and experimental equipment leveraging optical axis alignment positioning technology and supply parts to a variety of electronic device production sites.



FA Mechanical Standard Components Catalog

http://fa.misumi.jp
http://cp.misumi.jp (C Navi)

C Navi 2009 + Guidebook

Comprehensive Catalog

Optical Sensor Catalog

Die Components Businesses

Die Components Businesses serve the automotive, electronics, and electrical machinery industries by developing and supplying precision die components and standardized die components, such as punches, dies and ejector pins, for metal press and plastic injection molding applications.

Our Die Components Businesses include the Press Die Components Business, focused on metal press die components, and the Mold Components Business, focused on plastic mold and die components.

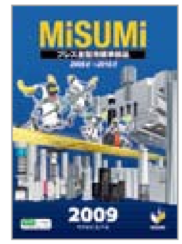
In the Press Die Components Business, we provide approximately 300,000 products: including components used in metal press dies, which are essential for the mass manufacture of automobiles, appliances, and precision machinery; punches and dies making holes in metal sheets; and guide posts, bushings and other parts to assist vertical die movement. In addition, we help customers procure items that fall outside our catalog specifications by providing estimates based on blueprints and then handling processes from manufacturing to sales.

New products include more variations featuring HW-coating to enhance punch friction resistance and types of ejector punches with reinforced springs & pins.

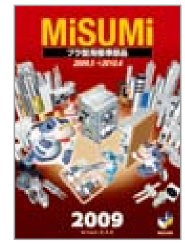
In the Mold Components Business, we offer about 150,000 items, including ejector pins, core pins, and guide posts for injection molding dies used to make a broad range of plastic products.

Supporting these businesses are cutting, grinding, polishing, and other precision machining technologies that we have refined over many years, as well as strict quality controls aimed at keeping complaints below 5 per 10,000 orders. Manufacturers in the automotive, electronics, electrical machinery, precision machinery, and other industries thus depend on our precision die offerings.

New products include: New Material PROVA 400 Core Pin, which supports engineered plastics; the Cooling Sprue Bushing, capable of high-cycle usage; and the Free Chuck Plate, which supports a wide range of forming applications from automated ejection to gate cutting and maintenance.



Metal Press Die Standard Components Catalog



Plastic Molding Standard Components Catalog

http://jp.misumi-ec.com/press
http://jp.misumi-ec.com/mold

Electronics Businesses

Our Electronics Businesses develop and supply harnesses, cables, connectors, and terminals for FA machinery as well as computers, control equipment and peripheral components for FA and industrial applications.

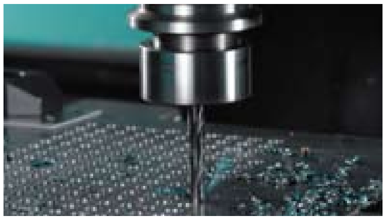
The Electronics Businesses supply about 720,000 products (including variations based on cable lengths). These include such wiring connector components as connectors, wiring, harnesses, cables, terminals, boxes, cable accessories, and tools for automated machinery and inspecting and measurement instruments used in FA equipment.

We also provide original products that customers would otherwise need to fabricate themselves. For example, we supply harnesses with pre-attached connectors and cables and offer a Box Hole-Boring Service, which greatly increases the convenience of attaching various components to product boxes.

New products that met particularly strong customer demand include breakers, electromagnetic switches, transformers, tower lights, flashlights, switching power sources, fans and AC adapters.

Wiring Connection Components

http://jp.misumi-ec.com/el



Tool-Direct Machining Tools Catalog

http://jp.misumi-ec.com/tool/

PROMICLOS VET (veterinary product comprehensive catalog)

Promiclos MEDICAL SUPPLY (Medical product comprehensive catalog for general practitioners)

http://www.promiclos.co.jp/

Diversified Businesses

Machine Tools

This business markets approximately 50,000 standardized items, including machine tool items used to machine components and process dies and molds, and also provides regrind and recoating services for cutting tools.

In cutting tools, we offer an industry-leading array of products centered on solid-type carbide end mills and also encompassing a steadily increasing selection of such products as carbide drills and reamers and a growing assortment of unique items that facilitate high-speed/high-precision machining, longer tool lifespans, and the shortening of machining processes.

In non-cutting tools, we supply tools such as those for electrical discharges, grinding, finishing, measuring, operating, and other machining applications that meet the needs of a broad range of machining facilities.

We added a significant number of new products in the XAL Series, which is popular among carbide end mills for its cost performance. We filled out a complete lineup of wire electrode wires that support all machining tool manufactures and added an economical version. Moreover, we added graphite material for die sinking electric discharge electrode blanks. We also added packaged products of copper materials at an attractive low price. And we expanded our polishing tools lineup to include abrasive sheets and files to provide full support to polishing processes.

Medical Supplies for Veterinary Clinics and General Practitioners (PROMICLOS Corporation)

PROMICLOS supplies veterinary care facilities and general practitioners with more than 6,000 vital products ranging from injection needles, sutures, catheters and other medical instruments to gauzes, gloves, and other general medical consumables. It also provides veterinary care facilities with veterinary supplies, pharmaceuticals and prescribed foods.

To meet the small-volume needs of doctors in veterinary care facilities and private practices, PROMICLOS quickly and dependably makes small-lot deliveries of the many products it offers.

Contributing to Socioeconomic Progress

The MISUMI Group continues to be active in contributing to society through student manufacturing support, environmental management activities and cooperation with cultural activities.

Student Manufacturing Support Activities

The MISUMI Group supports student groups that participate in contests with self-made automobiles or robots. We cast a wide net for interested participants—from universities to community colleges, technical schools and industrial vocational high schools—and provide MISUMI parts based on the motivation expressed by student groups interested in manufacturing and contests. In FY2009, we provided support to more than 100 student groups. The students flip through the pages of MISUMI catalogs, which offer an abundance of product lineups and can experience placing an order using our WOS (Web Order System), just as a designer would.

The MISUMI Group abides by the corporate philosophy being a behind-the-scenes supporter of the world's manufacturing activities and would like to be actively involved in helping students, who will grow to be important talent working in the manufacturing industry.

Tokyo Denki University F-SAE vehicle

Environmental Management Activities

<Managing Environmental Chemical Substances>

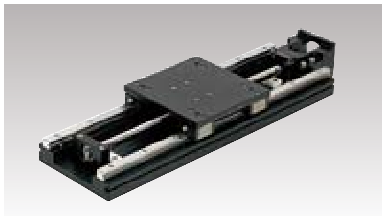
The European Union's July 2006 implementation of its Restriction of Hazardous Substances (RoHS) directive and China's March 2007 launch of a local equivalent are among several regulations in recent years that have tightened controls over environmental chemical substances. The MISUMI Group recognizes that compliance is an important factor in a customer's product selection and is responding accordingly in the marketplace. As such, The MISUMI Group discloses RoHS directive compliance in our catalogs and on our website.

<Green Procurement Guidelines>

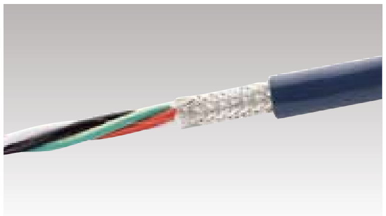
MISUMI and SURUGA SEIKI formulated Green Procurement Guidelines in September 2006 to ensure adherence to environmental chemical substances legislation and other requirements.

<ISO Environmental Activities>

In April 2003, the MISUMI Group Inc. and PROMICLOS received certification under the ISO 14001 standard for environmental management systems. SURUGA SEIKI was certified in January 2001.



Uniaxial actuator (FA Businesses)



Flexible power cable (Electronics Businesses)

Supporting Exhibitions with the MISUMI Art Collection

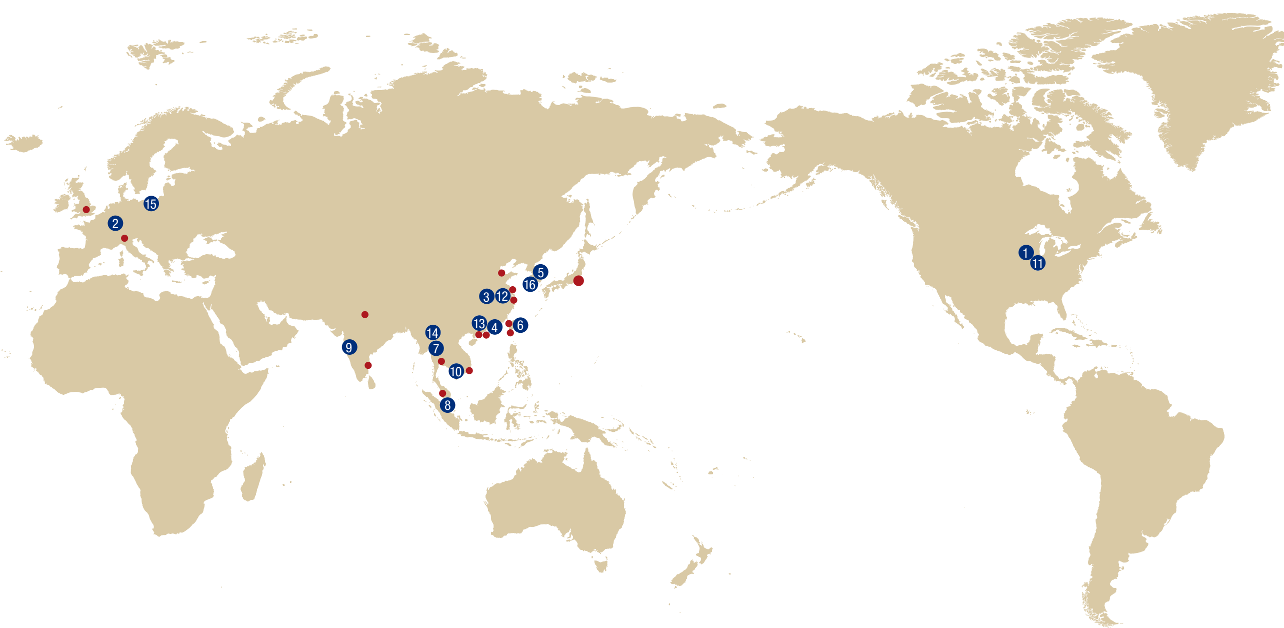
Over the past few years, MISUMI has lent works from the MISUMI Art Collection 14 times under special arrangements with galleries holding contemporary American art exhibitions. This acclaimed and highly distinctive collection focuses on contemporary American art, whose proponents eschewed European influences after World War II to break new stylistic ground. That spirit coincides with The MISUMI Group's corporate philosophy of constantly pursuing innovation.

In FY2010, we plan on lending works to the Yokosuka Museum of Art in September 2010 and to the Museum of Art, Kochi, in December 2010. Moving forward, we plan to continue to circulate art works on loan in response to demand from museums in other areas as well.

Exhibit at Museum of Contemporary Art Tokyo (2002)

"Bonsai Girl" 1993, by Yoshitomo Nara (2004 Yoshitomo Nara)

Global Network



Domestic Network

MISUMI Group Inc./MISUMI Corporation
4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458
Tel: 81-3-3647-7112 (Representative) Fax: 81-3-3647-7458

Marketing Centers

MISUMI QCT Center
Tel: 0120-343-066* Fax: 0570-034-355*

(Tokyo)
2F, Toyo Central Bldg.
1-13, Toyo 4-chome, Koto-ku, Tokyo 135-0016

(Kumamoto)
2F, Asahi Seimei Kouyaimamachi Bldg.
9-6, Kouyaimamachi, Kumamoto City, Kumamoto 860-0012

Distribution Network

West Japan Distribution Center
Sanda Kogyodanchi, 501-53, Fukushima-aza Miyanomae, Sanda City, Hyogo 669-1313

East Japan Distribution Center
1-1-1, Anzen-cho, Tsurumi-ku, Yokohama City, Kanagawa 230-0035

PROMICLOS Corporation (Promiclos Service Center)
9F, CN-2 Bldg., 2-8-3 Kiba, Koto-ku, Tokyo 135-8458
Tel: 0120-343-155* Fax: 0120-343-019*

* Toll-free number for Japan only

SURUGA Production Platform CO., LTD.*
505, Nanatsushinya, Shimizu-ku, Shizuoka City, Shizuoka 424-8566
Tel: 81-54-344-0311 Fax: 81-54-346-1053

• Kansai Plant
Misumi Production Park
2-3-2, Akamatsudai, Kita-ku, Kobe City, Hyogo 651-1516
Tel: 81-78-940-0281 Fax: 81-78-986-6590

• Iwaki Plant
8-1, Yoshima Kogyodanchi, Iwaki City, Fukushima 970-1144
Tel: 81-246-36-6000 Fax: 81-246-36-6676

SURUGA SEIKI CO., LTD.
505, Nanatsushinya, Shimizu-ku, Shizuoka City, Shizuoka 424-8566
Tel: 81-54-344-0311 Fax: 81-54-346-1053

• Tokyo Sales office
3F, Konan YK Bldg.
2-4-12, Konan, Minato-ku, Tokyo 108-0075
Minato Minami YK Building, 3F
Tel: 81-3-6711-5011 Fax: 81-3-6711-5018

• Kansai Sales office
4F, FJY Bldg.
1-5-25 Johokucho, Takatsuki City, Osaka 569-0071
Tel: 81-72-661-3500 Fax: 81-72-661-3622

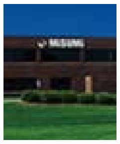
MISHIMA SEIKI CO., LTD.
580-49, Tokura, Shimizu-cho, Sunto-gun, Shizuoka 411-0917
Tel: 81-55-931-1249 Fax: 81-55-931-2702

SP PARTS CO., LTD.
3-2, Hoshinosato, Amimachi, Inashiki-gun, Ibaraki 300-0326
Tel: 81-29-833-6700 Fax: 81-29-833-6701

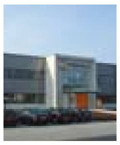
• Kansai Plant
Misumi Production Park
2-3-2, Akamatsudai, Kita-ku, Kobe City, Hyogo 651-1516
Tel: 81-78-940-0113 Fax: 81-78-940-0114

*Organization effective FY2010 2H

Overseas Network

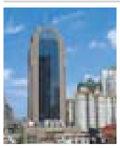


❶ MISUMI USA, Inc.
1717 Penny Lane, Suite 200 Schaumburg,
Illinois 60173, U.S.A.
Tel: 1-847-843-9105 Fax: 1-847-843-9107



❷ MISUMI EUROPA GmbH
Katharina-Paulus-Strasse 6, 65824 Schwalbach,
Germany
Tel: 49-6196-7746-0 Fax: 49-6196-7746-360

- U.K.
  Tel: 44-20-3051-4809
- Italy (Milan)
  Tel: 39-02-6203-2225

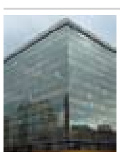


❸ MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD.
16th Floor, Jinling Hai Xin Bldg., No. 666 Fuzhou Rd.,
Shanghai 200001, PRC
Tel: 86-21-6391-7080 Fax: 86-21-6391-7085

- Guangzhou Office
  Tel: 86-20-8527-1038 Fax: 86-20-8527-1686
- Tianjin Office
  Tel: 86-22-2302-9228 Fax: 86-22-2302-9350
- Wuxi Office
  Tel: 86-510-8521-9793 Fax: 86-510-8521-9651
- Shenzhen Office
  Tel: 86-755-8287-2416 Fax: 86-755-8287-2096
- Ningbo Office
  Tel: 86-574-8706-6835 Fax: 86-574-8706-6839

❹ MISUMI E.A. HK LTD.
3/F, Malaysia Building, 50 Gloucester Road,
Wanchai, Hong Kong
Tel: 852-8303-2781 Fax: 852-8303-2782

❺ MISUMI KOREA CORP.
3804 World Trade Center, 159-1, Samsung-Dong,
Kangnam-Gu, Seoul 135-729, Korea
Tel: 82-2-551-3611 Fax: 82-2-551-4811

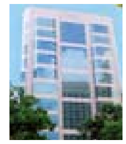


❻ MISUMI TAIWAN CORP.
9F-1, No. 126 Nanjing East Road, Sec. 4,
Taipei 10595 Taiwan, R.O.C.
Tel: 886-2-2570-3766 Fax: 886-2-2570-3767

- Taichung Office
  Tel: 886-4-2381-4027 / 886-4-2381-8908
  Fax: 886-4-2381-6346
- Kaohsiung Office
  Tel: 886-7-796-2584 Fax: 886-7-796-3742

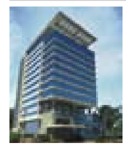
❼ MISUMI (THAILAND) CO., LTD.
300/24 Moo 1, Eastern Seaboard Industrial Estate,
Soi 5, Tambol Tasith, Amphur Pluakdaeng,
Rayong Province 21140, Thailand
Tel: 66-2-675-5682 Fax: 66-38-959202

- Bangkok Office
  Tel: 66-2-675-5682 Fax: 66-2-675-5495



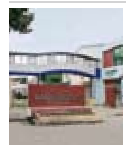
❽ MISUMI SOUTH EAST ASIA PTE. LTD.
331 North Bridge Road, #05-03 Odeon Towers,
Singapore 188720
Tel: 65-6733-7211 Fax: 65-6733-0211

- Malaysia Office (Kuala Lumpur)
  Tel: 60-3-7960-1121 Fax: 60-3-7960-1120
- Vietnam Office (Ho Chi Minh City)
  Tel: 84-8-5449-9555 Fax: 84-8-5449-9559

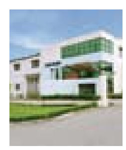


❾ MISUMI INDIA Pvt. Ltd.
3rd Floor, Onyx Building, North Main Road, Koregaon Park,
Pune-411001 Maharastra, India
Tel: 91-20-6647-0000 Fax: 91-20-6647-0050

- Gurgaon Office
  Tel: 0124-424-1662
- Chennai Office
  Tel: 91-20-6647-0000 Fax: 91-20-6647-0050

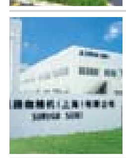


❿ SAIGON PRECISION CO., LTD.
Linh Trung Factory 1
Lot Nos. 15, 17, 19a, Road No.2, Saigon-Linh Trung EPZ,
Linh Trung Ward, Thu Duc District,
Ho Chi Minh City, Viet Nam
Tel: 84-8-3897-4387 Fax: 84-8-3897-4613



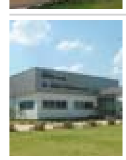
Linh Trung Factory2
Lot Nos. 84, 85 RoadA, Linh Trung Ⅱ EPZ,
Binh Chiew Ward, Thu Duc District,
Ho Chi Minh City, Viet Nam
Tel: 84-8-3729-5533 Fax: 84-8-3729-5532

⓫ SURUGA USA CORP.
40S. Addison Rd., Suite 300, Addison, IL60101, U.S.A.
Tel: 1-630-628-4000 Fax: 1-630-628-4005



⓬ SURUGA SEIKI (SHANGHAI) CO., LTD.
A 19, No. 5399, Wai Qing Song Rd., Quing Pu District,
Shanghai, China, P.C. 201707
Tel: 86-21-6921-2188 Fax: 86-21-6921-1428

⓭ SURUGA SEIKI (GUANGZHOU) CO., LTD.
B, No. 9, American Industrial Park, 48, Hongmian Avenue,
Huadu District, Guangzhou, China, P.C. 510800
Tel: 86-20-3687-2889 Fax: 86-20-3687-2255



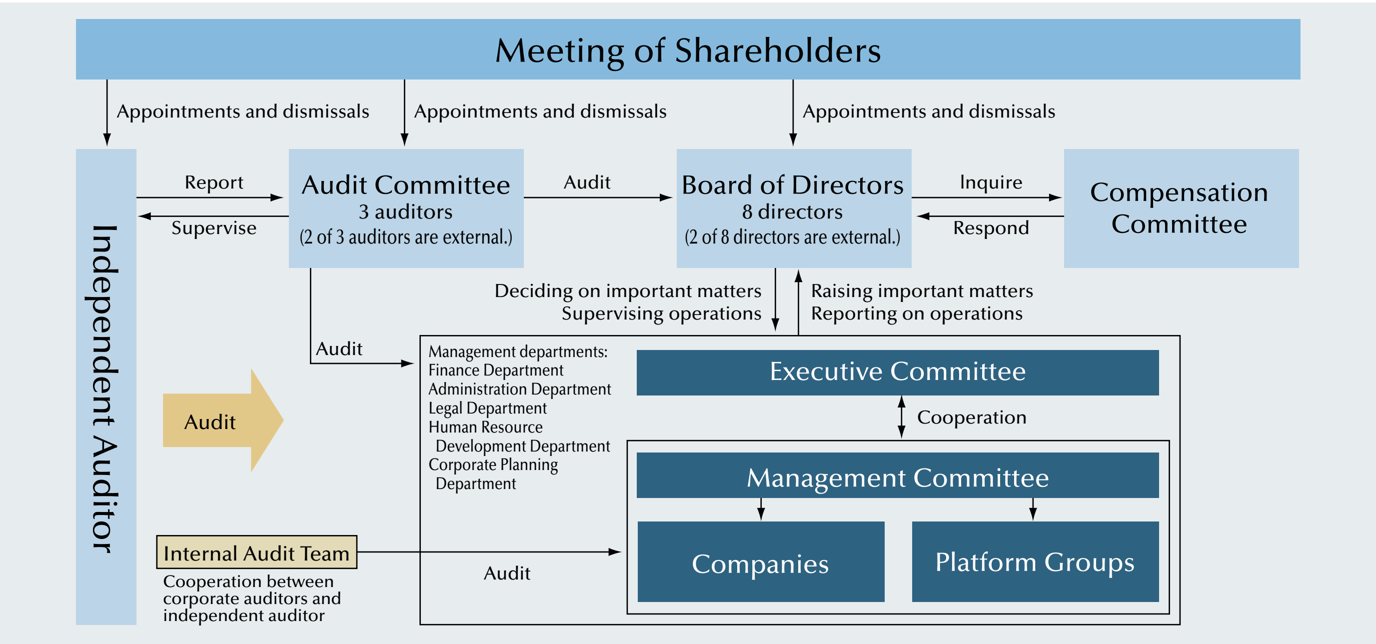
⓮ SURUGA (THAILAND) CO., LTD.
300/23 Moo 1, Eastern Seaboard Industrial Estate,
Tambol Tasith, Amphur Pluakdaeng,
Rayong Province 21140, Thailand
Tel: 66-38-954935 Fax: 66-38-954939

⓯ SURUGA POLSKA Sp. z o.o.
Slowackiego Street, 199A 80-298 Gdansk, Poland
Tel: 48-58-340-6800 Fax: 48-58-340-6801

⓰ SURUGA KOREA CO., LTD.
3 Ma 621 Sihwa Industrial Complex #2099-5,
Jeongwang-Dong, Siheung-Shi, Gyeonggi-Do
429-935, Korea
Tel: 82-31-434-8357 Fax: 82-31-434-8359

Reinforcing Corporate Governance and Maintaining Transparency

The MISUMI Group aims to make a broad range of economic and social contributions in Japan and worldwide and maximize its long-term corporate value by achieving business growth while cultivating managers. Accordingly, it is giving top priority to measures aimed at further strengthening corporate governance.



The MISUMI Group employs its Board of Directors, Executive Committee, Management Committee, and Audit Committee to perform the supervision and auditing of operational execution. As of June 2010, our Board of Directors comprised eight people, including two external members. In principle, the Board meets once per month to make decisions on important business matters. The Executive Committee comprised 11 members—six directors including representative directors and five corporate officers—and, in principle, meets twice per month to take measures designed to strengthen both supervision and operational execution. In June 2008, The MISUMI Group implemented organizational reforms, reorganizing machine industry businesses into Companies and business support and infrastructure functions into Business Platform Groups. The aim is to bring together MISUMI's business divisions, which include sales organizations, with SURUGA SEIKI's manufacturing divisions to integrate the management of manufacturing and sales and speed up decision-making. Each Company and Platform Group holds its own management committee to clarify the decision-making process. The Executive Committee and the Management Committee provide reports on their deliberations to the Board of Directors, and also conduct preliminary deliberations with the Board of Directors. The Audit Committee has three members, including two from outside the Group, and oversees the execution of responsibilities by directors of the Board. The Audit Committee works in close cooperation with the Independent Auditor and the Internal Audit Team (established in April 2008) with the goal of increasing the effectiveness and efficiency of audit activities.

The Compensation Committee is a discretionary consultative body for the Board of Directors tasked with deliberating and deciding appropriate levels of compensation. Regarding legal affairs, compliance issues, and other important management issues, we seek advice as needed from consultant law offices, accountant offices, tax accountant offices, and other specialists independent of the Company's in-house organization.

Regarding risk management systems, in April 2008 we instituted the MISUMI Group Code of Conduct to serve as conduct guidelines, and we have worked to ensure comprehensive awareness of the code throughout the MISUMI Group. In December 2007, we established an internal reporting system for compliance issues. To ensure compliance with the Japanese version of the U.S. Sarbanes-Oxley Act (J-SOX), efforts to confirm document management processes, evaluate the effectiveness of internal controls, identify related problems and tasks, and otherwise strive to further strengthen our internal control systems take place under the direction of an internal audit team. In April 2008, we instituted our Information Security Basic Principles, which declare our fundamental stance regarding information security, and our Confidentiality Preservation Regulations, which stipulate fundamental rules regarding information security. These documents—along with an Information Security Guidelines pamphlet that specifies detailed rules—have been distributed throughout the Group, and measures are being taken to ensure comprehensive awareness of the rules throughout the MISUMI Group.

The MISUMI Group's Top Management

(As of June 2010)

Front row from left: Masahiko Eguchi, Tadashi Saegusa, Masayuki Takaya, Teiichi Aruga
Back row from left: Masanori Suzuki, Ryusei Ohno, Hiroshi Fukino, Tsuyoshi Numagami, Tokuya Ikeguchi, Yasuyuki Matsumoto

Directors

Chairman and Chief Executive Officer	**Tadashi Saegusa***	
President	**Masayuki Takaya***	Representative Director and President of MISUMI Corporation
Executive Vice President in charge of FA Business Group	**Masahiko Eguchi***	Representative Corporate Officer of MISUMI Corporation, Company President, FA Element Company
Executive Vice President and Executive Officer of Business Platform Group	**Teiichi Aruga***	Representative Director of PROMICLOS Corporation
Director of the Board and Senior Corporate Officer and Executive Officer of Production Platform Group	**Ryusei Ohno**	Representative Director and President of SURUGA SEIKI CO., LTD.
Director of the Board and Senior Corporate Officer	**Tokuya Ikeguchi**	Representative Corporate Officer of MISUMI Corporation, Company President, MISUMI Die & Mold Company
Director of the Board (Non-Executive)	**Hiroshi Fukino**	President & Chief Executive Officer of Fukino Consulting Inc.
Director of the Board (Non-Executive)	**Tsuyoshi Numagami**	Professor, Graduate School of Commerce and Management, Hitotsubashi University

*Representative Director

Auditors

Corporate Auditor	**Hiroshi Miyamoto**	Corporate Auditor of MISUMI Corporation, SURUGA SEIKI CO., LTD., PROMICLOS Corporation and SP PARTS CO., LTD.
Auditor	**Kouichi Takemata**	Representative of ReEx Accounting Firm, Certified Public Accountant, and a Licensed Tax Accountant
Auditor	**Juichi Nozue**	Attorney at Law of Shizuoka Nozomi Law and Patent Office

Corporate Officers

Corporate Officer	**Masanori Suzuki**	Representative Corporate Officer of MISUMI Corporation, Company President, MISUMI FA Motion Company
Corporate Officer	**Yasuyuki Matsumoto**	Representative Corporate Officer of MISUMI Corporation, Company President, MISUMI FA International Company
Corporate Officer	**Masayuki Maeda**	MISUMI Corporation, President, MISUMI USA, Inc.
Corporate Officer	**Hiroshi Nitta**	MISUMI Corporation, Managing Director, MISUMI INDIA Pvt Ltd.
Corporate Officer and Deputy Executive Officer of Business Platform Group	**Toshio Yamamoto**	

Six-Year Summary (Consolidated)

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2010, 2009, 2008, 2007, 2006 and 2005

	Millions of Yen					
	2010	2009	2008	2007	2006	2005
For the Year:						
Net sales	**¥89,180**	¥110,041	¥126,665	¥118,139	¥105,408	¥81,509
Factory Automation Businesses [7]	**50,667**	62,376	68,233	60,677	50,586	35,388
Die Components Businesses	**22,761**	28,424	34,514	32,796	31,502	26,775
Electronics Businesses	**8,079**	10,282	12,957	11,836	10,084	8,903
Diversified Businesses	**7,673**	8,959	10,961	12,830	13,236	10,443
Operating income	**8,408**	11,017	16,317	15,643	13,035	10,649
Income before income taxes (and minority interests)	**7,778**	9,640	16,296	15,999	13,424	10,739
Net income	**3,886**	4,687	9,698	9,447	7,619	6,507
At Year-End: :						
Total assets	**92,941**	86,080	92,596	84,244	78,177	51,733
Total equity [2]	**75,667**	71,696	71,302	63,751	54,077	38,645
Interest-bearing dept [3]	**1,200**	1,862	2,164	1,717	3,092	800
Per Share Data:						
Net income per share [4] (yen)	**43.84**	52.89	109.72	108.42	84.95	78.27
Cash dividends per share [4] (yen)	**10.00**	13.00	23.00	22.00	18.00	15.50
Equity per share [2,4] (yen)	**853.70**	808.90	805.33	725.44	619.93	475.82
Cash flow per share [4] (yen)	**72.36**	140.04	127.00	81.20	77.70	64.70
Stock Price:						
High (yen)	**1,969**	2,095	2,435	2,765	5,580	3,950
Low (yen)	**1,187**	960	1,540	1,812	3,090	2,670
Close(year ended March 31) (yen)	**1,918**	1,187	1,766	2,110	5,210	3,360
Number of outstanding shares (thousands)	**89,018**	89,018	88,921	88,259	43,592	40,412
Marketable capitalization (billions of yen)	**170.0**	105.2	156.4	185.4	226.1	135.7
Investment indicators:						
Price/Earnings ratio – PER(times)	**43.7**	22.4	16.1	19.5	30.7	21.5
Price/Cash flow ratio – PCFR(times)	**26.5**	8.5	13.9	26.0	33.5	26.0
Price/Book value ratio – PBR(times)	**2.2**	1.5	2.2	2.9	4.2	3.5
EBITDA	**10,416**	12,246	18,322	17,792	15,339	11,506
Return Indicators:						
Return on equity [5] (%)	**5.3**	6.6	14.4	16.0	16.4	18.4
Return on assets [5] (%)	**8.7**	10.8	18.4	19.7	20.7	22.4
Liquidity Ratios:						
Current ratio (%)	**463.6**	529.2	351.5	351.4	278.5	383.7
Interest coverage ratio[6] (times)	**362.1**	499.1	815.3	110.0	156.6	1,171.1
Number of Customers:						
Domestic	**70,209**	71,620	80,167	93,830	99,638	96,529
Overseas	**52,375**	47,990	41,230	33,057	22,770	15,705
Number of Employees	**3,581**	4,049	3,813	3,382	2,887	690

Notes:
1. In keeping with the integration with SURUGA SEIKI CO., LTD., on April 1, 2005, figures for fiscal 2005 cover the former MISUMI Corporation, while data for fiscal 2006, 2007, 2008, 2009, and 2010 covers MISUMI Group Inc.
2. The Company presents Total equity instead of Shareholders' equity in keeping with the implementation of the Company Law on May,1, 2006.
3. Interest-bearing debt = Long-term and Short-term debt + Bonds + Warrant bonds + Discount on notes
4. Adjusted for stock splits up to March 31, 2007
5. Equity of ROE = Equity, Revenue of ROE = Net income
   Revenue of ROA = Income before income taxes (and minority interest)
6. Interest coverage ratio = Net cash provided by operating activities / Interest payment
7. In accordance with a change to the categorization of our business segments effective FY2009, the Optical-related businesses are now included within Factory Automation businesses. Year-on-year comparisons for Factory Automation are based on the new business segmentations.

The Company deconsolidated Nippon Kaiyo Co., Ltd., (sold in June 2006) in the first half of the fiscal year ended March 2007, the formerly wholly owned MULTI-BITS Corporation (70% of shares sold in October 2006) in the second half of the fiscal year ended March 2007, and MICREED Corporation (sold in September 2007) in the second half of the fiscal year ended March 2008.

Management's Discussion & Analysis

The MISUMI Group Inc. comprises 21 consolidated subsidiaries, three non-consolidated subsidiaries and two affiliated companies. In FY2009 we reorganized our business segmentation from five into four segments: Factory Automation; Die Components; Electronics; and Diversified.

Results Overview

In FY2009 (April 1, 2009, through March 31, 2010), the Japanese economy bottomed out in the first half and entered a recovery phase in the second half led by exports as emerging economies primarily in Asia drove a recovery that resulted in increased exports from Japan. In the third quarter of FY2009, Japan's exports grew 5% year-on-year, fueling a third-quarter GDP growth rate of 4.6% compared to the previous quarter. Asia-bound exports of automobiles, electronic components, steel, precision equipment and other products grew 18.9% in the first quarter, 12.8% in the second quarter and 7% in the third quarter, on a year-on-year basis.

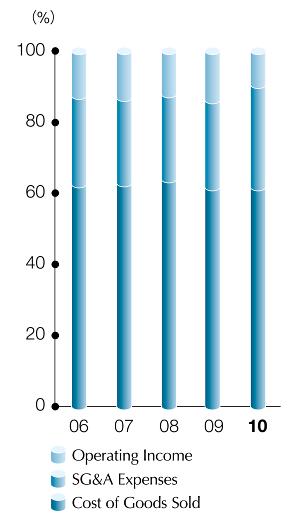
The recovery in exports contributed to a significant improvement in manufacturing-equipment utilization rates. Mining and manufacturing industry real utilization rates recovered to 67.0% in December 2009 from 48.1% in February of the same year. As equipment utilization rates recovered, investments in new capital started to bottom out. For much of FY2009, machinery orders (private sector demand excluding ships and power) stagnated at levels more than 20% lower than previous-year levels. By December 2009 and January 2010, however, orders were only 1.5% and 1.1% lower year-on-year, respectively, showing signs of having reached a bottom.

As the Japanese economy entered a moderate recovery driven mostly by a recovery in Asian economies in the latter half of FY2009, customers in the machinery fabrication industry focused on: increasing production to support export demand; resuming stalled investment plans; revamping product line-ups to transition into more environmentally-friendly products; rationalizing existing manufacturing processes; and expanding local production in Asian countries. To support these customer needs, we at MISUMI strove to: introduce an online ordering system that saves time for our customers; implement price reductions enabled by manufacturing and logistics rationalizations; develop new products that eliminate customer design costs; deliver under shorter lead times to help customers shrink inventories; and bolster our sales force in Asia and other international markets. Our efforts bore fruit—in the second half we grew sales 9.2% year-on-year.

Over the full year of FY2009, sales at MISUMI Group Inc. were 19% lower than the previous year due to listless demand in the first half and a delayed recovery in domestic capital expenditures.

The result was a year-on-year decline in sales and profit, with consolidated net sales of ¥89,180 million (down ¥20,860 million, or 19%, compared to the previous year), operating income of ¥8,408 million (down ¥2,608 million, or 23.7%), ordinary income of ¥8,082 million (down ¥2,544 million, or 23.9%) and net income of ¥3,886 million (down ¥800 million, or 17.1%).

Ratio of Cost of Goods Sold, SG&A Expenses, and Operating Income to Net Sales

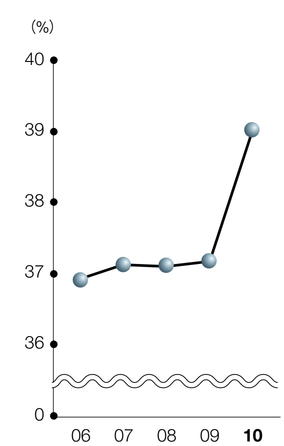


Net Sales

Customers in the machinery manufacturing industry responded to stagnant demand in the first half by focusing on revising and postponing investment plans as they revamped product lines to drive down manufacturing costs and rationalized existing manufacturing processes. To support these customer needs, we at MISUMI strove to: introduce an online ordering system that saves time for our customers; implement price reductions enabled by manufacturing and logistics rationalizations; develop new products that eliminate customer design costs; deliver under shorter lead times to help customers shrink inventories; and bolster our sales force in Asia and other international markets.

As a result, FY2009 net sales amounted to ¥89,180 million, down 19% year-on-year, as real demand stagnated in the first half in particular.

Gross Profit Margin



Cost of Goods Sold and Sales, General & Administrative Expenses

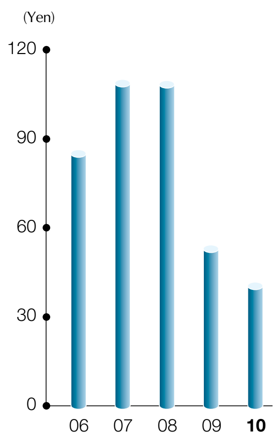
The cost of goods sold (COGS) was ¥54,241 million, down 21.5% compared to the previous year. COGS amounted to 60.8% of sales, an improvement from 62.8% last year. Gross profit was ¥34,939 million, down 14.7% year-on-year. Gross margin was 39.2%, an improvement from 37.2% last year. Sales, general & administrative (SG&A) expenses were ¥26,531 million, down 11.4%. SG&A expenses amounted to 29.7% of sales, up from the 27.2% achieved in the previous year.

As a result, operating income was ¥8,408 million, down 23.7%. Operating margin was 9.4%, versus the 10.0% achieved in the previous year.

Other Profits and Losses

Non-operating losses exceeded non-operating profits by ¥325 million, primarily due to losses on foreign exchange movements. As a result, ordinary income was ¥8,083 million, down 23.9%. Ordinary margin declined to 9.1% from the 9.7% achieved last year. Pretax income was ¥7,778 million, down 19.3%, as a result of booking impairment losses, one-time depreciation costs on fixed assets and other extraordinary losses.

Net Income per Share



Net Income

Net income was ¥3,886 million, down 17.1% compared to the previous year. Net income as a percentage of sales was 4.4%, an improvement from 4.3% last year. Earnings per share declined to ¥43.84 from ¥52.89 in the previous year.

Shareholder Return Policy

Dividend Policy

At the MISUMI Group, returning profits to our shareholders is one of the most important orders of business. We aim to pay out 20% of net income in the form of dividends.

Generally, the MISUMI Group pays out dividends from retained earnings twice a year, after the first half and after the end of the year.

According to our articles of incorporation, interim dividend distributions are decided at a meeting of board members and year-end dividend distributions at our Annual General Meeting of Shareholders.

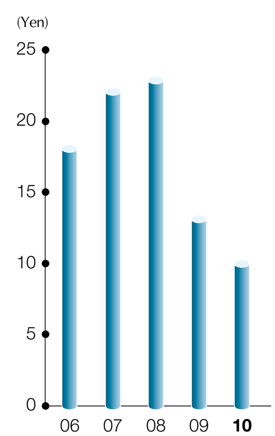
Cash Dividends per Share

In consideration of the policies described above, annual dividends were set to ¥10 per share in light of business performance in FY2009 and the future outlook. That comprises the sum of an ¥8 per share year-end dividend approved at our Annual General Meeting of Shareholders held June 17, 2010, and a ¥2 per share interim dividend decided by our Board of Directors on November 13, 2009.

As a result, dividend distributions equaled 22.8% of consolidated net income and 1.2% of net assets. Retained earnings will be used to strengthen our financial standing and enhance products and services and reorganize our purchasing and sales regimes inside and outside of Japan so as to establish a solid management base for the long term.

Please note that our articles of incorporation permit the company to distribute interim dividends.

Cash Dividends per Share



Business Performance by Business Segment

Factory Automation Businesses

In the first half, our Factory Automation (FA) Businesses suffered from moratoriums and postponements to new investments resulting from substantial production adjustments implemented across all customer segments (automobiles, LCDs and semiconductors) beginning the previous year. In the second half, however, the automotive industry—a core customer segment—experienced a recovery driven mainly by eco-friendly vehicles. Meanwhile, capital expenditures recovered in the LCD and semiconductor industries, which began mass production of 8th generation LCDs and PCs installed with a new operating system, respectively. As a result, sales were ¥50,667 million, down ¥11,709 million, or 18.8%, compared to the previous year. Operating income was ¥6,738 million, down ¥1,999 million, or 22.9%, due to a rapid decline in sales and a stronger yen.

Die Components Business

Our Die Components Business was impacted by production adjustments and capital investment moratoriums in the automotive and light electrical appliance industries that had been implemented the previous year. Sales began to recover in the second half, but both the press and mold businesses struggled with declining sales inside and outside of Japan. Although measures to grow sales helped boost orders beginning in the third quarter, full-year sales declined ¥5,664 million, or 19.9%, to ¥22,761 million compared to the previous year. Operating income was ¥747 million, down ¥607 million, or 44.9%, partly due to the strong yen and despite efforts to tamp down costs.

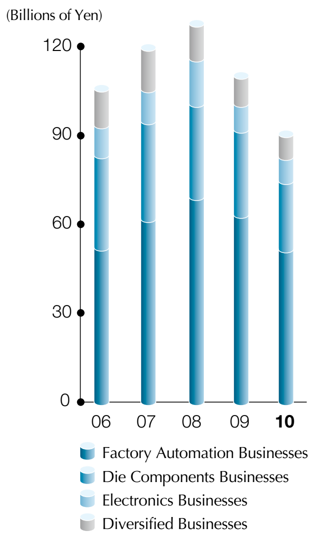
Electronics Business

The Electronics Business saw a year-on-year decline in sales as customers delayed or reduced plans to invest in semiconductor production equipment and IT systems during the first half of the year. Sales were ¥8,079 million, down ¥2,202 million, or 21.4%. Operating income was ¥1,125 million, holding steady compared to last year.

Diversified Businesses

Our Diversified Businesses comprise a machine-tools business (Tools Division) and a veterinary medical consumables business (PROMICLOS Corporation). Diversified Business sales were ¥7,673 million, down ¥1,284 million, or 14.3%, as the Tools business saw demand decline in the first half in particular, and veterinary medical consumables suffered from deteriorating sentiment. Operating income was ¥291 million, or flat year-on-year.

Net Sales by Segment



Geographic Segment Results

Japan

In the first half, demand in Japan was soft across all customer industries, from automotive to LCD and semiconductors. However, the second half saw a recovery driven by a rally in production activity to meet increased export demand and the resumption of investment in new equipment accompanying the introduction of new product models. Sales to external customers were ¥68,174 million, down ¥19,651 million, or 22.4%, compared to the previous year. Operating income was ¥9,487 million, down ¥2,202 million, or 18.8%, from the year earlier.

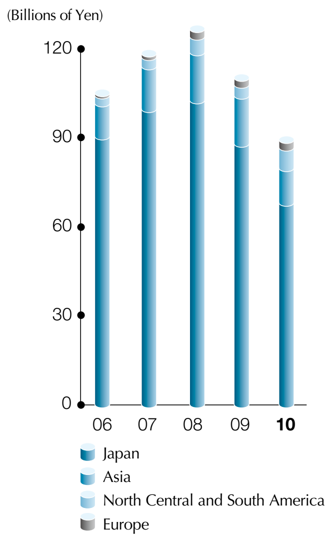
Asian Nations

Asian nations experienced strong growth this year. China, for one, sprang into a V-shaped recovery after bottoming late last fiscal year. China's GDP growth rate in the October-December quarter of 2009 reached 10.7% as the country achieved a recovery and continues to grow. A ripple effect originating with China's economy, which continues to experience strong growth, spread to help boost GDP in other Asian nations such as Thailand, Korea and Singapore. By focusing on business expansion in Asia, the MISUMI Group was able to benefit from the growth experienced by China and other Asian nations. Sales to external customers were ¥15,389 million, down ¥625 million, or 3.9%, year-on-year. Meanwhile, profits declined ¥537 million from the previous year, ending in an operating loss of ¥80 million.

North & South America

North America entered into an economic recovery in the July-September 2009 quarter. In the October-December quarter, the real GDP growth rate in the United States was an annualized 5.7% year-on-year, due mainly to inventory fluctuations. Investment in equipment and software grew, contributing to improved sentiment. The unemployment rate, however, remains stuck just below 10% while there continues to be a surplus in production capacity. MISUMI held exhibitions and posted advertisements in business journals to advertise the MISUMI value proposition of delivering a "low price and short lead time to help our customers shrink their inventories." As a result, requests for our catalogs increased, and beginning in the middle of the year, our number of customers started rising. Sales to external customers were ¥3,381 million, down ¥309 million, or 8.4%. The operating loss was ¥342 million, an improvement of ¥52 million from the previous year, when a strengthening yen impacted profits.

Net Sales by Region



Europe

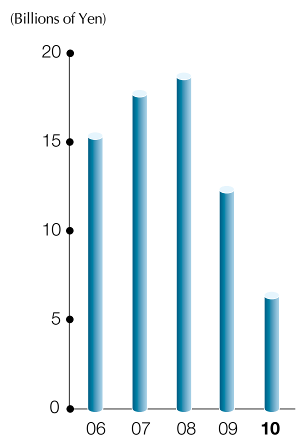
The economic recovery in Europe was moderate. Growth slowed in the second half as the economy progressed in fits and starts. Real GDP growth was 0.1% in the Euro zone in the October-December 2009 quarter. Concerns about Southern European economies dampened sentiment. Despite such conditions, the MISUMI Group strived to expand sales and introduce catalogs in local languages. Overall sales were ¥2,236 million, down ¥275 million, or 11.0%. The operating loss was ¥277 million, a ¥42 million improvement from the previous year.

Liquidity and Capital Resources

Financial Policy

While pursuing strong growth, the MISUMI Group also strives to maintain ample liquidity and a sound balance sheet. To achieve steady growth over the medium- to long-term, it is essential we sustain efforts to raise the bar of MISUMI Excellence on both the front end (customer service) and the back end (supplier relations). As financial measures, we plan to continue to operate with substantially no debt, rein in the accumulation of assets, target efficient management and enhance profitability and growth potential.

EBITDA



Cash Flows

As of the end of FY2009, our consolidated balance of cash and cash equivalents was ¥10,909 million, a decrease of ¥11,761 million compared to the beginning of the year.

Cash flows from operating activities were a positive ¥6,413 million, down ¥5,999 million compared to the previous year. Pretax income was ¥7,778 million and depreciation and goodwill amortization costs were ¥2,616 million. Trade accounts receivable increased ¥5,060 million, inventories declined ¥760 million, and trade accounts payable increased ¥2,599 million. Corporate income tax payments were ¥4,586 million.

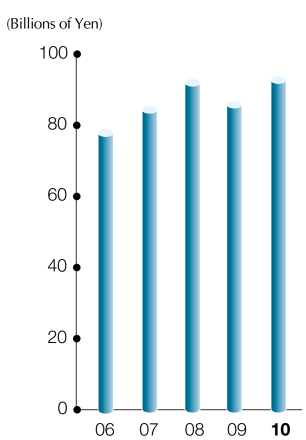
Cash flows from investment activities were negative ¥17,162 million as net outlays increased ¥12,979 million compared to the previous year. Outlays for the acquisition of marketable securities were ¥10,008 million. Income from the sale and redemption of marketable securities was ¥11,005 million. Outlays from the acquisition of tangible fixed assets were ¥3,823 million. Outlays for deposits into time deposit accounts were ¥23,949 million and income from withdrawals from time deposit accounts was ¥9,602 million.

Cash flows from financing activities were a negative ¥1,105 million, as net outlays decreased ¥987 million compared to the previous year. Outlays due to the repayment of long-term borrowings were ¥561 million. Payments of dividends amounted to ¥443 million.

Assets

Total assets as of the end of FY2009 were ¥92,941 million, up ¥6,861 million, or 8.0%. compared to the previous year-end. Current assets were ¥67,354 million, up ¥7,769 million, or 13.0%. This is mainly due to an increase in cash and deposits and a decrease in products resulting from fewer sales. Fixed assets were ¥25,587 million, down ¥907 million, or 3.4%. Tangible fixed assets were ¥13,736 million, up ¥758 million, or 5.8%. Intangible fixed assets were ¥3,650 million, up ¥77 million, or 2.2%. This is mainly due to the acquisition of software and the amortization of goodwill. Investments and other assets were ¥8,200 million, down ¥1,743 million, or 17.5%. This is mainly due to a decrease in investment marketable securities.

Total Assets



Liabilities

Total liabilities were ¥16,994 million, up ¥2,767 million, or 19.5%, compared to the previous year-end. Current liabilities were ¥14,530 million, up ¥3,271 million, or 29.1%. This is mainly due to increases in notes payable and trade accounts payable. Fixed liabilities were ¥2,464 million, down ¥503 million, or 17.0%.

As a result, we brought our current ratio to 4.6 times, maintaining a high degree of financial stability.

Equity

Total net assets, the sum of shareholders equity, valuation and conversion adjustments, and stock options, were ¥75,947 million. This is mainly due to an increase in retained earnings resulting from the increase in net income and a decrease in the foreign exchange conversion adjustment account.

As a result of the above, equity ratio was 81.4%. Return on equity (net income as a percentage of shareholders equity) was 5.3%.

Capital Investments

The MISUMI Group (MISUMI Group Inc. and our consolidated subsidiaries) spent a total of ¥3,863 million for capital investments during FY2009. Here are the major investment items by business segment.

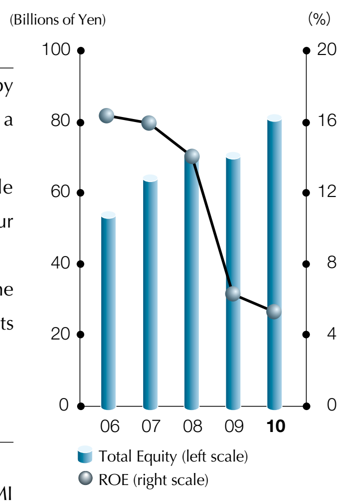
Factory Automation: invested ¥2,160 million in capital primarily to increase production capacity.

Die Components: invested ¥1,292 million in machinery, equipment, fixtures and buildings primarily to enhance productivity and increase production capacity for high-precision and high-value-added products.

Electronics: invested ¥113 million primarily to enhance computer systems.

Diversified: invested ¥296 million primarily to enhance computer systems.

Total Equity and ROE



Research and Development Expenditures

The MISUMI Group is involved in research and development efforts focused on manufacturing technology possessed by SURUGA SEIKI Co., Ltd. At the same time, we are careful to balance our pursuit of research and development with a commitment to maintaining a solid financial base.

Total research and development expenditures during FY2009 were ¥275 million. The relevant business units handle short-term research and development activities related to day-to-day business activities. Other projects are handled by our Engineering Department.

The Factory Automation business segment spent ¥171 million to develop new products and enhance productivity. The Die Components business segment spent ¥103 million to expand the high-precision and high-value- added products business and to enhance productivity.

Business and Other Risks

The following factors related to Group business and financial situations may influence investor decisions.

Please note that forward-looking statements provided are based on judgments made at the end of FY2009 by the MISUMI Group.

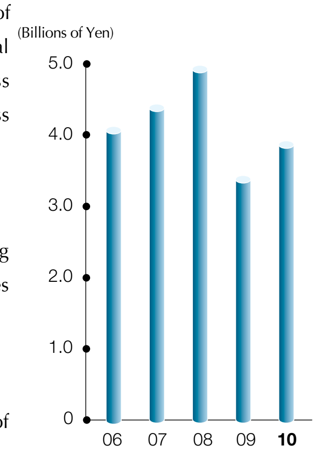
Effect of Trends in Certain Markets on Business Results

The MISUMI Group primarily sells factory automation components and die components. Our main customers reside in the automotive and electrical machinery (including liquid crystal panels and semiconductors) industries. Thus, production and capital investment trends in these industries may impact the business performance of the MISUMI Group.

Overseas Business

The MISUMI Group actively pursues business expansion overseas. Several key factors, including the establishment of organizational regimes at local subsidiaries overseas, progress in local production and procurement plans, the degree of recognition of the MISUMI Group in local markets, fluctuations in foreign currency exchange rates, and changes in local political circumstances, may have a significant impact on business operations. If business conditions do not progress according to plan, delays in the recovery of expenses and up-front investments in capital may adversely affect the business performance and financial situation of the MISUMI Group.

Capital Investment



Safety Management

Given the fields in which some of the MISUMI Group's businesses operate, product defects or other problems (including problems regarding the harmfulness of constituent materials in products) could lead to economic losses resulting from sales suspensions and compensation to injured parties or impediments to business operations due to rumors or misinformation.

Customer Information Management

The MISUMI Group business model uses catalog sales-a form of database marketing-and handles a considerable amount of customer information. Any information leaks due to ineffective information management or other reasons, such as computer viruses or hackers, could greatly impair trust in and cause economic losses for the MISUMI Group.

Natural Disasters

Large earthquakes or other natural disasters could disrupt product and merchandise logistics and harm the MISUMI Group's performance and financial position.

Consolidated Balance Sheets

MISUMI Group Inc. and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	**¥10,909**	¥22,671	**$117,248**
Time deposits (Note 13)	**17,050**	1,041	**183,252**
Marketable securities (Notes 3 and 13)	**5,048**	5,031	**54,258**
Receivables:			
Trade notes (Note 13)	**3,906**	4,192	**41,983**
Trade accounts (Note 13)	**18,165**	12,698	**195,242**
Other	**248**	288	**2,663**
Allowance for doubtful receivables	**(76)**	(109)	**(817)**
Inventories (Note 4)	**10,615**	11,496	**114,096**
Deferred tax assets (Note 10)	**804**	1,159	**8,640**
Other	**685**	1,118	**7,361**
Total current assets	**67,354**	59,585	**723,926**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**3,914**	4,230	**42,067**
Buildings and structures	**8,721**	8,546	**93,736**
Machinery and vehicles	**5,577**	6,044	**59,938**
Other	**4,383**	2,897	**47,110**
Total	**22,595**	21,717	**242,851**
Accumulated depreciation and impairment loss	**(8,859)**	(8,739)	**(95,215)**
Net property, plant and equipment	**13,736**	12,978	**147,636**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	**5,159**	6,063	**55,447**
Investments in unconsolidated subsidiaries and associated companies (Note 13)	**503**	412	**5,403**
Long-term time deposits		1,500	
Software	**2,876**	2,045	**30,906**
Goodwill	**670**	1,408	**7,202**
Refundable insurance premium	**220**	208	**2,360**
Deferred tax assets (Note 10)	**1,592**	1,193	**17,116**
Other assets	**831**	688	**8,938**
Total investments and other assets	**11,851**	13,517	**127,372**
TOTAL	**¥92,941**	¥86,080	**$998,934**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	**¥1,200**	¥1,301	**$12,898**
Current portion of long-term debt (Note 6)		131	
Payables:			
Trade notes and accounts (Note 13)	**7,198**	4,410	**77,364**
Accounts payable—other	**2,422**	1,559	**26,031**
Income taxes payable (Note 10)	**1,600**	1,947	**17,193**
Accrued bonuses (Note 2.m)	**1,173**	1,072	**12,612**
Provision for loss on business liquidation (Note 2.n)		262	
Other	**937**	577	**10,073**
Total current liabilities	**14,530**	11,259	**156,171**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)		431	
Liability for retirement benefits (Note 7)	**2,434**	2,248	**26,164**
Other	**30**	289	**319**
Total long-term liabilities	**2,464**	2,968	**26,483**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 14)			
EQUITY (Notes 8, 9, 15 and 16)**:**			
Common stock—authorized, 340,000,000 shares in 2010 and 2009; issued, 89,018,684 shares in 2010 and 2009	**4,682**	4,682	**50,318**
Capital surplus	**14,453**	14,453	**155,350**
Stock acquisition rights	**280**	157	**3,008**
Retained earnings	**58,802**	55,364	**632,000**
Unrealized gain on available-for-sale securities	**63**	0	**680**
Foreign currency translation adjustments	**(1,682)**	(2,153)	**(18,083)**
Treasury stock—at cost, 384,904 shares in 2010 and 384,366 shares in 2009	**(651)**	(650)	**(6,993)**
Total equity	**75,947**	71,853	**816,280**
TOTAL	**¥92,941**	¥86,080	**$998,934**

Consolidated Statements of Income

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	**2010**
NET SALES (Note 17)	**¥89,180**	¥110,041	¥126,665	**$958,517**
COST OF SALES	**54,241**	69,075	79,788	**582,995**
Gross profit	**34,939**	40,966	46,877	**375,522**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	**26,531**	29,949	30,560	**285,152**
Operating income (Note 17)	**8,408**	11,017	16,317	**90,370**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**193**	251	217	**2,069**
Interest expense	**(22)**	(34)	(25)	**(233)**
Exchange loss—net	**(531)**	(665)	(452)	**(5,705)**
Impairment loss (Note 5)	**(317)**	(542)	(21)	**(3,407)**
Other—net	**47**	(387)	260	**502**
Other expenses—net	**(630)**	(1,377)	(21)	**(6,774)**
INCOME BEFORE INCOME TAXES	**7,778**	9,640	16,296	**83,596**
INCOME TAXES (Note 10)**:**				
Current	**4,000**	4,982	6,821	**42,995**
Deferred	**(108)**	(29)	(223)	**(1,166)**
Total income taxes	**3,892**	4,953	6,598	**41,829**
NET INCOME	**¥3,886**	¥4,687	¥9,698	**$41,767**

	Millions of Yen			Thousands of U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.u, 8, 15 and 16)**:**				
Net income	**¥43.84**	¥52.89	¥109.72	**$0.47**
Diluted net income	**43.80**	52.86	109.26	**0.47**
Cash dividends applicable to the year	**10.00**	13.00	23.00	**0.11**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2010, 2009 and 2008

	Thousands	Millions of Yen							
	Issued Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE, MARCH 31, 2007	88,259	¥4,060	¥13,833	¥187	¥44,960	¥546	¥997	¥(645)	¥63,938
Net income					9,698				9,698
Cash dividends, ¥23.00 per share					(2,028)				(2,028)
Increase in treasury stock (830 shares)								(2)	(2)
Disposal of treasury stock (110 shares)					(1)			1	0
Exercise of stock acquisition rights (Note 9)	662	536	535						1,071
Treasury stock owned by the consolidated subsidiaries (1,500 shares)								(3)	(3)
Net change in the year				(66)		(346)	(839)		(1,251)
BALANCE, MARCH 31, 2008	88,921	4,596	14,368	121	52,629	200	158	(649)	71,423
Net income					4,687				4,687
Cash dividends, ¥22.00 per share					(1,948)				(1,948)
Increase in treasury stock (782 shares)								(1)	(1)
Disposal of treasury stock (192 shares)					(0)			0	0
Exercise of stock acquisition rights (Note 9)	98	86	85						171
Change in scope of consolidation					(4)				(4)
Net change in the year				36		(200)	(2,311)		(2,475)
BALANCE, MARCH 31, 2009	89,019	4,682	14,453	157	55,364	0	(2,153)	(650)	71,853
Net income					**3,886**				**3,886**
Cash dividends, ¥5.00 per share					**(443)**				**(443)**
Increase in treasury stock (682 shares)								**(1)**	**(1)**
Disposal of treasury stock (144 shares)					**(0)**			**0**	**0**
Change in scope of consolidation					**(5)**				**(5)**
Net change in the year				**123**		**63**	**471**		**657**
BALANCE, MARCH 31, 2010	**89,019**	**¥4,682**	**¥14,453**	**¥280**	**¥58,802**	**¥63**	**¥(1,682)**	**¥(651)**	**¥75,947**

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE, MARCH 31, 2009	**$50,318**	**$155,350**	**$1,689**	**$595,052**	**$4**	**$(23,144)**	**$(6,984)**	**$772,285**
Net income				**41,767**				**41,767**
Cash dividends, $0.05 per share				**(4,764)**				**(4,764)**
Increase in treasury stock (682 shares)							**(12)**	**(12)**
Disposal of treasury stock (144 shares)				**(1)**			**3**	**2**
Change in scope of consolidation				**(54)**				**(54)**
Net change in the year			**1,319**		**676**	**5,061**		**7,056**
BALANCE, MARCH 31, 2010	**$50,318**	**$155,350**	**$3,008**	**$632,000**	**$680**	**$(18,083)**	**$(6,993)**	**$816,280**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	**2010**
OPERATING ACTIVITIES:				
Income before income taxes	**¥7,778**	¥9,640	¥16,296	**$83,596**
Adjustments for:				
Income taxes paid	**(4,586)**	(7,423)	(6,962)	**(49,292)**
Income taxes refund	**611**	481	597	**6,565**
Depreciation and amortization	**1,878**	1,834	1,508	**20,190**
Amortization of goodwill	**738**	738	493	**7,934**
Exchange (gain) loss	**54**	955	(151)	**577**
Impairment loss	**317**	542	21	**3,407**
Changes in assets and liabilities:				
(Increase) Decrease in receivables	**(5,061)**	10,404	(1,208)	**(54,395)**
(Increase) Decrease in inventories	**761**	(1,025)	(229)	**8,178**
Increase (Decrease) in payables	**2,599**	(3,200)	725	**27,936**
Increase (Decrease) in other current liabilities	**694**	(801)	(980)	**7,454**
Other—net	**630**	268	1,134	**6,781**
Total adjustments	**(1,365)**	2,773	(5,052)	**(14,665)**
Net cash provided by operating activities	**6,413**	12,413	11,244	**68,931**
INVESTING ACTIVITIES:				
Proceeds from sales and redemption of marketable securities	**11,005**	9,602	2,654	**118,288**
Purchase of marketable and investment securities	**(10,008)**	(9,507)	(11,487)	**(107,570)**
Purchase of property, plant and equipment	**(3,823)**	(3,994)	(4,889)	**(41,085)**
Proceeds from sales of subsidiaries' shares due to the change in scope of consolidation			655	
Payment on acquisition of subsidiaries' shares due to the change in scope of consolidation			(1,256)	
Refund from time deposits	**9,602**	364	2,055	**103,199**
Payment into time deposits	**(23,949)**	(646)	(1,004)	**(257,404)**
Other—net	**11**	(1)	417	**116**
Net cash used in investing activities	**(17,162)**	(4,182)	(12,855)	**(184,456)**
	¥(10,749)	¥8,231	¥(1,611)	**$(115,525)**
FINANCING ACTIVITIES:				
Decrease in short-term bank loans—net	**(100)**	(173)	(204)	**(1,074)**
Repayments of long-term debt	**(561)**	(131)	(66)	**(6,033)**
Proceeds from issuance of stock		160	892	
Acquisition of treasury stock	**(1)**	(1)	(2)	**(12)**
Proceeds from disposal of treasury stock	**0**	0	0	**2**
Dividends paid	**(443)**	(1,948)	(2,028)	**(4,764)**
Net cash used in financing activities	**(1,105)**	(2,093)	(1,408)	**(11,881)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**128**	(1,094)	(559)	**1,375**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(11,726)**	5,044	(3,578)	**(126,031)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**22,671**	17,637	21,215	**243,665**
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION	**(36)**	(10)		**(386)**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥10,909**	¥22,671	¥17,637	**$117,248**

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 conformity with accounting principles generally accepted 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 2008 and 2009 financial statements to conform to the classifications used in 2010.

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 translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥93.04 to $1, the approximate rate of exchange at March 31, 2010. Such translation 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, 2010 include the accounts of the Company and its 21 (21 as of March 31, 2009) subsidiaries (together, the "Group").

Under the control or influence concept, 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.
Investments in two associated companies are accounted for by the equity method.

Three subsidiaries, PARTS KOREA CO., LTD., WUXI PARTS SEIKO PRECISION IND CO., LTD., and SURUGA SEIKI (GUANZHOU) CO., LTD., are not consolidated in 2010 because they would have an immaterial effect on the accompanying consolidated financial statements. Investments in the three unconsolidated subsidiaries are accounted for on the cost basis.
The overall market value method is used for valuation of consolidated subsidiaries' assets and liabilities.

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 being 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.

For consolidated subsidiaries or associated companies whose closing dates are different from that of the Company, certain adjustments necessary to consolidate have been made.

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 (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 tentatively may be used for the consolidation process, (3) however, the following 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 the equity; (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; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if included. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.
The Company applied this accounting standard effective April 1, 2008.

c. 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 and money management funds similar to money market mutual funds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

d.Inventories—Merchandise and material are principally stated at cost (lower than book value due to decline in profitability) determined by the moving-average method. Finished goods, work in process and supplies are principally stated at cost (lower than book value due to decline in profitability) by the periodic average method, except catalogues that are stated at cost by the last purchase method.

In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company has applied this new accounting standard for measurement of inventories effective from the year ended March 31, 2009.

e.Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

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.

f. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. 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, whereas the straight-line method is applied to those held by consolidated foreign subsidiaries. The range of useful lives is principally as follows:

Buildings and structures	3 to 45	years
Machineries and vehicles	4 to 10	years

h. Long-lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Other Assets—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method over five years.

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

k. Stock Issue Costs—Stock issue costs are charged to income as incurred.

l. Retirement Plan—The Company and consolidated subsidiaries have a termination allowance plan and an employees' pension fund plan. Certain subsidiaries have a termination allowance plan, qualified retirement pension plan and employees' pension fund. The Group provided for the liability for employees' retirement benefits based on the projected benefit obligation and plan assets at the balance sheet date. Actuarial gains and losses are charged to income as incurred, whereas they are amortized over ten years for those incurred in certain consolidated subsidiaries.

The annual provisions for retirement payments to directors and corporate auditors are calculated to present the liability at the amount that would be required if all of the Company's eligible directors and corporate auditors who are covered by the retirement payment plan retired at each balance sheet date.

m. Accrued Bonuses—The Company and certain consolidated subsidiaries provide accrued bonuses for employees, directors and corporate auditors based on future projections for the current fiscal year.

n. Provision for Loss on Business Liquidation—The Group provides a reserve for the loss on liquidation of business based on the estimated losses.

o. Stock Options—On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options", and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company has applied this accounting standard for stock options to those granted on and after May 1, 2006.

p. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993.

The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.
Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company has applied the revised accounting standard effective from the year ended March 31, 2009. In addition, the Company has accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

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

r. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements 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 tax laws to the temporary differences.

s. 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 at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

t. 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" as a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into yen at the average exchange rate.

u. 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. Diluted net income per share of common stock assumes full exercise of dilutive outstanding stock option rights.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of year.

v. New Accounting Pronouncements

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.
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 adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States 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: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; (5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and (6) exclusion of minority interests from net income, if contained.
This standard is applicable to the equity method of accounting for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.
The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections", and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:
(1) Changes in Accounting Policies
When a new accounting policy is applied with a revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.
This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current:			
Corporate and public bonds	**¥5,000**	¥4,998	**$53,740**
Trust fund investments	**48**	33	**518**
Total	**¥5,048**	¥5,031	**$54,258**
Non-current:			
Equity securities	**¥133**	¥127	**$1,431**
Corporate and public bonds	**4,062**	5,033	**43,658**
Trust fund investments	**964**	903	**10,358**
Total	**¥5,159**	¥6,063	**$55,447**

The costs and aggregate fair values of marketable and investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**¥109**	**¥18**	**¥0**	**¥127**
Debt securities	**9,043**	**32**	**14**	**9,061**
Trust fund investments	**1,305**	**111**	**49**	**1,367**

	Millions of Yen			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 109	¥ 13	¥ 2	¥ 120
Debt securities	10,032	36	37	10,031
Trust fund investments	954	85	103	936

	Thousands of U.S. Dollars			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**$1,172**	**$195**	**$5**	**$1,362**
Debt securities	**97,198**	**348**	**148**	**97,398**
Trust fund investments	**14,024**	**1,188**	**525**	**14,687**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows:
The similar information for 2010 is disclosed in Note 13.

	Carrying Amount
	Millions of Yen
	2009
Available-for-sale:	
Equity securities	¥7
Total	¥7

Proceeds from sales of available-for-sale securities for the years ended March 31, 2010 and 2009, were ¥5 million ($59 thousand) and ¥106 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, for the years ended March 31, 2010 and 2009 were ¥1 million ($8 thousand) and ¥1 million, respectively. Gross realized losses on these sales, computed on the moving average cost basis, for the year ended March 31, 2009 was ¥22 million (no loss was incurred for the year ended March 31, 2010).

The redemption amounts of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2010 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Available for Sale	Available for Sale
Due in one year or less	**¥5,048**	**$54,258**
Due after one year through five years	**3,099**	**33,312**
Due after ten years	**56**	**606**
Total	**¥8,203**	**$88,176**

4. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Merchandise	**¥7,315**	¥7,410	**$78,622**
Finished goods	**218**	530	**2,350**
Materials	**1,706**	1,823	**18,336**
Supplies	**517**	694	**5,555**
Work in process and other	**859**	1,039	**9,233**
Total	**¥10,615**	¥11,496	**$114,096**

5. LONG-LIVED ASSETS

For the year ended March 31, 2010, the Group recognized an impairment loss of ¥317 million ($3,407 thousand) as other expense for the unused land of Iwaki, due to a fall in market price and the carrying amount of the land was written down to the recoverable amount.

For the year ended March 31, 2009, the Group recognized an impairment loss of ¥542 million as other expense for the Die Components Business plant of Iwaki, due to a continuous operating loss of that unit and the carrying amount of the relevant assets was written down to the recoverable amount.

The breakdown of impairment losses is as follows:

	Millions of Yen		Thousands of U.S. Dollars
Type of Assets	**2010**	2009	**2010**
Buildings and structures		¥257	
Machinery, equipment and vehicles		124	
Tools, furniture and fixtures		26	
Land	**¥317**	29	**$3,407**
Software		8	
Patent right		0	
Lease asset		98	
Total	**¥317**	¥542	**$3,407**

The recoverable amounts of land are their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards. The recoverable amounts of other assets are recorded at their net realizable values.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The annual interest rates applicable to the short-term bank loans ranged from 0.57% to 1.19% and from 0.69% to 1.32% at March 31, 2010 and 2009, respectively.

Long-term debt at March 31, 2009 consisted of the following:

	Millions of Yen
	2009
Secured loan from banks	¥562
Total	562
Less current portion	(131)
	¥431

There was no long-term debt outstanding at March 31, 2010.

7. RETIREMENT PLAN

Under most circumstances, terminated employees are entitled to retirement payments based on their rate of pay at the time of termination, years of service and certain other factors.

The Company and consolidated subsidiaries have a termination allowance plan and an employees' pension fund plan. Certain subsidiaries have a termination allowance plan, qualified retirement pension plan and employee's pension fund.

The Company and certain subsidiaries have applied Accounting Standard for Retirement Benefits note 12 (Business Accounting Deliberation Council, June 16, 1998).

Since the Company and certain subsidiaries join the multi-employer type of employees' pension fund plans (including the contracted-out portion), it is difficult to reasonably calculate the Group's portion of the plan assets corresponding to its contributions. The Group recorded the contributions to the plan assets as periodic benefit costs.

The Company and a portion of consolidated subsidiaries have joined the Social Welfare Pension Fund of Nippon Sheet Metal Presswork and a portion of domestic consolidated subsidiaries are the members of Shizuoka Midland Machine Industry Pension Fund.

a.Funding status of the Social Welfare Pension Fund of Nippon Sheet Metal Presswork as of March 31, 2009

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Plan assets	¥55,533	$596,872
Liability based on pension benefit calculation	77,701	835,135
Difference	¥(22,168)	$(238,263)
Percentage of the Group's contributions to the total plan	5.03%	

Difference for the Social Welfare Pension Fund of Nippon Sheet Metal Presswork is due to a past service liability from the pension benefit calculation (22,168 million yen) and it is amortized on a straight-line basis over a period of 19 years

b. Funding status of Shizuoka Midland Machine Industry Pension Fund as of March 31, 2009

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Plan assets	¥16,297	$175,166
Liability based on pension benefit calculation	26,978	289,966
Difference	¥ (10,681)	$(114,800)
Percentage of the Group's contributions to the total plan	10.09%	

Difference for the Shizuoka Midland Machine Industry Pension Fund is caused primarily by a past service liability from the pension benefit calculation (¥10,681 million) and it is amortized on a straight-line basis over 20 years.

The liability for retirement benefits at March 31, 2010 and 2009 for the directors and corporate auditors is ¥705 million ($7,581 thousand) and ¥641 million, respectively. The amounts payable to directors and corporate auditors upon retirement is subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following (the amount of the liability for retirement benefits for the directors and corporate auditors is not included):

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligation	**¥2,337**	¥2,314	**$25,117**
Fair value of plan assets	**(521)**	(632)	**(5,604)**
Unrecognized actuarial loss	**(87)**	(75)	**(930)**
Net liability	**¥1,729**	¥1,607	**$18,583**

The components of net periodic benefit costs for the year ended March 31, 2010 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	**2010**
Service cost	**¥392**	**$4,212**
Interest cost	**33**	**352**
Expected return on plan assets	**(10)**	**(108)**
Recognized actuarial loss	**56**	**602**
Contribution to the Pension	**210**	**2,254**
Net periodic benefit costs	**¥681**	**$7,312**

Assumptions used in determining the retirement benefit obligations for the year ended March 31, 2010 are set forth as follows:

	2010
Discount rate	**1.1-1.6%**
Expected rate of return on plan assets	**1.3%**

Actuarial gains and losses are charged to income as incurred, while they are amortized over ten years for those incurred in certain consolidated subsidiaries.

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). 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 the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in 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. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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 a 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 total aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, 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 OPTION

The stock options outstanding as of March 31, 2010 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option (1)	1 director	450,000 shares	2003.7.1	¥1,394 ($14.98)	From August 1, 2005 to July 31, 2010
2003 Stock Option (2)	4 directors 119 employees 1 employee of the Group	600,000 shares	2003.12.1	¥1,742 ($18.72)	From August 1, 2005 to July 31, 2010
2004 Stock Option (1)	2 directors 3 employees	552,000 shares	2004.7.1	¥1,795 ($19.29)	From August 1, 2006 to July 31, 2011
2004 Stock Option (2)	4 directors 139 employees	497,200 shares	2005.3.15	¥1,735 ($18.65)	From August 1, 2006 to July 31, 2011
2005 Stock Option (1)	2 directors 1 employee	489,000 shares	2005.7.1	¥1,785 ($19.19)	From August 1, 2007 to July 31, 2012
2005 Stock Option (2)	2 directors 166 employees	708,400 shares	2006.3.1	¥2,534 ($27.24)	From August 1, 2007 to July 31, 2012
2007 Stock Option (1)	6 directors	280,000 shares	2007.7.12	¥2,219 ($23.85)	From August 1, 2009 to July 31, 2014
2007 Stock Option (2)	15 employees of the Group	60,000 shares	2008.1.12	¥2,027 ($21.79)	From February 1, 2010 to January 31, 2015
2008 Stock Option (1)	8 directors	440,000 shares	2008.7.11	¥2,073 ($22.28)	From August 1, 2010 to July 31, 2015
2008 Stock Option (2)	21 employees of the Group	104,000 shares	2008.12.8	¥1,576 ($16.94)	From January 1, 2011 to December 31, 2016
2009 Stock Option (1)	7 directors	486,000 shares	2009.7.10	¥1,432 ($15.39)	From August 1, 2011 to July 31, 2016
2009 Stock Option (2)	31 employees of the Group	143,000 shares	2009.8.10	¥1,600 ($17.20)	From September 1, 2011 to August 31, 2016

The stock option activity is as follows:

	2003 Stock Option (1)	2003 Stock Option (2)	2004 Stock Option (1)	2004 Stock Option (2)	2005 Stock Option (1)	2005 Stock Option (2)
	(Shares)					
For the Year Ended March 31, 2009						
Non-vested:						
March 31, 2008—outstanding						
Granted						
Canceled						
Vested						
March 31, 2009—outstanding						
Vested:						
March 31, 2008—outstanding	441,600	321,300	503,600	339,800		708,000
Vested					489,000	
Exercised		66,900		25,000		
Canceled		7,500		7,400		65,000
March 31, 2009—outstanding	441,600	246,900	503,600	307,400	489,000	643,000
For the Year Ended March 31, 2010						
Non-vested:						
March 31, 2009—outstanding						
Granted						
Canceled						
Vested						
March 31, 2010—outstanding						
Vested:						
March 31, 2009—outstanding	**441,600**	**246,900**	**503,600**	**307,400**	**489,000**	**643,000**
Vested						
Exercised						
Canceled		**41,700**	**23,600**	**87,000**		**139,000**
March 31, 2010—outstanding	**441,600**	**205,200**	**480,000**	**220,400**	**489,000**	**504,000**
	Yen (U.S. Dollars)					
Exercise price	**¥1,394 ($14.98)**	**¥1,742 ($18.72)**	**¥1,795 ($19.29)**	**¥1,735 ($18.65)**	**¥1,785 ($19.19)**	**¥2,534 ($27.24)**
Fair value price at grant date						

The Assumptions Used to Measure Fair Value of Stock Options Granted for the Year Ended March 31, 2010 were:

Granted on July 10, 2009

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	27.01%
Estimated remaining outstanding period:	4.56 years
Estimated dividend:	¥13 per share
Interest rate with risk free:	0.62%

Notes:
1. Volatility of stock price is calculated based on the actual stock prices marked in the period from November 2004 to June 2009.
2. Estimated remaining outstanding period is determined based on the assumption that all options would be exercised on the middle date of the exercise period.
3. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2009.
4. For the risk free interest rate, the Company uses the yield of Japanese treasury bonds applicable to the estimated remaining outstanding period of options.

The stock option activity is as follows:

	2007 Stock Option (1)	2007 Stock Option (2)	2008 Stock Option (1)	2008 Stock Option (2)	2009 Stock Option (1)	2009 Stock Option (2)
	(Shares)					
For the Year Ended March 31, 2009						
Non-vested:						
March 31, 2008—outstanding		60,000				
Granted			440,000	104,000		
Canceled		14,000				
Vested						
March 31, 2009—outstanding		46,000	440,000	104,000		
Vested:						
March 31, 2008—outstanding	280,000					
Vested						
Exercised						
Canceled						
March 31, 2009—outstanding	280,000					
For the Year Ended March 31, 2010						
Non-vested						
March 31, 2009—outstanding		**46,000**	**440,000**	**104,000**		
Granted					**486,000**	**143,000**
Canceled		**11,000**	**40,000**	**27,000**		**23,000**
Vested		**35,000**				
March 31, 2010—outstanding			**400,000**	**77,000**	**486,000**	**120,000**
Vested:						
March 31, 2009—outstanding	**280,000**					
Vested		**35,000**				
Exercised						
Canceled						
March 31, 2010—outstanding	**280,000**	**35,000**				
	Yen (U.S. Dollars)					
Exercise price	**¥2,219 ($23.85)**	**¥2,027 ($21.79)**	**¥2,073 ($22.28)**	**¥1,576 ($16.94)**	**¥1,432 ($15.39)**	**¥1,600 ($17.20)**
Fair value price at grant date	**¥384 ($4.13)**	**¥305 ($3.28)**	**¥286 ($3.07)**	**¥87 ($0.94)**	**¥272 ($2.92)**	**¥356 ($3.83)**

The Assumptions Used to Measure Fair Value of Stock Options Granted for the Year Ended March 31, 2010 were:

Granted on August 10, 2009

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	27.69%
Estimated remaining outstanding period:	4.56 years
Estimated dividend:	¥13 per share
Interest rate with risk free:	0.68%

Notes:
1. Volatility of stock price is calculated based on the actual stock prices marked in the period from December 2004 to July 2009.
2. Estimated remaining outstanding period is determined based on the assumption that all options would be exercised on the middle date of the exercise period.
3. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2009.
4. For the risk free interest rate, the Company uses the yield of Japanese treasury bonds applicable to the estimated remaining outstanding period of options.

The Assumptions Used to Measure the Number of Vested Stock Options

The Company uses only the actual cancellations due to the difficulty in determining the reasonable assumption to measure the number of future cancellations.

10. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended March 31, 2010, 2009 and 2008.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current deferred tax assets:			
Devaluation of inventories	**¥ 338**	¥ 304	**$3,630**
Accrued enterprise tax	**131**	149	**1,407**
Accrued bonuses	**383**	373	**4,121**
Unrealized income	**58**	158	**621**
Tax losses carried forward	**15**	113	**163**
Valuation on available-for-sale securities		2	
Other—net	**109**	285	**1,166**
Subtotal	**1,034**	1,384	**11,108**
Valuation allowance	**(223)**	(212)	**(2,397)**
Current deferred tax assets	**811**	1,172	**8,711**
Current deferred tax liabilities:			
Valuation on available-for-sale securities	**6**		**64**
Enterprise tax refundable		7	
Other—net	**1**	6	**7**
Current deferred tax liabilities	**7**	13	**71**
Net current deferred tax assets	**¥ 804**	¥1,159	**$8,640**
Non-current deferred tax assets:			
Liabilities for retirement benefits for employees	**¥ 684**	¥ 614	**$7,349**
Valuation loss on investment securities	**3**	94	**35**
Depreciation	**420**	428	**4,519**
Tax losses carried forward	**1,320**	816	**14,184**
Allowance for doubtful receivables	**36**	41	**389**
Unrealized income	**42**		**453**
Valuation on available-for-sale securities		1	
Other—net	**129**	123	**1,381**
Subtotal	**2,634**	2,117	**28,310**
Valuation allowance	**(982)**	(770)	**(10,552)**
Non-current deferred tax assets	**1,652**	1,347	**17,758**
Non-current deferred tax liabilities:			
Valuation on fixed assets	**23**	149	**244**
Valuation on available-for-sale securities	**32**		**342**
Other—net	**5**	5	**56**
Non-current deferred tax liabilities	**60**	154	**642**
Net non-current deferred tax assets	**¥1,592**	¥1,193	**$17,116**

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 are as follows:

	2010	2009
Normal effective statutory tax rate	**40.7%**	40.7%
Non-deductible bonuses to directors and corporate auditors	**0.9**	0.8
Increase in temporary differences not scheduled for income tax purposes	**5.5**	8.6
Amortization of goodwill	**3.9**	3.1
Equity in earnings of affiliates	**0.4**	(2.0)
Other	**(1.4)**	0.2
Actual effective tax rate	**50.0%**	51.4%

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2008 was not presented because the differences between them were not material.

11. LEASES

The Group leases certain machinery, computer and telecommunication equipment, office space and other assets.

Total rental expense for the years ended March 31, 2010, 2009 and 2008 was ¥1,132 million ($12,171 thousand), ¥1,236 million and ¥1,325 million, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Group applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2010 and 2009 was as follows:

	Millions of Yen		
	2010		
	Machineries and Vehicles	Other	Total
Acquisition cost	**¥927**	**¥108**	**¥1,035**
Accumulated depreciation	**(633)**	**(90)**	**(723)**
Net leased property	**¥294**	**¥18**	**¥312**

	Millions of Yen		
	2009		
	Machineries and Vehicles	Other	Total
Acquisition cost	¥1,454	¥191	¥1,645
Accumulated depreciation	(927)	(150)	(1,077)
Net leased property	¥527	¥41	¥568

	Thousands of U.S. Dollars		
	2010		
	Machineries and Vehicles	Other	Total
Acquisition cost	**$9,959**	**$1,164**	**$11,123**
Accumulated depreciation	**(6,794)**	**(975)**	**(7,769)**
Net leased property	**$3,165**	**$189**	**$ 3,354**

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Obligations under finance leases:			
Due within one year	**¥142**	¥239	**$1,524**
Due after one year	**178**	345	**1,913**
Total	**¥320**	¥584	**$3,437**

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Depreciation expense and interest expense under finance leases:			
Depreciation expense	**¥213**	¥411	**$2,288**
Interest expense	**6**	28	**66**
Total	**¥219**	¥439	**$2,354**
Lease payments	**¥224**	¥445	**$2,406**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥104**	**$1,123**
Due after one year	**146**	**1,569**
Total	**¥250**	**$2,692**

12.RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥275 million ($2,956 thousand), ¥606 million and ¥401 million for the years ended March 31, 2010, 2009 and 2008, respectively.

13.FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Group has applied "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and "Guidance on Disclosure about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 10, 2008) effective from the year ended March 31, 2010.

(1) Group policy for financial instruments

The Group has planning and selling in its parts business, consisting of "Factory Automation", "Die Components", "Electronics" and "Diversified." Capital investment plan for the ongoing business is principally financed by our own funds. Temporary excess funds are operated by the highly rated financial institutions and it is our policy not to enter into derivative transactions for speculative purpose. Derivative transactions are only utilized to hedge foreign currency fluctuation risk.

(2) Nature and extent of risks arising from financial instruments

Operating receivables such as trade notes and trade accounts are exposed to credit risk. Operating payables such as trade notes and accounts are due within one year. The Group operates its business globally and has operating receivables and payables denominated in foreign currencies that are exposed to foreign currency fluctuation risk. The Group utilizes foreign currency forward contracts to hedge foreign currency fluctuation risk of the netting amount of operating receivables and operating payables denominated in foreign currencies. Marketable securities and investment securities mainly consist of governmental bonds and are exposed to market fluctuation risk. The Group follows a stable operation policy and does not have any speculative transactions.

(3) Risk management for financial instruments

1. **Credit risk (risk of default by the counter parties) management**

   The Group follows sales management rules and the sales management department monitors the customers' credit conditions periodically and manages the due date and balance per each customer. The Group keeps track of the adverse financial conditions of our customers in the early stage to mitigate bad debts. Marketable securities and investment securities have little credit risk as they follow the fund operating rules and mainly consist of highly rated bonds.

   The Group enters into derivative transactions only with highly rated financial institutions to mitigate the credit risk and the Group evaluated that there is no material credit risk. The maximum credit risk for the year ended March 31, 2010 is presented as financial instruments, which are exposed to credit risk on the balance sheets.

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 monthly. Regarding marketable securities and investment securities, the Group regularly reviews the fair value and issuers' financial condition and readjusts the Group's portfolio on an ongoing basis. For derivative transactions, the Group currently deals with foreign currency forward contract only. The purpose of derivative transactions is limited to hedge actual demand of receivables and payables denominated in foreign currencies. The Group manages derivative risk by mutual supervision and review within finance department.

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

   The finance department prepares and updates the cash management plan periodically based on the reports from each department and calculates the necessary amount on hand. The Group manages the liquidity risk by maintaining the amount calculated by the finance department.

(4) Fair value of financial instruments

Fair values of financial instruments are based on the market price and the value fluctuates according to the market. The contract amount regarding derivative transactions described in Note 14. DERIVATIVES does not indicate market risk related to derivative transactions.

(a) Fair value of financial instruments

Carrying amount on the consolidated balance sheet, fair value and difference of financial instruments as of March 31, 2010 are as follows:

	Millions of Yen		
	2010		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**¥10,909**	**¥10,909**	
Time deposits	**17,050**	**17,050**	
Marketable securities	**5,048**	**5,048**	
Trade notes receivable	**3,906**	**3,906**	
Trade accounts receivable	**18,165**	**18,165**	
Investment securities	**5,159**	**5,159**	
Trade notes payable and accounts payable	**(7,198)**	**(7,198)**	
Derivatives, net	**(196)**	**(196)**	

	Thousands of U.S. Dollars		
	2010		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**$117,248**	**$117,248**	
Time deposits	**183,252**	**183,252**	
Marketable securities	**54,258**	**54,258**	
Trade notes receivable	**41,983**	**41,983**	
Trade accounts receivable	**195,242**	**195,242**	
Investment securities	**55,447**	**55,447**	
Trade notes payable and accounts payable	**(77,364)**	**(77,364)**	
Derivatives, net	**(2,106)**	**(2,106)**	

The financial instruments that are extremely difficult to determine the fair value, are excluded from the chart above.
Valuation method of the fair value of financial instruments and information of marketable securities and derivative are as follows:

Cash and cash equivalents, and time deposits

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Trade notes receivable and trade accounts receivable

The carrying values of trade notes receivable and trade accounts receivable approximate fair value because of their short maturities.

Marketable and investment securities

Fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price at bond markets, or the price presented by the counter party financial institutions. Please see Note 3. MARKETABLE AND INVESTMENT SECURITIES for the notes regarding the securities by classification.

Trade notes payable and accounts payable

The carrying values of trade notes payable and trade accounts payable approximate fair value because of their short maturities.

Derivatives

Please refer to Note 14. DERIVATIVES.

(b)Financial instruments whose fair value cannot be reliably determined as of March 31, 2010

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Unlisted securities	**¥509**	**$5,472**

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2010

	Millions of yen			
	2010			
	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	**¥10,909**			
Time deposits	**17,050**			
Trade notes receivable	**3,906**			
Trade accounts receivable	**18,165**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds	**2,010**	**¥3,061**		
Corporate bonds	**2,991**			
Other	**48**	**38**		**¥56**
Total	**¥55,079**	**¥3,099**		**¥56**

	Thousands of U.S. dollars			
	2010			
	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	**$117,248**			
Time deposits	**183,252**			
Trade notes receivable	**41,983**			
Trade accounts receivable	**195,242**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds	**21,599**	**$32,898**		
Corporate bonds	**32,141**			
Other	**518**	**414**		**$606**
Total	**$591,983**	**$33,312**		**$606**

14.DERIVATIVES

The Group enters into foreign exchange forward contracts to hedge fluctuation risk associated with certain assets and liabilities that are denominated in foreign currencies.
All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.
Because the counter parties to deal these derivatives are limited to major financial institutions, the management of the Group does not anticipate any losses arising from credit risk.
Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.
The administration of the Group's derivative transactions is monitored in accordance with mutual supervision and controls by the finance department personnel who is in charge of treasury with the Group.
The contract amount of derivatives does not necessarily indicate the significance of the risk in the market.

As noted in Note 13, the Group applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.
Derivative transactions to which hedge accounting is not applied at March 31, 2010

	Millions of Yen				Thousands of U.S. Dollars			
	2010							
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:								
Buying	**¥1,149**	**–**	**¥(75)**	**¥(75)**	**$12,354**	**–**	**$(803)**	**$(803)**
Selling	**3,276**	**–**	**(121)**	**(121)**	**35,213**	**–**	**(1,303)**	**(1,303)**

Fair Value of Derivative Financial Instruments
The fair value of the Company's derivative financial instruments at March 31, 2009 is as follows:

	Millions of Yen		
	2009		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:			
Buying	¥383	¥355	¥(28)
Selling	706	733	27

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

15.NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2010	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥3,886**	**88,634**	**¥43.84**	**$0.47**
Effect of dilutive securities—Stock options		**94**		
Diluted EPS—Net income for computation	**¥3,886**	**88,728**	**¥43.80**	**$0.47**
Year Ended March 31, 2009				
Basic EPS—Net income available to common shareholders	¥4,687	88,611	¥52.89	
Effect of dilutive securities—Stock options		62		
Diluted EPS—Net income for computation	¥4,687	88,673	¥52.86	
Year Ended March 31, 2008				
Basic EPS—Net income available to common shareholders	¥9,698	88,390	¥109.72	
Effect of dilutive securities—Stock options		371		
Diluted EPS—Net income for computation	¥9,698	88,761	¥109.26	

16.SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2010 were approved at the shareholders meeting held on June 17, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8 ($0.09) per share	**¥709**	**$7,621**

17.SEGMENT INFORMATION

Information about operations in different industry segments, geographical segments and sales to foreign customers of the Company and its consolidated subsidiaries for the years ended March 31, 2010, 2009 and 2008 is as follows:

(1)Industry Segments

The Group has classified the businesses considering the line of the merchandises and the similarity of the markets. From the year ended March 31, 2010, the Group changed the method of classification from five segments to four segments. The whole business that used to be included in "Optics Business" is now classified as "Factory Automation Business."

This change was made to reflect the actual management structure such as increasing similarity of customers and merchandises in "Optics Business" and "Factory Automation Business" in recent years, significant decreasing of sales in "Optics Business" " in recent years and reclassification of segmentation for management to include "Optics Business" into "Factory Automation Business" from the current fiscal year.

The following segment information for the years ended March 31, 2009 and 2008 is reclassified according to the current segmentation.

a. Sales and Operating Income

	Millions of Yen					
	2010					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidate
Sales to customers	¥50,667	¥22,761	¥8,079	¥7,673		¥89,180
Intersegment sales						
Total sales	50,667	22,761	8,079	7,673		89,180
Operating expenses	43,929	22,014	6,954	7,382	¥493	80,772
Operating income	¥6,738	¥747	¥1,125	¥291	¥(493)	¥8,408

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen					
	2010					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidate
Assets	¥36,287	¥18,426	¥3,012	¥3,213	¥32,003	¥92,941
Depreciation	1,104	568	95	111		1,878
Impairment loss		317				317
Capital expenditures	2,139	1,276	113	294		3,822

a.Sales and Operating Income

	Thousands of U.S. Dollars					
	2010					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidate
Sales to customers	$544,571	$244,631	$86,834	$82,481		$958,517
Intersegment sales						
Total sales	544,571	244,631	86,834	82,481		958,517
Operating expenses	472,148	236,605	74,740	79,360	$5,294	868,147
Operating income	$72,423	$8,026	$12,094	$3,121	$(5,294)	$90,370

b.Assets, Depreciation, Impairment Loss and Capital Expenditures

	Thousands of U.S. Dollars					
	2010					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidate
Assets	$390,018	$198,046	$32,378	$34,528	$343,964	$998,934
Depreciation	11,864	6,108	1,024	1,194		20,190
Impairment loss		3,407				3,407
Capital expenditures	22,990	13,710	1,213	3,167		41,080

a. Sales and Operating Income

	Millions of Yen					
	2009					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
Sales to customers	¥62,376	¥28,424	¥10,282	¥8,959		¥110,041
Intersegment sales						
Total sales	62,376	28,424	10,282	8,959		110,041
Operating expenses	53,638	27,070	9,156	8,668	¥492	99,024
Operating income	¥8,738	¥1,354	¥1,126	¥291	¥(492)	¥11,017

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen					
	2009					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
Assets	¥32,209	¥16,070	¥2,620	¥3,137	¥32,044	¥86,080
Depreciation	1,080	573	98	83		1,834
Impairment loss		542				542
Capital expenditures	2,552	1,147	186	174		4,059

a. Sales and Operating Income

	Millions of Yen					
	2008					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
Sales to customers	¥68,233	¥34,514	¥12,957	¥10,961		¥126,665
Intersegment sales						
Total sales	68,233	34,514	12,957	10,961		126,665
Operating expenses	57,376	30,727	11,313	10,439	¥493	110,348
Operating income	¥10,857	¥3,787	¥1,644	¥522	¥(493)	¥16,317

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen					
	2008					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
Assets	¥35,517	¥23,029	¥4,420	¥3,865	¥25,765	¥92,596
Depreciation	788	510	137	73		1,508
Impairment loss		21				21
Capital expenditures	2,227	1,241	208	129		3,805

(2)Geographical Segments

The geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

	Millions of Yen					
	2010					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	**¥68,174**	**¥15,389**	**¥3,381**	**¥2,236**		**¥89,180**
Inter-area transfer	**13,135**	**2,620**	**4**	**0**	**¥(15,759)**	
Total sales	**81,309**	**18,009**	**3,385**	**2,236**	**(15,759)**	**89,180**
Operating expenses	**71,822**	**18,089**	**3,727**	**2,513**	**(15,379)**	**80,772**
Operating income (loss)	**¥9,487**	**¥(80)**	**¥(342)**	**¥(277)**	**¥(380)**	**¥8,408**
Assets	**¥49,745**	**¥17,086**	**¥1,223**	**¥1,545**	**¥23,342**	**¥92,941**

	Thousands of U.S. Dollars					
	2010					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	**$732,736**	**$165,412**	**$36,342**	**$24,027**		**$958,517**
Inter-area transfer	**141,181**	**28,155**	**44**	**4**	**$(169,384)**	
Total sales	**873,917**	**193,567**	**36,386**	**24,031**	**(169,384)**	**958,517**
Operating expenses	**771,944**	**194,426**	**40,057**	**27,014**	**(165,294)**	**868,147**
Operating income (loss)	**$101,973**	**$(859)**	**$(3,671)**	**$(2,983)**	**$(4,090)**	**$90,370**
Assets	**$534,664**	**$183,638**	**$13,145**	**$16,604**	**$250,883**	**$998,934**

	Millions of Yen					
	2009					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	¥87,825	¥16,015	¥3,690	¥2,511		¥110,041
Inter-area transfer	14,431	4,463	2	8	¥(18,904)	
Total sales	102,256	20,478	3,692	2,519	(18,904)	110,041
Operating expenses	90,566	20,022	4,086	2,838	(18,488)	99,024
Operating income (loss)	¥11,690	¥456	¥(394)	¥(319)	¥(416)	¥11,017
Assets	¥43,782	¥15,854	¥1,252	¥1,118	¥24,074	¥86,080

	Millions of Yen					
	2008					
	Japan	Asia	North and South America	Europe	Eliminations (Corporate)	Consolidated
Sales to customers	¥102,168	¥18,221	¥4,035	¥2,241		¥126,665
Inter-area transfer	13,854	5,387	3	255	¥(19,499)	
Total sales	116,022	23,608	4,038	2,496	(19,499)	126,665
Operating expenses	101,517	21,095	4,215	2,568	(19,047)	110,348
Operating income (loss)	¥14,505	¥2,513	¥(177)	¥(72)	¥(452)	¥16,317
Assets	¥55,006	¥17,267	¥1,335	¥1,804	¥17,184	¥92,596

(3)Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of Yen			
	2010			
	Asia	North and South America	Europe	Total
Sales to foreign customers	**¥16,337**	**¥3,414**	**¥2,237**	**¥21,988**

	Thousands of U.S. Dollars			
	2010			
	Asia	North and South America	Europe	Total
Sales to foreign customers	**$175,595**	**$36,694**	**$24,038**	**$236,327**

	Millions of Yen			
	2009			
	Asia	North and South America	Europe	Total
Sales to foreign customers	¥17,791	¥4,049	¥2,664	¥24,504

	Millions of Yen			
	2008			
	Asia	North and South America	Europe	Total
Sales to foreign customers	¥19,560	¥4,066	¥2,244	¥25,870

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3) 3457 7321
Fax: +81(3) 3457 7426
www.deloitte.com/jp

To the Board of Directors of
MISUMI Group Inc.:

We have audited the accompanying consolidated balance sheets of MISUMI Group Inc. (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2010, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MISUMI Group Inc. and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 17, 2010

Company Profile and Stock Information

(As of March, 2010)

Corporate Profile

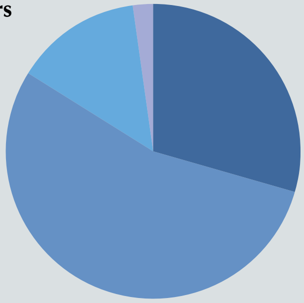
Corporate Name	MISUMI Group Inc.
Established	February 23, 1963
Head Office	4-43, Toyo 2-chome, Koto-ku, Tokyo 135-8458
Paid-in Capital	4,682 Millions of Yen
Stock Listing	Tokyo Stock Exchange(Ticker code:9962)
Fiscal Year	From April 1 to March 31
General Shareholders' Meeting	Generally held in June
Description of Business	Development of Group management strategies, administration, and all functions related to Group management
URL	http://www.misumi.co.jp/

Stock Information

Authorized Number of Shares	340,000,000
Issued Number of Shares	89,018,684
Number of Shareholders	5,122

Composition of Shareholders

- Banks and Other Financial Institutions — 29.65%
- Foreign Corporations and Other Foreign Investors – 54.33%
- Individuals and Other – 13.85%
- Other Companies — 2.17%



Major Shareholders

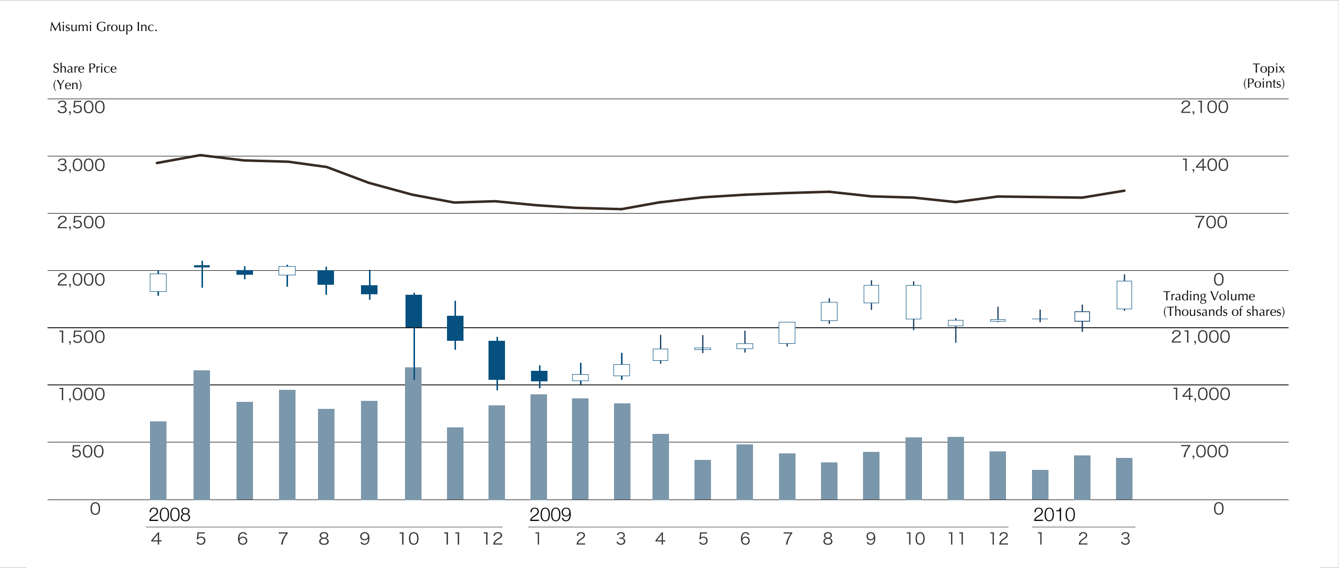
Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Shares Outstanding
State Street Bank and Trust Company	18,904	21.24
The Master Trust Bank of Japan, Ltd.	9,200	10.34
Goldman Sachs and Company Regular Account	6,551	7.36
Hiroshi Taguchi	6,028	6.77
Japan Trustee Services Bank, Ltd.	5,881	6.61
Mizuho Trust & Banking Co., Ltd. (Retirement Benefits Trust, Mizuho Bank, Ltd., Account)	3,559	4.00
RBC Dexia Investor Services Trust, London Lending Account	2,737	3.07
The Nomura Trust and Banking Co., Ltd.	2,307	2.59
Nippon Life Insurance Company	1,771	1.99
SAJAP	1,498	1.68

Percentage of shares outstanding rounded off after two decimal points.

Stock Splits

May	1994	1	➡	1.2
May	1995	1	➡	1.1
May	1996	1	➡	1.1
November	1997	1	➡	1.1
May	2000	1	➡	1.1
August	2001	1	➡	1.1
May	2004	1	➡	1.5
April	2006	1	➡	2.0

Monthly Share Price Range/Trading Volume



It's all about TIME

MiSUMi