It's all about TIME

MiSUMi

MISUMI Group Inc. ANNUAL REPORT 2012

ANNUAL REPORT 2012

MiSUMi

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.

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Forward-Looking Statement

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.

Ten-Year Summary (Consolidated)

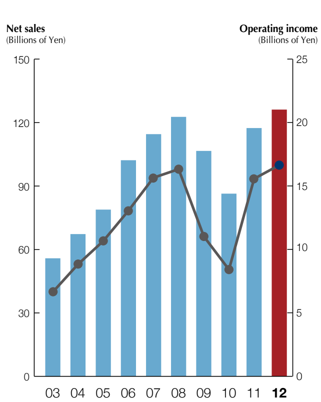
MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004 and 2003

Millions of Yen

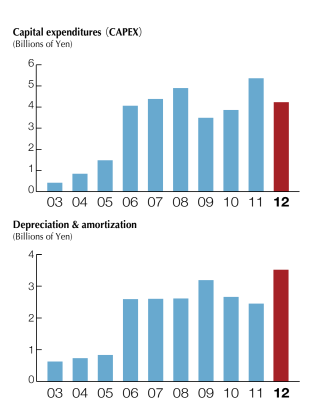
	2003	2004	2005	2006	2007	2008	2009	2010	2011	**2012**
For the Year:										
Net sales	57,750	69,562	81,509	105,408	118,139	126,665	110,041	89,180	121,203	**130,213**
Factory Automation (FA) Businesses[5]	19,210	26,497	35,476	50,993	60,510	69,205	62,030	51,445	74,831	**80,724**
Die Components Businesses[5]	23,560	26,527	26,875	31,623	33,066	34,652	28,139	23,007	26,622	**27,686**
Electronics Businesses[5]	5,809	7,594	8,901	10,084	12,449	12,313	10,262	8,081	11,376	**12,401**
Other Businesses[5,6]	3,742	4,463	5,424	6,904	8,922	9,792	8,853	7,772	9,114	**9,775**
Adjustments[5]	5,429	4,481	4,833	5,804	3,192	703	757	△ 1,125	△ 740	**△ 373**
Operating income	6,641	8,824	10,649	13,035	15,643	16,317	11,017	8,408	15,563	**16,646**
Income before income taxes (and minority interests)	6,221	8,785	10,739	13,424	15,999	16,296	9,640	7,778	15,409	**17,022**
Net income	3,518	5,023	6,507	7,619	9,447	9,698	4,687	3,886	9,007	**9,414**
At Year-End:										
Total assets	36,781	44,348	51,733	78,177	84,244	92,596	86,080	92,941	107,552	**115,721**
Total equity[1]	27,496	32,189	38,645	54,077	63,751	71,302	71,696	75,667	83,815	**90,824**
Interest-bearing debt	831	800	800	3,092	1,717	2,164	1,862	1,200	900	**1,000**
CAPEX and Depreciation & Amortization										
Capital expenditures (CAPEX)	422	847	1,484	4,063	4,383	4,898	3,493	3,863	5,362	**4,231**
Depreciation & amortization	627	733	834	2,593	2,605	2,614	3,192	2,664	2,453	**3,521**
Major Indicators:										
Return on equity[3] (%)	13.5	16.8	18.4	16.4	16.0	14.4	6.6	5.3	11.3	**10.8**
Return on assets[3] (%)	19.5	21.9	22.4	20.7	19.7	18.4	10.8	8.7	15.4	**15.2**
Current ratio (%)	370.5	350.1	383.7	278.5	351.4	351.5	529.2	463.6	398.7	**408.4**
Interest coverage ratio[4] (times)	786.1	835.4	1,171.1	156.6	110.0	815.3	499.1	362.1	854.1	**1,150.6**
Per Share Data:										
Net income per share[2] (yen)	43.27	59.68	78.27	84.95	108.42	109.72	52.89	43.84	101.16	**105.14**
Cash dividends per share[2] (yen)	8.67	12.33	15.50	18.00	22.00	23.00	13.00	10.00	20.20	**23.20**
Equity per share[1,2] (yen)	344.79	399.53	475.82	619.93	725.44	805.33	808.90	853.70	936.82	**1,017.12**
Cash flow per share[2] (yen)	57.61	54.61	64.70	77.70	81.20	127.00	140.04	72.36	131.16	**87.18**
Stock Valuations:										
Price/Earnings ratio – PER (times)	24.8	29.7	21.5	30.7	19.5	16.1	22.4	43.7	20.4	**19.1**
Price/Cash flow ratio – PCFR (times)	18.6	21.7	26.0	33.5	26.0	13.9	8.5	26.5	15.7	**23.1**
Price/Book value ratio – PBR (times)	3.1	3.0	3.5	4.2	2.9	2.2	1.5	2.2	2.2	**2.0**
Number of Customers (Companies)										
In Japan (Machinery-related only[7])	49,330	51,703	55,105	58,336	60,172	61,069	61,430	59,779	60,936	**61,648**
Overseas	8,517	10,792	15,705	22,770	33,057	41,230	47,990	52,375	61,993	**67,608**
Total number of customer companies	57,847	62,495	70,810	81,106	93,229	102,299	109,420	112,154	122,929	**129,256**
Number of Employees	389	472	690	2,887	3,382	3,813	4,049	3,581	4,831	**5,615**

Notes: 1. The Company presents total equity instead of shareholders' equity in keeping with the implementation of the Company Law on May 1, 2006.
2. Adjusted for stock splits up to March 31, 2007 3. ROE = Net income / equity ROA = Income before income taxes (and minority interests) / total assets
4. Interest coverage ratio = Net cash provided by operating activities / Interest payment 5.Results from past years are disclosed in terms of new business segments.
6. Effective April 2012, the Diversified Businesses segment is now called Other Businesses. 7.Exclude customers of Promiclos.

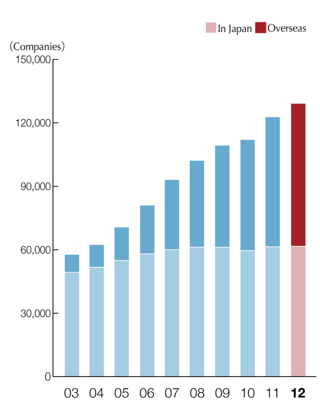
Net sales and Operating income



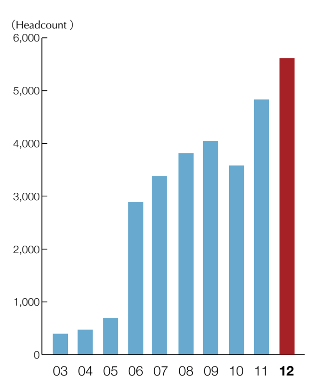
CAPEX and Depreciation & Amortization



Number of Customers



Number of Employees



We will fundamentally strengthen the MISUMI QCT Model in global markets to win against international competition

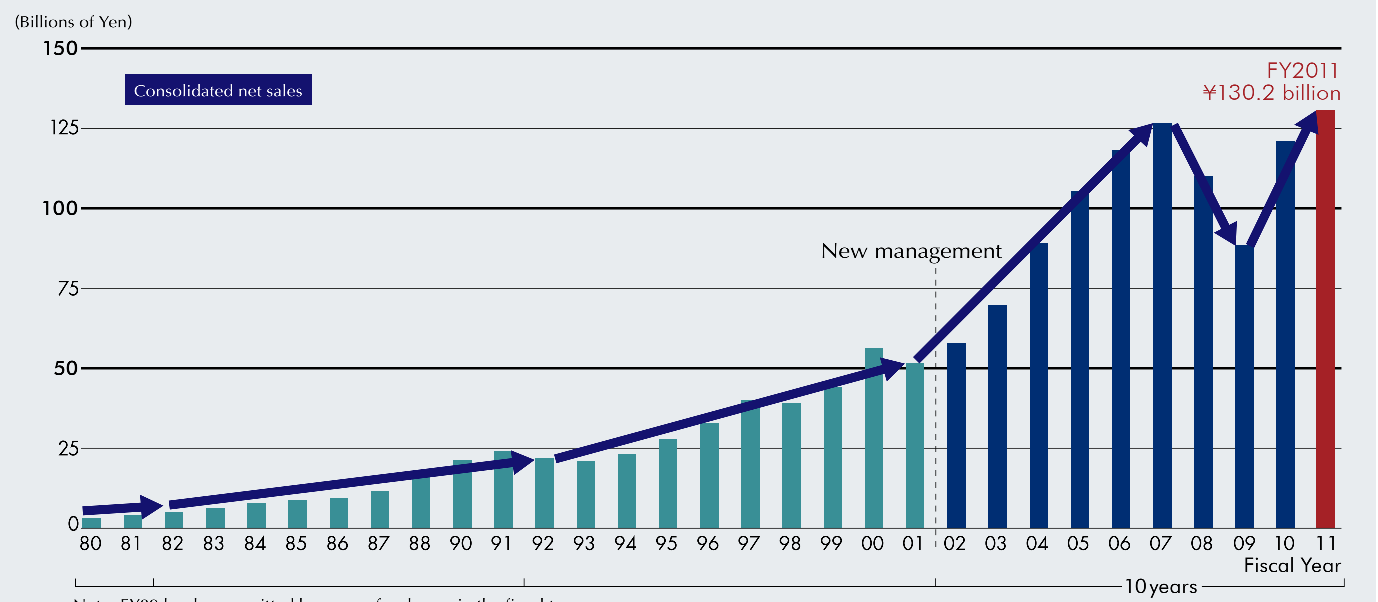
In the ten years since 2002,
the MISUMI Group has undergone a dramatic transformation
into what could be called a re-invention of the company.
We aim to refine the MISUMI Business Model
in global markets to make even greater achievements.

Tadashi Saegusa
Representative Director,
Chairman, Co-CEO

Masayuki Takaya
Representative Director,
President, Co-CEO

Top Message

■Growth of The MISUMI Group



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

FY2011 Consolidated Financial Results

In FY2011 (April 1, 2011, through March 31, 2012), the business environment surrounding our company grew increasingly harsh, as the European sovereign debt crisis intensified, China and the rest of East Asia saw slower economic growth, and the yen appreciated. Amid such an environment the MISUMI Group booked consolidated sales of ¥130.2 billion (up 7.4% compared to the previous year), renewing a record high for the first time in four years. MISUMI achieved record-high sales in all regions overseas as we drove penetration of the MISUMI Business Model and added to our customer bases in growth-driver global markets.

Operating income was ¥16.6 billion (up 7.0%), also a record high. We actively implemented measures to secure future growth. In Asia, we expanded our sales office network and invested in new plants. We also added employees to support these initiatives. While these upfront investments weighed on operating income, the greater burden was absorbed by higher sales and expanded gross margins.

Effective beginning the second half of FY2011, we have increased our dividend payout ratio to 25% from 20%. Accordingly, we paid out a year-end dividend-per-share of ¥13. As a result, MISUMI paid out annual dividends-per-share of ¥23.2 (up ¥3), including the interim dividend-per-share of ¥10.2.

Six Decisions Made By New Management

Over the ten years through FY2011 since new management took over in FY2002, consolidated sales grew 2.5 times and operating income 3.4 times. Although business performance dipped in response to the global recession triggered by the financial crisis, MISUMI achieved a V-shaped recovery, marking record-high sales and profits for the first time in four years.

Our success is attributable to a variety of reforms rooted in our unique MISUMI Business Model. In particular, six decisions made over the past ten years determined the fate of the company and drove a major transformation that could be called a re-invention of the MISUMI Group. The result was tremendous growth for the company.

1. Exit In-house Diversified Businesses. Return to Our Core

The first decision made by new management was to exit from diversified businesses, which had by then accumulated losses of ¥5 billion, and return to our core business of precision mechanical industrial components for die-and-mold and factory-automation applications. The diversified businesses failed primarily due to deficiencies in human resources development that left a shortage of internal professional talent to execute strategy. The decision to swiftly exit businesses with few synergies to our core business and concentrate manage-

■Six Critical Decisions in 10 Years

1 (2002) **Exit In-house Diversified Businesses and Return to Our Core**
・Significant departure from direction set by the company's founder

2 (2002) **Shift the Strategic Focus Overseas**
・Start by bringing Japanese partner makers to Shanghai

3 (2004) **Acquire SURUGA SEIKI and Become a Manufacturer**
・End our 40-year history as a dedicated trading company

4 (2005) **Kansai Production Park**
・Invest ¥4 billion on manufacturing capabilities—the largest investment since the company's inception

5 (2007) **Reorganize into Company Structure (Decentralize Authority) and New Management Team**
・Elevate young management talent mainly in their 40s

6 (2010) **Launch New VONA Business**
・An historical departure from a singular focus on MISUMI-branded products

ment resources on core businesses paved the way for the rapid growth that was to come.

2. Shift the Strategic Focus Overseas

The MISUMI QCT Model for delivering high-quality product at low cost and short lead-times was achieved thanks to catalog sales of standardized products and a piece-by-piece production and short delivery-time regime. Precision components customized down to the micron ship within a standard three days—all with no minimum quantity requirements. Our model revolutionized the market for precision fabricated components, which until then was plagued by inefficiencies, high cost and long lead-times.

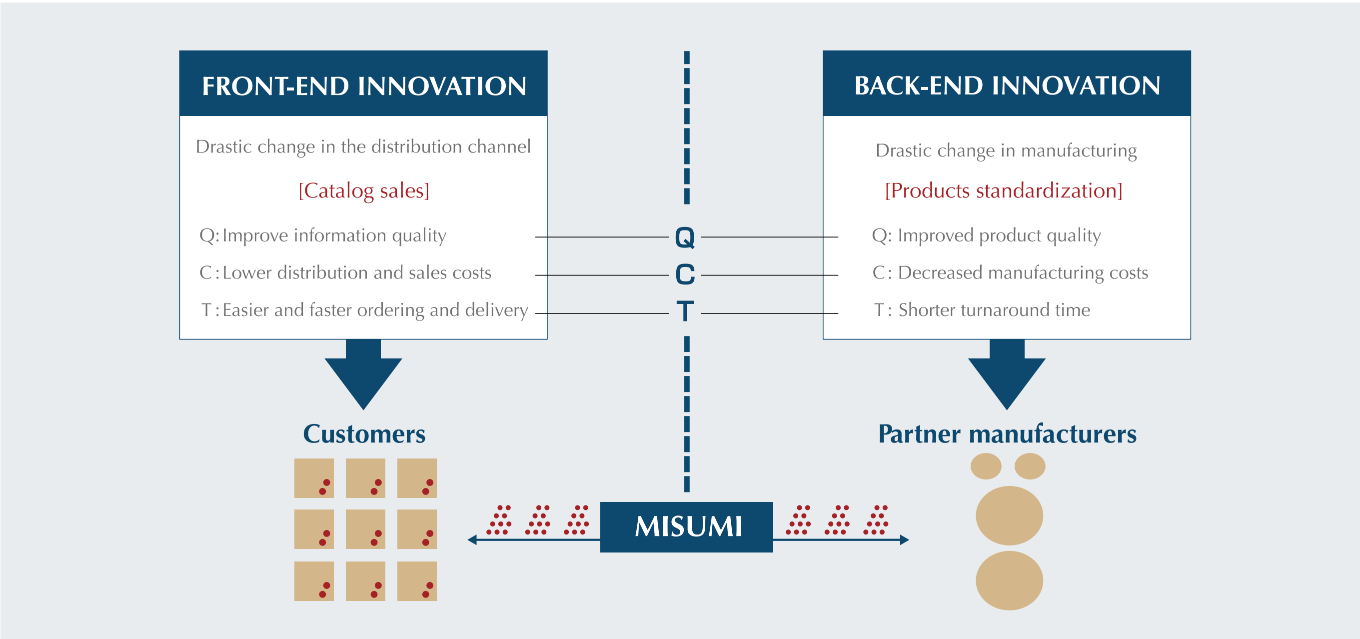
The MISUMI QCT Model was a unique and highly competitive business model that could also succeed in international markets. Nevertheless, the company had been slow to export its model overseas. In FY2001, before MISUMI put its full force behind international business expansion, international sales accounted for less than 10% of the consolidated total.

To put the international business on a growth trajectory, management recognized the need to finish the MISUMI QCT Model by building out a complete infrastructure, including a sales office, logistics center and manufacturing site, in each market we entered.

We started with China, our most important market. In FY2003, we established a sales office and logistics center. Moreover, we brought over nine partner manufacturers from Japan to a site in Shanghai to build out a local procurement regime. This constituted the realization of our first MISUMI QCT Model overseas.

Shanghai QCT Logistics Center

■MISUMI QCT Model



3. Acquire SURUGA SEIKI and End Our 40-year History as a Dedicated Trading Company

Studies of other potential target markets overseas revealed the limitations of our supply chain at the time and stoked concerns that China might be the first and last foray overseas for MISUMI.

The Japanese partner makers we brought to Shanghai were mostly small companies with limited resources to expand beyond China.

Our reliance on the manufacturing capabilities of partner makers was incompatible with scenarios for international expansion, highlighting the need for in-house manufacturing capabilities.

In FY2005, management decided to acquire SURUGA SEIKI (presently SURUGA Production Platform), then our largest partner maker. This made MISUMI a manufacturer and ended its 40-year history as a dedicated trading company.

The acquisition made it possible to deploy finishing plants globally with small investments. Armed with the ability to establish a global manufacturing footprint acquired with SURUGA SEIKI on one hand and the experience and know-how accumulated by establishing the MISUMI QCT Model in China on the other, we could now dramatically accelerate the pace of international business expansion.


SURUGA Production Platform Shimizu Plant

Additionally, having the manufacturing capabilities in-house made it possible to drive initiatives to reform and improve production activities.

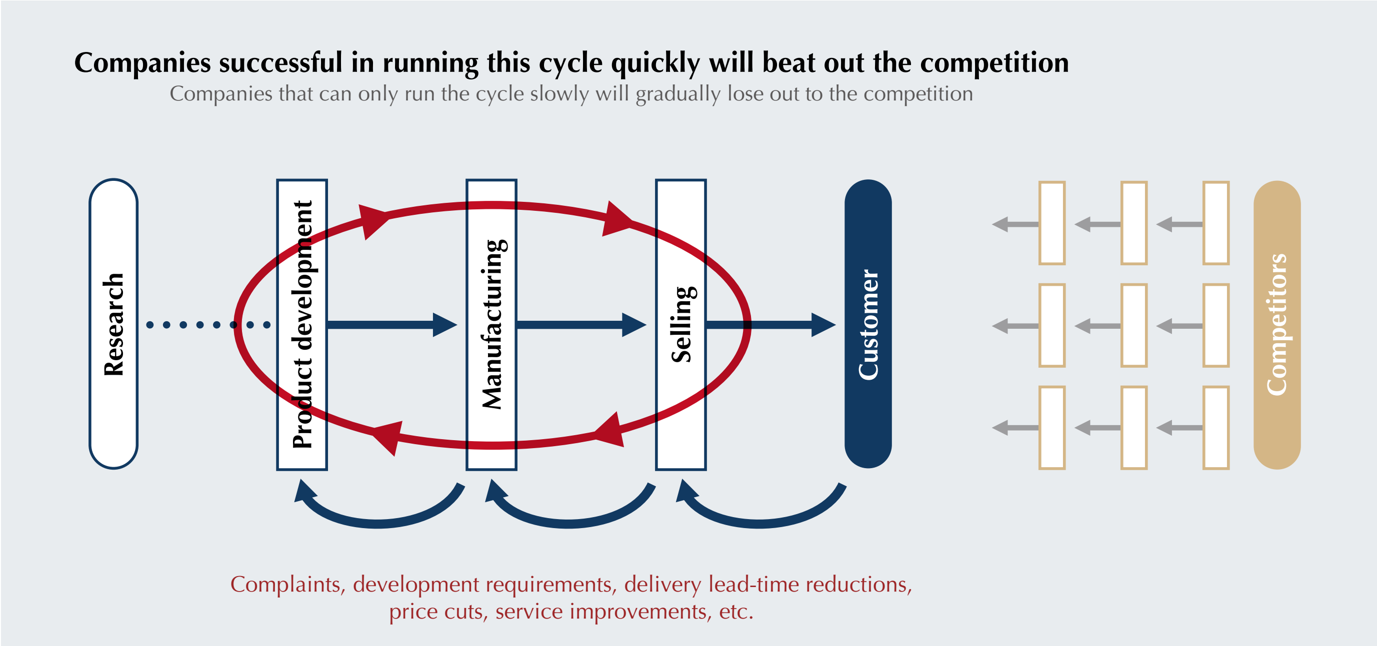
4. Establish a MISUMI Production Park in Kansai. The ¥4 Billion Investment in Manufacturing Capabilities Was the Largest in Company History

Following the acquisition of SURUGA SEIKI, MISUMI began leading efforts to improve production activities at partner makers.

For example, as far as the customer is concerned, if an order is delivered missing even one part, the order is incomplete and therefore not on time. Because any one order may be filled using a combination of any number of partner makers, to be meaningful production reforms aimed at achieving short delivery times need to be implemented across all partner makers at the same time. The unfortunate reality at the time, however, was that the disparity among partner makers was significant, which diluted the effects of any production reforms implemented.

In FY2005, we invested nearly ¥4 billion-the largest investment in the company's history-to establish a MISUMI Production Park in Japan's Kansai region, located in the Western part of Japan.

Basis of Operations—Product Development, Manufacturing and Selling (Basic Business Cycle)



We brought in nine partner makers as tenants occupying land and buildings owned by MISUMI.

Inside the production park, we held regular continuous improvement workshops. These activities led to collaboration and healthy competition related to production improvements among the participating partner makers, which in turn fueled progress in production reforms. In the six years to date, their sustained efforts in production reforms have generated impressive results and cost reductions, from improvements in production yields and manufacturing methods to the use of alternative materials, further enhancing our cost competitiveness in global markets.

5. Delegate Authority across the Organization and Nurture a New Management Team

The strength of the MISUMI Group lies in the MISUMI Business Model and the MISUMI Organizational Model.

The MISUMI Group strives tirelessly to drive evolutionary changes in our organization to maintain and enhance competitiveness even as our business scale grows.

MISUMI Production Park (Sanda, Hyogo Prefecture)

The MISUMI organization creates small teams responsible for product development, manufacturing, and sales. Within that framework, leaders and team members are given the autonomy to formulate plans, make decisions and drive the business. Having the individual teams act as independent companies carries the added benefit of accelerating the development of management personnel.

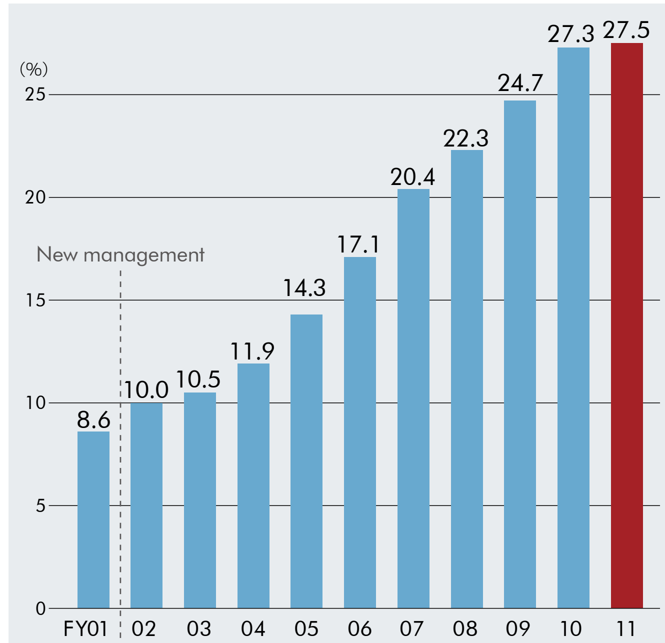
As the business reaches a certain scale, these teams are divided into smaller cells under the concept of "small is beautiful." These so-called cell splits preserve organizational autonomy and competitiveness.

In FY2007, we spread this concept to our business operating companies and launched an organization comprising separate companies covering FA, press and other business areas to decentralize authority across the organization.

Moreover, in FY2008 we strengthened the management structure with a new management team comprising our chairman, president and executive vice presidents. At the same time, we have filled corporate officer and company executive positions with young management talent, who are mainly in their forties. The aim is to better support an organization that has grown with increased sales and international expansion, accelerate the speed of decision-making by decentralizing authority through the introduction of company organizations, and create a more team-oriented approach for the new top tiers of management.

International Net Sales

International Sales Ratio



6. Launch the New VONA Business

In FY2010, we made an historic departure from our singular focus on MISUMI-branded products. We launched the MISUMI VONA business as a platform to sell third-party brand products.

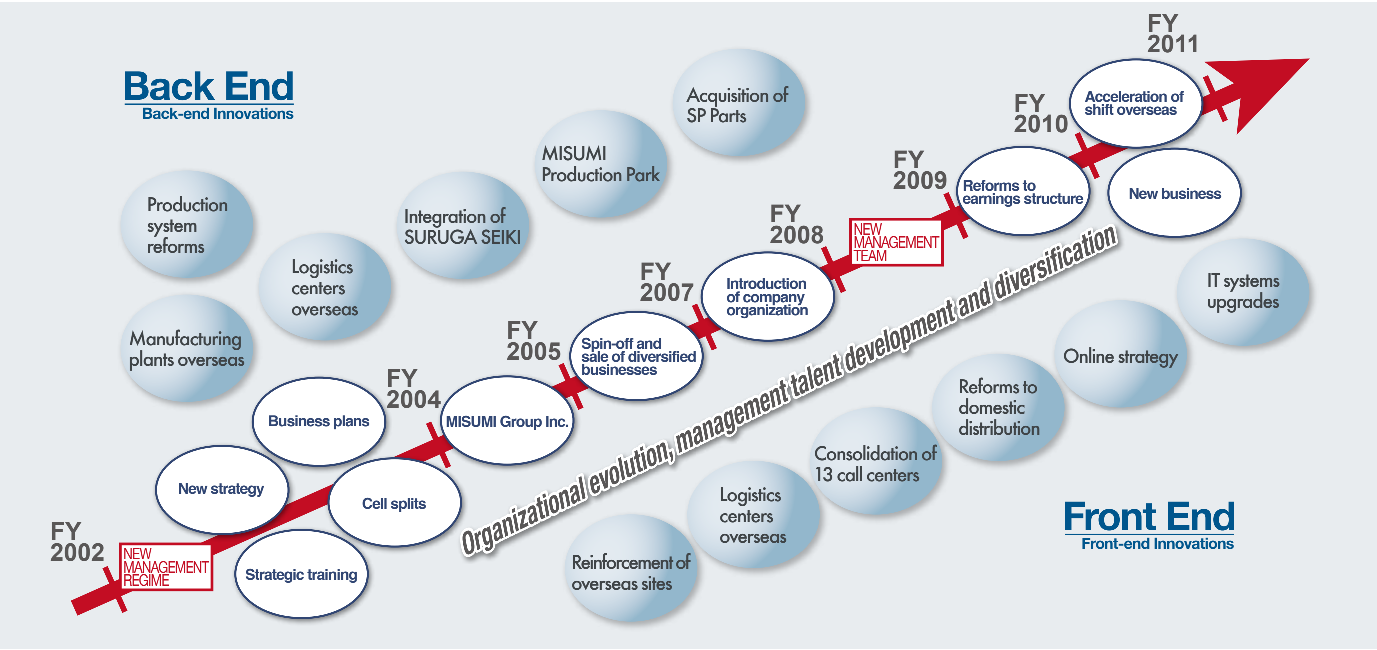
Historically, the MISUMI Group achieved growth leveraging its unique model, selling MISUMI-developed standard products direct to the customer on short delivery times with no minimum quantity requirements. Meanwhile, Japan is home to many parts makers. For that reason, customers have long struggled with the difficulty of selecting products from numerous maker catalogs and comparing products from competing makers, not to mention the complexity of managing orders from multiple suppliers. By carrying third-party products over MISUMI's unique distribution model, the new MISUMI VONA business seeks to resolve all of these challenges faced by customer designers and buyers.

The MISUMI VONA service launched in November 2010 with 47 participating makers. Now, that number has grown to 170, making it one of Japan's largest collections of manufacturer brands. In FY2011, we began sales in China, thereby embarking on the first step in our strategy to deploy the VONA business globally.

Moving forward, we will strengthen the product offering in FA mechanical, FA electronics, and tools and consumables to expand the business scope to cover nearly all categories of mechanical industrial parts.

A screen grab from MISUMI-VONA e-catalog search engine. Currently available only in Japan.

Retracing Reforms Implemented Over the Past 10 Years



Growth in Our International Businesses

Over the ten years since new management took over, we have fundamentally upgraded the MISUMI Business Model. The result was a departure from simply being a trading company and a dramatic transformation into a sure-footed global company armed with manufacturing capabilities.

In FY2001, before new management took over, MISUMI had eight sales offices in markets overseas and only four types of local-language catalogs, published solely in North America and South Korea. Since then, we have entered the Chinese market and accelerated overseas growth with the acquisition of SURUGA SEIKI. As of FY2011, we have 32 sales offices, 10 logistics centers and seven manufacturing sites located overseas. As a result of our aggressive push to grow our international businesses, international sales have grown eight-fold in ten years and now account for 27.5% of total sales.

To achieve further growth, we at the MISUMI Group will continue to evolve our business model and organizational model as a company that is constantly changing.

FY2012 Consolidated Earnings Forecast

In FY2012 (April 1, 2012, through March 31, 2013), although uncertainties continue to muddy the outlook for the global economy, we will fundamentally strengthen the MISUMI QCT Model in global markets, bolstering our cost competitiveness and shortening delivery lead times.

As a result, we forecast a second consecutive year of record-high sales and operating income. We also plan to reach a new high in net income for the first time in five years.

As we pursue these goals, we look forward to enjoying your continued understanding and support.

Representative Director,
Chairman, Co-CEO
Tadashi Saegusa

Representative Director,
President, Co-CEO
Masayuki Takaya

Special Feature

Retracing Reforms Implemented Over the Past 10 Years

Front End

Front-end Innovations

- FY1962
  Established MISUMI Shoji Co., Ltd. with a focus on sales of electronic equipment and bearings.
- FY1965
  Began sale of press die components.
- FY1973
  Established marketing centers.
- FY1976
  Published first edition of Standard Components for Press Dies catalog.
- FY1979
  Published first edition of Voice magazine.
- FY1981
  Established West Japan Distribution Center.
- FY1985
  Published first edition of Standard Components for Plastic Molds catalog.
- FY1987
  Established branch office in Taipei, Taiwan.
- FY1987
  Established local subsidiary, MISUMI USA, Inc., in the United States.
- FY1988
  Published first edition of Mechanical Standard Components for Factory Automation catalog.
- FY1989
  Established local subsidiary, MISUMI TAIWAN CORP., in Taipei to succeed the Taipei Office.
  Changed corporate name from MISUMI Shoji Co., Ltd. to MISUMI Corporation.
  Established local subsidiary, MISUMI UK LTD., in the United Kingdom.
- FY1991
  Published first edition of Electronics Components for Factory Automation catalog.
  New building of West Japan Distribution Center completed and automatic sorting line installed.
- FY1993
  Published first edition of Tools and Consumables catalog.
  Listed in the second section of the Tokyo Stock Exchange.
- FY1994
  Established local subsidiary, MISUMI SOUTH EAST ASIA PTE. LTD., in Singapore.
  Published first edition of Mechanical Parts for Factory Automation catalog.
- FY1995
  Established local subsidiary, MISUMI E.A. HK LTD., in Hong Kong.
- FY1996
  Established local subsidiary, MISUMI (THAILAND) CO., LTD., in Thailand.
  Established sales office in Bangkok, Thailand.
- FY1998
  Listed in the first section of the Tokyo Stock Exchange.
- FY1999
  Established local subsidiary, MISUMI KOREA CORP., 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.

FY2002 ¥57.7 billion

NEW MANAGEMENT REGIME

- Shut down or exited from seven in-house venture businesses.
- Published local-language catalog for Press products in North America.
- Published local-language catalog (metric system) for FA products in North America.
- Published local-language catalog for Mold products in South Korea.

FY2003 ¥69.5 billion

- Established local subsidiary MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD., in Shanghai, China.
- Established local subsidiary, MISUMI EUROPA GmbH, in Germany.
- Established QCT Logistics Center in Shanghai as a major distribution center.
- Published local-language catalog for Mold products in North America.
- Published local-language catalog for FA products in Taiwan.
- Published local-language catalog for Press products in China.
- Attracted partner manufacturers to an industrial park in Shanghai.

FY2004 ¥81.5 billion

- Established sales office in Wuxi, China.
- Established sales offices in Taizhong and Gaoxiong, Taiwan.
- Established QCT Logistics Center in North America (Chicago, IL).
- Published local-language catalogs for FA, Mold and Tool products in China.
- Published Inch-measurements FA catalog in North America.
- Published local-language catalog for FA products in the United Kingdom.
- Published local-language catalog for Press products in Taiwan.
- Announced management integration with SURUGA SEIKI.
- Attracted partner manufacturers to Wuxi, China.

FY2005 ¥105.4 billion

- Established sales offices in Tianjin and Guangzhou, China.
- Established QCT Logistics Center in Guangzhou, China.
- Established QCT Logistics Center in Thailand.
- Established QCT Logistics Center in Frankfurt, Germany.
- Published local-language catalog for Press products in Thailand.

MANAGEMENT INTEGRATION WITH SURUGA SEIKI

- Established SURUGA Vietnam Plant No. 2 as a manufacturing site in Vietnam.
- Expanded SURUGA North America Plant.
- Established SURUGA Thailand Plant as a manufacturing site in Thailand.

FY2006 ¥118.1 billion

- Established sales office in Malaysia.
- Established QCT Logistics Center in South Korea.
- Established sales office in Vietnam.
- Published local-language catalog for FA products in Germany.
- Published local-language catalog for Mold products in Taiwan.
- Published local-language catalog for FA, Press and Mold products in Singapore.
- Published local-language catalog for Electronics products in South Korea.
- Published local-language catalog for FA and Mold products in Thailand.
- Introduced Web Order System (WOS) in North America.
- Established MISHIMA SEIKI as a subsidiary to SURUGA SEIKI CO., LTD. (currently SURUGA Production Platform Co., Ltd.).
- Established SURUGA Korea Plant as a manufacturing site in South Korea.

- FY1994
  Established SURUGA Vietnam Plant as a manufacturing site in Vietnam.
- FY1998
  Established SURUGA North America Plant as a manufacturing site in North America.
- FY2001
  Establsihed SURUGA Shanghai Plant as a manufacturing site in China.

A variety of reforms implemented at the MISUMI Group over the past 10 years have brought about a major transformation that could be called a re-invention of the company.

FY2007
¥126.6 billion

- Consolidated call centers throughout Japan into two facilities, Tokyo and Kumamoto QCT centers.
- Established MISUMI QCT Center Kumamoto in Kumamoto as a marketing center.
- Established sales office in Shenzhen, China.
- Introduced Web Order System (WOS) and e-catalog in China.
- Introduced Web Order System (WOS) and e-catalog in Taiwan.

- Established SURUGA Poland Plant as a manufacturing site in Poland.
- Established MISUMI Production Park as an integrated production center in Kobe, Japan.
- Consolidated SP PARTS CO., LTD., as a subsidiary to MISUMI Corporation.

FY2008
¥110.0 billion

- Established local subsidiary MISUMI INDIA Pvt. Ltd. in India.
- Introduced Web Order System (WOS) in Europe.
- Introduced Web Order System (WOS) in South Korea.
- Introduced Web Order System (WOS) in India.
- Introduced Web Order System (WOS) and e-catalog in Singapore.
- Introduced Web Order System (WOS) and e-catalog in Thailand.

NEW MANAGEMENT TEAM

INTRODUCED COMPANY ORGANIZATION

FY2009
¥89.1 billion

- Established 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-catalog in North America.
- Introduced e-catalog in Europe.
- Introduced e-catalog in South Korea.
- Introduced e-catalog in India.

FY2010
¥121.1 billion

- Launched the MISUMI VONA platform, which sells third-party brand products.
- Added FA mechanical components to the VONA platform.
- Added electronics components to the VONA platform.
- Upgraded local sales office into a local subsidiary, MISUMI MALAYSIA SDN. BHD.
- Established inventory center as a distribution hub in Singapore.
- Established inventory center as a distribution hub in India.
- Established sales office in Italy.
- Established sales office in Chennai, India.
- Established sales office in Ningbo, China.
- Published local-language catalog for FA products in India.

- Changed name of SURUGA SEIKI CO., LTD. to SURUGA Production Platform Co., Ltd. Newly established subsidiary takes over the name SURUGA SEIKI CO., LTD. and carries on business operations of the Optical & Scientific Technology Division.

FY2011
¥130.2 billion

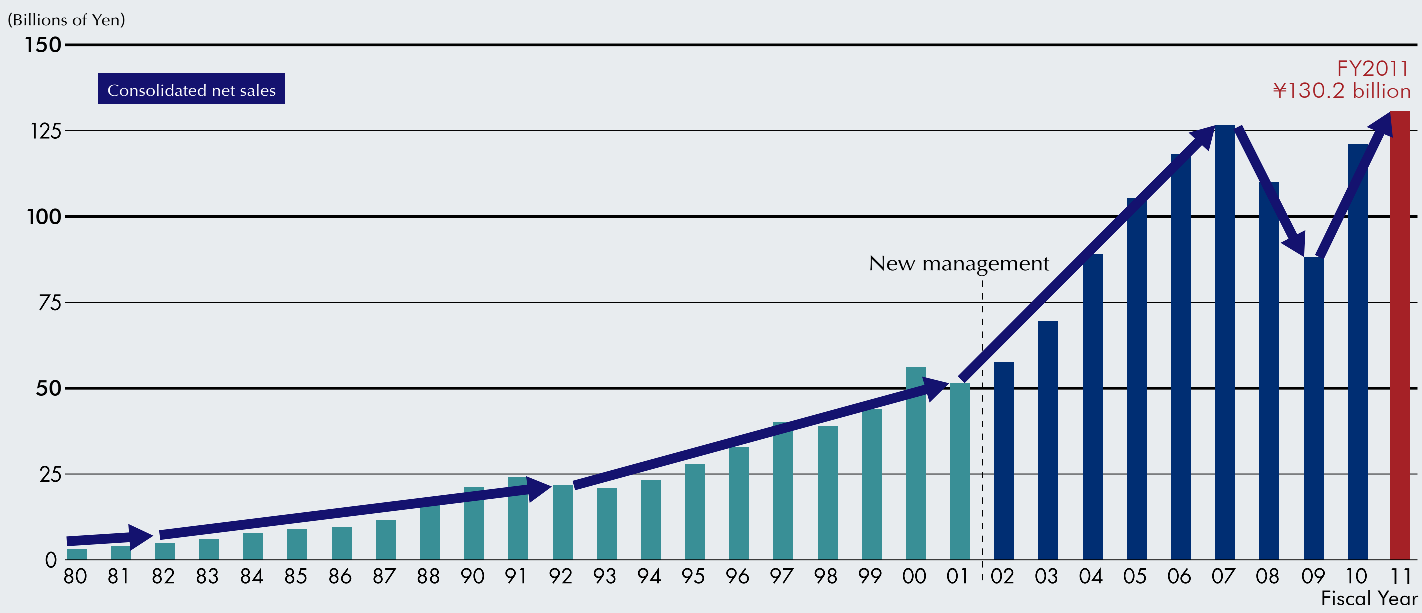
- Added tools and consumables to the VONA platform.
- Established a local subsidiary in Shanghai, SURUGA SEIKI SALES & TRADING (SHANGHAI) Co., Ltd.
- Added an inventory center in Los Angeles, US, as a distribution hub.
- Established sales office in Shenzhen, SURUGA SEIKI SALES & TRADING Co., Ltd.
- Established sales offices in Wuhan,Suzhou, Dongguan, Beijing, Dalian, Qingdao and Chengdu (China).
- Established sales offices in Daegu (South Korea), Bangalore (India) and Hsinchu (Taiwan).
- Published local-language catalog for FA products in Malaysia.
- Published local-language catalog for Electronics products in China.

- Launched SURUGA India Plant in India.
- Launched SURUGA Vietnam Plant No. 3 as a production site in Vietnam.

Back End

Back-end Innovations

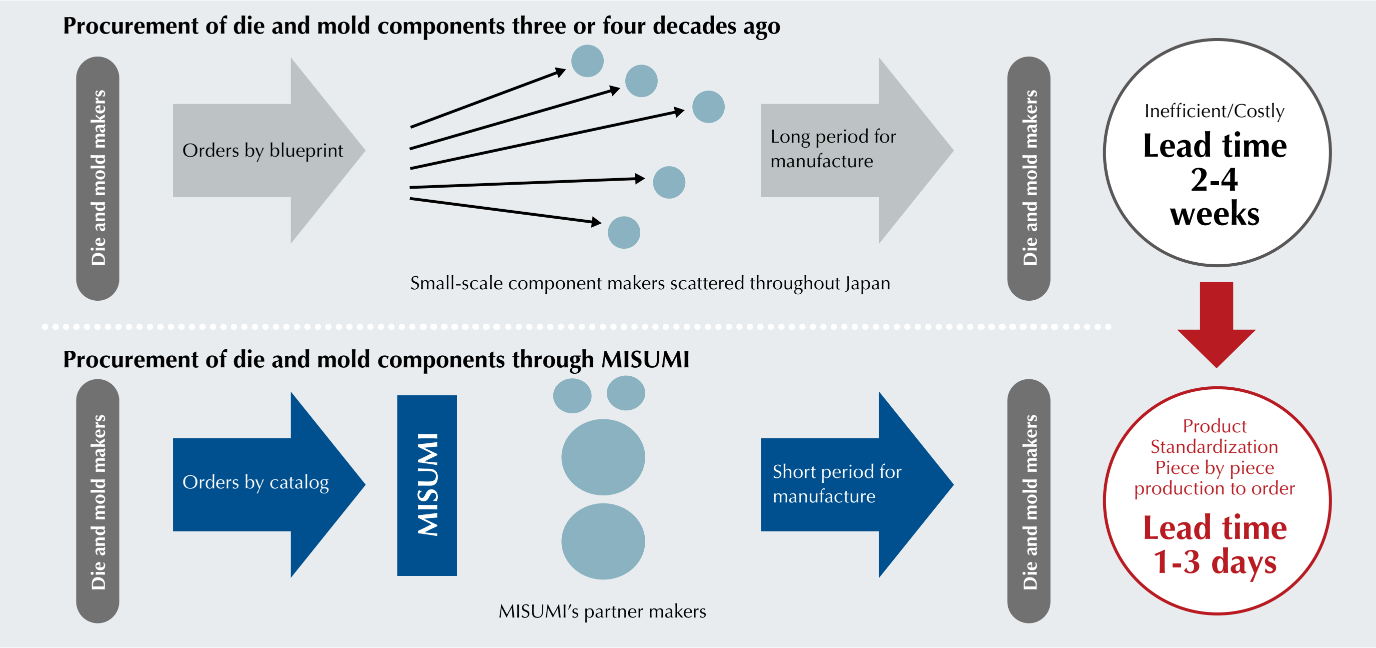
■Growth of The MISUMI Group



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

Strengths of and Innovations to the MISUMI Business Model

Reform of Component Procurement Enabled by MISUMI



Innovating Parts Procurement with a Unique Business Model

Three or four decades ago, designing a die or mold was a time-consuming and costly process, even when placing an order for just a single component. After creating a blueprint for each component needed, the designer contacted one or many small-scale component makers, who were scattered throughout Japan, to place an order after negotiating price and delivery. Typically, delivery took about two to four weeks from the time of order. Once received, the components needed to be checked against blue print dimensions and, in many cases, reworked if incorrect.

As a result, component procurement required long lead times and entailed considerable labor expenses for the various tasks performed, from order placement through fabrication. Coupled with the made-to-order, piece-by-piece production processes employed, these factors made the procurement of die-and-mold, factory-automation (FA) and other precision mechanical components inefficient, costly and time-consuming.

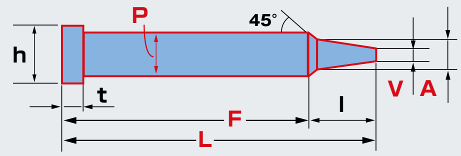
The MISUMI Business Model has revolutionized parts procurement. First, we partnered with small-scale component makers located throughout Japan and began catalog sales. Next, we standardized the design of many components previously available only through special orders and listed them in our catalogs. At the same time, we brought into fruition a made-to-order, short lead-time system where deliveries for even a single quantity were completed within three days of order on a standard basis and in a single day expedited. The two concepts—"standardization" and "made-to-order on short lead times"—may seem at odds with each other within the same production regime, but the MISUMI Business Model has demonstrated competitive superiority in both of these conflicting aspects.

The MISUMI Business Model also delivers significant innovations to the customer's order-placement operations. Using MISUMI's catalogs, customers can place orders by simply choosing component material and dimensions from a list. Compared with the former method of having a designer create blueprints for each component before placing an order, the new method saves considerable time. Moreover, our catalogs provide discounted prices for orders of larger quantities, so customers save time that would have been spent negotiating prices. The serial number for the item that matches the customer's material and dimension specifications becomes the product number that MISUMI's order center sends to our partner manufacturer's plant. The makers need only look at the number to know exactly what component to make.

Standardization Method

A. Component

Precision one-step core pins



B. MISUMI Catalog

TYPE (material)		L 0.01 mm interval	P 0.005 mm interval	F 0.01 mm interval	A 0.01 mm interval	V 0.01 mm interval	Price(¥) Quantity 1~4	5~12	13~19	20~50
CPVB -1C	1	14.00~100.00	0.800 ~ 0.995	12.0~95.0	P＞A ≧V	0.50 ~	¥3510	¥3334	¥3159	¥2983
	1.5		1.000 ~ 1.495				3180	3021	2862	2703
	2		1.500 ~ 1.995				3180	3021	2862	2703
	≀	≀	≀	≀		≀	≀	≀	≀	≀
	20	30.00~150.00	16.000~19.995	28.0~145.0		5.00 ~	8620	8189	7758	7327

C. Customer's Order

TYPE	L	P	F	A	V
CPVB-1C2	42.06	1.655	37.2	1.1	0.5

→ MISUMI → MISUMI's partner maker(s)

MISUMI launched this business model about four decades ago, starting with die-and-mold components. Since then, we have achieved growth by expanding into other business areas, including FA components, wiring connection components, and tools and consumables.

Using Blanks to Simultaneously Realize High Quality, Low Costs and Short Delivery Times

MISUMI's catalogs offer two million types of products. Counting the different materials and dimensions available brings the total number of unique product items offered to several dozen sextillion. How can we promise this enormously vast range of product variation on short delivery times while keeping inventories at minimal levels? The key is in our use of product blanks, which are semi-finished products. MISUMI keeps inventories of these blanks, which are then finished into a final product after receiving a customer order.

Blank Finished product

The blanks are mass-produced at such sites as our large-scale plant in Vietnam. In this way, we can reap benefits from selecting the optimal manufacturing site and generating scales of economy. At the same time, the finishing sites located close to the customer can leverage the merits of small-lot production, short delivery times, and minimal inventories. The synergistic integration of mass-production and small-lot production systems has enabled us to realize the MISUMI QCT Model to maximize quality (Q) while minimizing cost (C) and delivery times (T) even for a single part order.

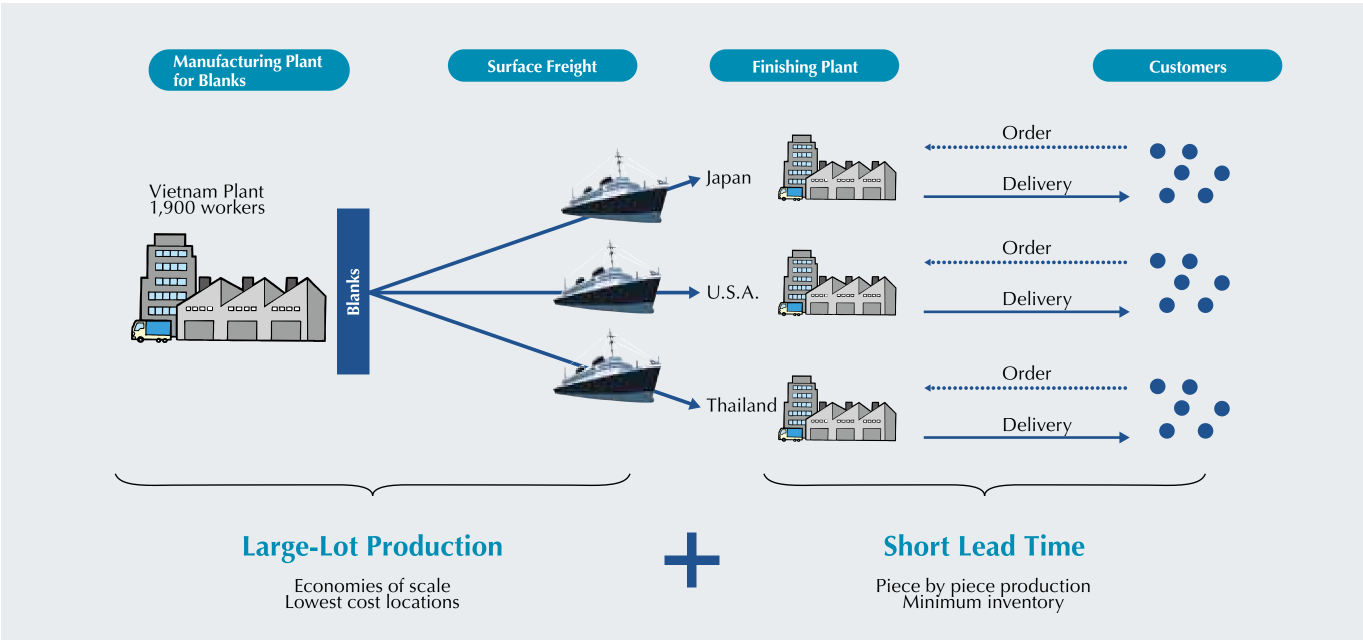
Establishing our MISUMI QCT Model required innovations on the front-end (sales and distribution) as well as the back-end (manufacturing).

Front-end Innovations

In the past, MISUMI outsourced order-processing, logistics and IT systems operations. However, based on the belief that mission-critical functions belong in-house, we have internalized the operations of these functions and consolidated 13 domestic order-processing centers into two.

We have also boldly endeavored to innovate order-processing itself. The exchange of information is shifting from paper media to the World Wide Web. Similarly, the means of placing orders is shifting from the phone or facsimile to the Internet. To promptly respond to these global trends, the MISUMI Group rolled out its e-catalogs and online

Competitive Superiority in Both Standardization and Single-Unit Rapid Delivery



order-processing system (Web Order System). Use of our website—to help select and design products, request estimates and make orders—dramatically enhances customer convenience. Once a customer using our e-catalog selects the desired dimensions and materials, the order number is generated automatically. The e-catalog also displays on the user's computer screen a variety of view angles and formats to allow the customer to confirm the shape of the part selected. These features, coupled with a website design dedicated to processing customer orders, dramatically reduce the time required for a customer to select products and place an order.

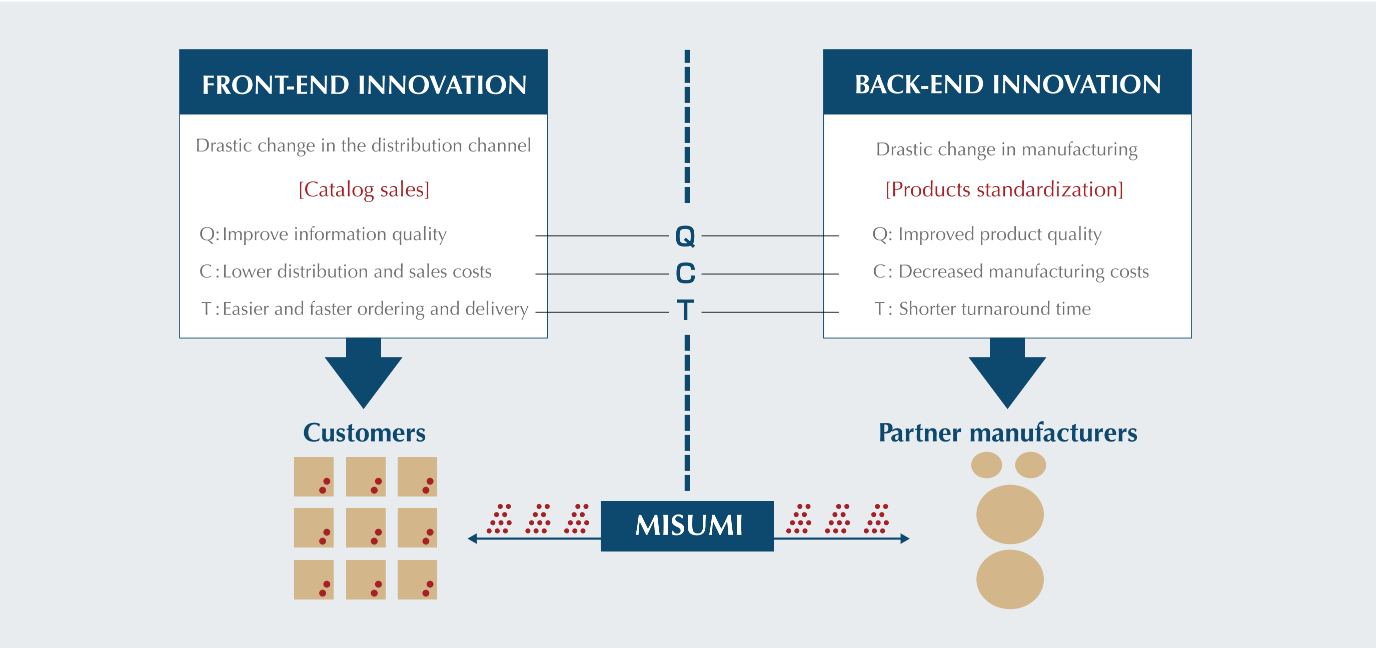
At the same time, our e-catalogs and Web Order System (WOS) enhance MISUMI's business agility. For example, we can now do what was inconceivable when we relied on paper catalogs, things such as releasing new products simultaneously across the globe or launching new products first on our e-catalogs. In this way, our e-catalogs and Web Order System (WOS) enhance front-end functions that benefit both MISUMI and our customers. As of the end of March 2012, 75% of all orders in Japan and 57% of all orders overseas were processed through our WOS. Moving forward, we will continue to strive to enhance the convenience of our e-catalogs and bolster our WOS to increase the percentage of all orders taken online.

e-catalog

Back-end Innovations

On the back-end, MISUMI had for a long time functioned as a trading company, with no internal manufacturing capabilities. In April 2005, we merged with our largest partner manufacturer, SURUGA SEIKI (presently Suruga Production Platform). MISUMI thus became a manufacturer, ending its 40-year history as a dedicated trading company. Moreover, in March 2008, we acquired SP Parts, a partner manufacturer of precision mechanical components in our FA businesses. Bringing manufacturing in-house created a vertically integrated structure to develop, make and sell products and laid the groundwork to deploy our business overseas. At the same time, we also strengthened ties with other partner makers. In October 2007, we established the MISUMI Production Park, which housed nine partner makers, in land and buildings

■MISUMI QCT Model



owned by MISUMI. Within the production park, we held regular continuous improvement seminars to advance production reforms across participating partner manufacturers and establish a foundation for MISUMI's cost competitiveness in global markets. Moving forward, we will increase production by SURUGA Production Platform to raise the percentage of parts manufactured in-house and drive further cost improvements. At the same time, we will add to our network of partner makers overseas and build out a global parts procurement regime that sources at the cheapest price and shortest lead time.

We will continue relentlessly to refine the MISUMI QCT Model and drive innovations in both the front end and back end to achieve further business growth.

Establishing a Complete MISUMI QCT Model in Each Market We Enter

Since FY2002, when new management took over, MISUMI has placed a strong focus on growing the international business, based on the belief that the MISUMI QCT Model could succeed overseas. 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, MISUMI made major up-front investments across traditional team boundaries to establish the MISUMI QCT Model, building a front-end and back-end infrastructure in each local market we had entered. We established a complete set—sales office, logistics center and manufacturing site—in each of the world's major markets and have since expanded into markets showing promise with a speedy infrastructure deployment.

We have grown our overseas presence to 35 sales offices, 10 logistics centers and seven manufacturing sites located in leading overseas markets. We have 30 types of catalogs published in local languages and currencies. We have made tremendous progress in global expansion compared to FY2001, when we had eight sales offices and four types of local-language catalogs overseas.

By FY2006, our e-catalog and Web Order System had been launched only in Japan and the US. Beginning in FY2008, however, we accelerated our global coverage of online functions. Having since completed the rollout to cover each country where we have a local subsidiary, we are now striving to steer a higher percentage of orders online.

International Business Expansion

	Front-end							Back-end
	Local language / local currency catalogs*					e-catalog Web ordering	Logistics centers	Manufacturing plants
	FA	Press	Mold	Tools	Electronics			
China	2004	2003	2004	2004	2011	2008	2003 Shanghai; 2005 Guangzhou	2002 Shanghai
Korea	2001	2000	2002		2006	2008	2006	2007
Taiwan	2003	2005	2006			2008	2006 outsourced	
Singapore	2006	2006	2006			2009	2010	
Malaysia	2011					e-Catalog only 2011		
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 Chicago; 2011 Los Angeles	1998; 2005 expansion
India	2010	2009				2009	2009	2011
Vietnam								1995; 2005 Plant No 2; 2011 Plant No 3
	30 versions					9 centers	10 centers	7 plants (not including expansions to existing sites)

* Published after new management took over in FY2002.

Developing Overseas Markets from the Ground Up

To develop markets overseas, MISUMI Group employees had to start from scratch—from recruiting local talent to opening customer accounts and signing up partner manufacturers. In particular, cultivating and developing local hires who adhere to cultures and working styles that are different from the Japanese was a common challenge faced in all of our overseas markets. Moreover, customer needs and competitive environments differed by local region and by product. So our people had to search for the right answers through a hit-or-miss process to make headway in local markets. By the same token, we could waste no time in implementing measures to respond to the unexpectedly rapid pace of change in the market. What ensued was a series of battles fought with blood, sweat and tears. Thanks to a widely shared MISUMI principle of strategy implementation that called for carefully thinking through our business plans, we could promptly recognize discrepancies between our business plan and reality and respond quickly. In the following sections, 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 publishers, which play essential roles in MISUMI's business, to hiring local employees. "We cannot manage this operation premised on what worked for us in Japan. And I learned first-hand that launching the overseas business required that I motivate the local hires and make the organization function as an integrated unit," reflects the manager at the time. According to that manager, the business started to make what felt like real progress at about the time the local hires had developed into management talent.

Powerful players from across the globe converged on the Chinese market to tap its newfound potential. Speed trumped all else in keeping pace with a dramatically changing market. Industries grew at speeds several times faster than they had in Japan. But the simple pursuit of speed at all costs in making market inroads might sacrifice MISUMI's other strengths—

■Misumi local-language catalogs

Global Network

product lineup, high quality, and short delivery times—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, recruited partner manufacturers from Japan to an industrial complex in Shanghai and established a local-procurement regime. This comprised 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.

Tackling those challenges one by one, we succeeded in establishing the MISUMI QCT Model necessary to achieve product development, manufacturing and sales locally.

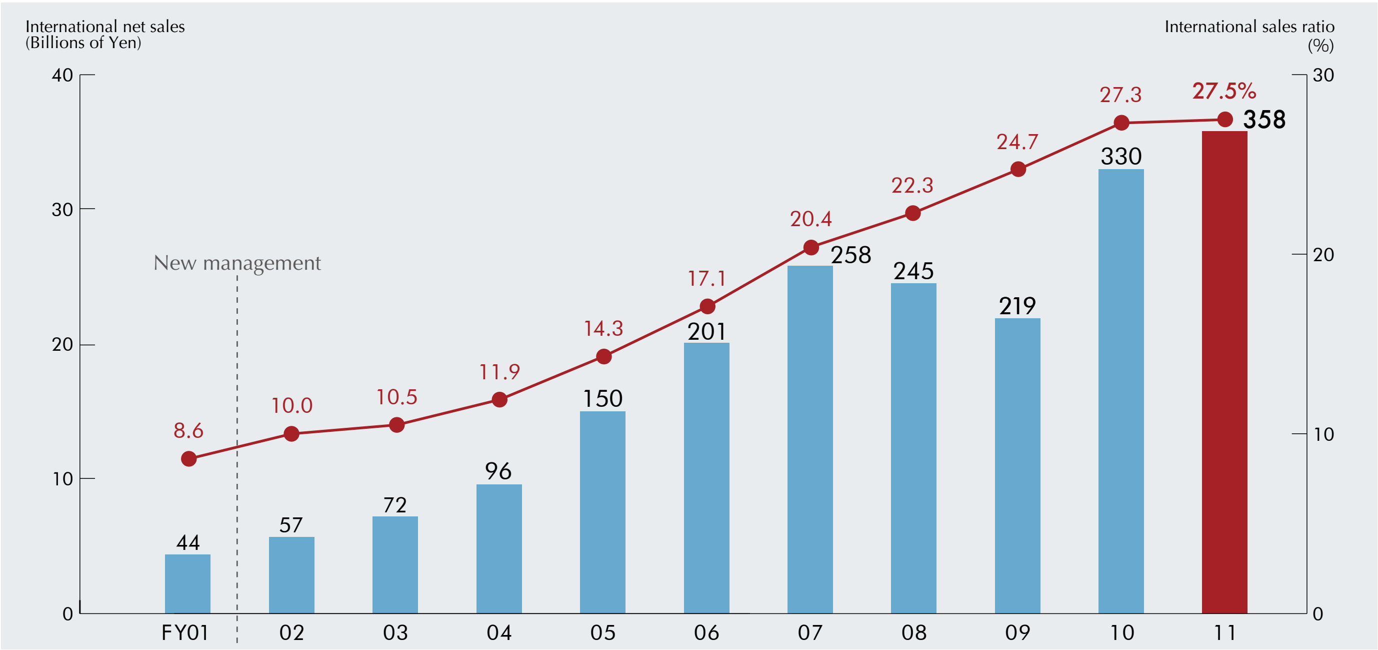
Following the release of our metal press die components catalog, we issued local-language catalogs for FA components, tools, and plastic mold components in FY2004. As we launched our FA business in China, we recruited more manufacturers from Japan to Wuxi. Meanwhile, we pressed on with business expansion, opening sales offices in Tianjin, Guangzhou, Shenzhen, Ningbo, Wuhan, Suzhou, Dongguan, Beijing, Dalian and Chengdu.

In other parts of Asia, MISUMI had sales offices in South Korea, Taiwan, Hong Kong and Singapore prior to FY2002, but those businesses relied 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 QCT 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 pursue growth in emerging markets in Asia; we made inroads into and began sales activities in Malaysia in FY2006 and in rapidly growing India in FY2009.

Meanwhile, we continue to aggressively expand our business in Asian markets. In FY2010, we opened an inventory center in Singapore covering the entire Southeast Asian region. In FY2011, we launched a manufacturing site in India, added capacity in Vietnam and relocated or expanded inventory centers in other Asian countries.

International Net Sales and International Sales Ratio



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 system) 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 iterations of trial and error. MISUMI representatives visited company after company, in a process dubbed “lunch and learn," offering pizza lunches to customer designers over lunch presentations aimed at spreading the word about MISUMI's business model. This campaign and other sales promotion activities targeting 5,000 people a year were part of a slow but steady effort to disseminate the story of the competitive edge offered by the MISUMI QCT Model across the vast North-American continent. As a result, our customer base grew steadily and awareness of the MISUMI Group spread.

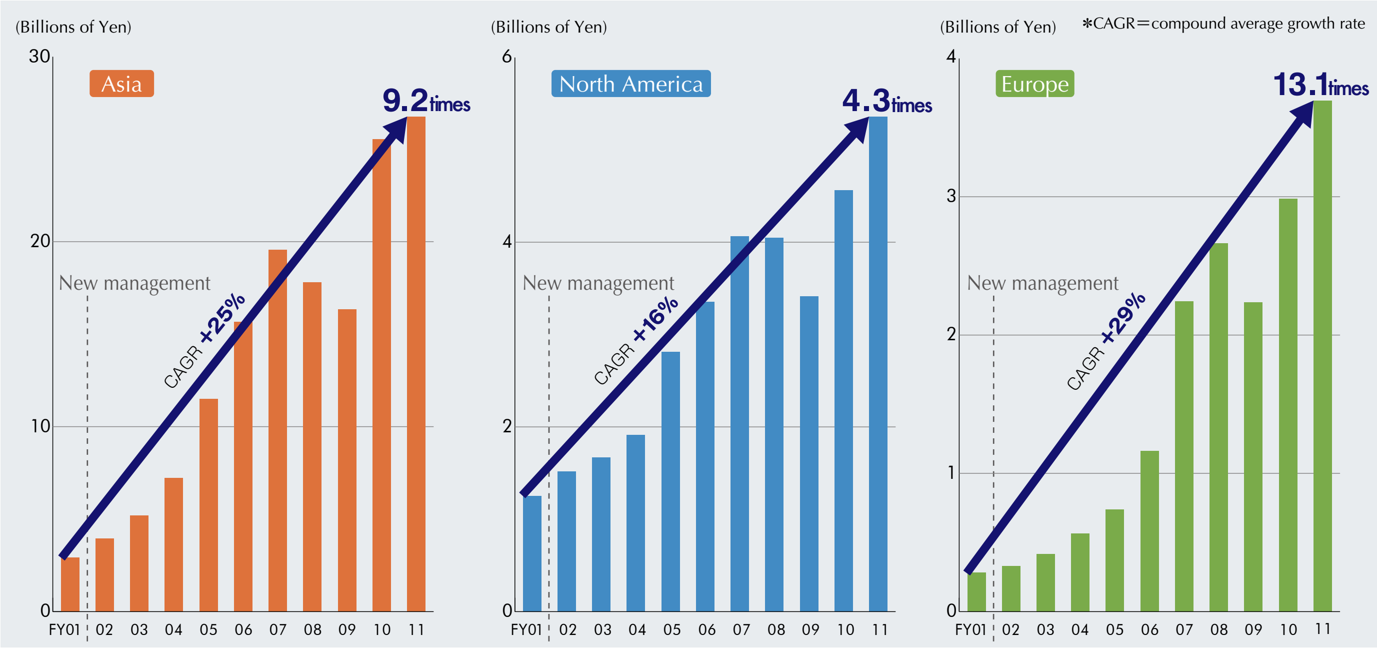
In FY2004, we opened our own logistics center, which, together with our preexisting manufacturing facilities, completed the MISUMI QCT Model in North America as well. In FY2011, we opened a second logistics center, located on the West Coast of the US. The expanded warehousing capacity enabled an increase in the number of products that can be delivered with short lead times and response to customer demand for short delivery times. We are also improving e-catalog functions in advance of other regions to enhance convenience and grow the business.

Business Expansion in Europe

In Europe, we decided to focus our efforts on Germany, based on market analysis. In FY2003, we opened a local subsidiary there. We now cover all of Europe from Germany, layered with strategies tailored to the characteristics of local markets.

The turning point for expanding our business in Europe came in FY2006, when we issued a German-language catalog.

Sales by Region



When we first established our business plan, our research had led us to conclude that designers in German-speaking regions would make use of 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 were 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 FY2007. That completed the MISUMI QCT Model in Europe, as well. 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.

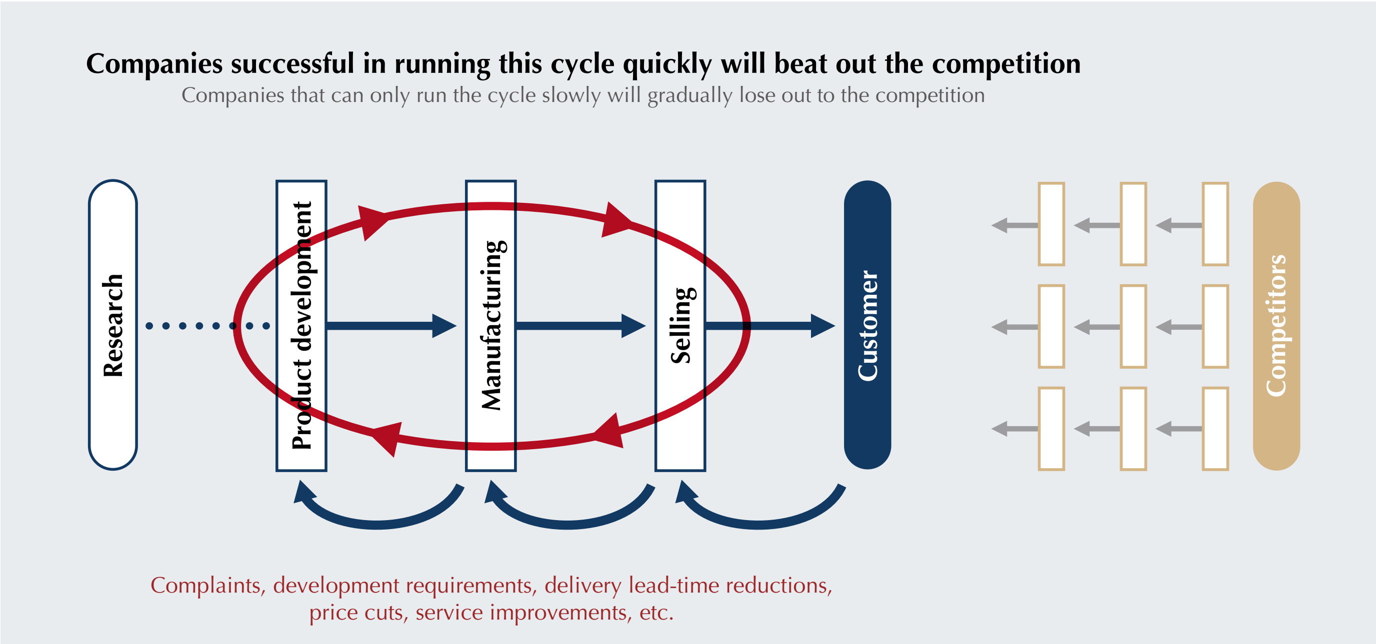
Moving forward, we will continue to expand into new markets in Europe and further demonstrate the competitive strength of the MISUMI QCT Model.

From Establishing a Presence to Penetrating the Market

By FY2007, MISUMI had for the most part put in place the MISUMI QCT Model in markets MISUMI had entered. Since FY2008 we have redoubled efforts to drive market penetration. Our experiences establishing sales, logistics 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 develop products that meet customer needs, strengthen cost competitiveness through local sourcing, and increase the number of products available on short delivery times. Moving forward, we will intensify efforts to accelerate the shift toward local production and local sourcing, drive penetration of the MISUMI QCT Model in local markets and aim for international sales to contribute 50% of total sales.

Strengths of and Evolutionary Changes to the MISUMI Organizational Model

Basis of Operations—Product Development, Manufacturing and Selling (Basic Business Cycle)



The Company's Pursuits Lay the Foundation for Cultivating Management Talent

The MISUMI Organizational Model is a strength that is as equally important as the MISUMI Business Model. We relentlessly pursue evolutional change to our organization to better position ourselves to grow business scale and maintain and strengthen our competitive edge. We succeeded in growing our international business in short order thanks to 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, achieving personal growth. Our corporate culture of carefully calculating risks and taking bold actions has attracted management talent and laid the foundation for reaching the next growth phase.

As the globalization of business progresses, the need for management talent is intensifying, so the MISUMI Group places high priority on cultivating management talent.

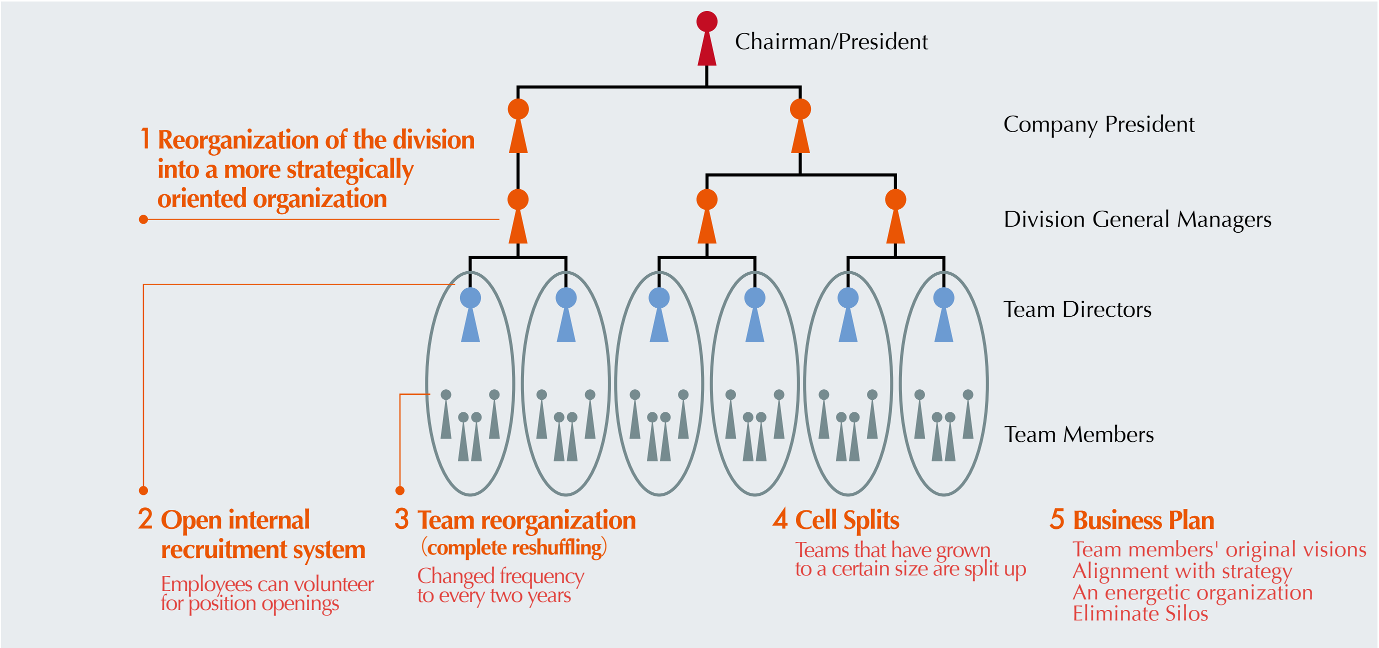
What Makes Management Talent?

A leader's accomplishments are grounded in two elements—logic and passion. Logic represents strategic thinking, and passion represents leadership. To take on challenges that cannot be accomplished alone, you must passionately recruit others to your cause. To become a management leader in a fiercely competitive global environment, you must be able to communicate your strategy in a logical and simple fashion so that your employees can understand your plan. Leadership talent possessing the necessary acumen need to accumulate hands-on experience and learn from their experiences to polish their skills. We firmly believe this process cultivates management talent.

Implementing the "Develop, Make and Sell" Model in Small Teams

The MISUMI Group organization creates small teams responsible for product development, manufacturing planning, and sales. Within that framework, leaders and team members are given the autonomy to formulate plans, make decisions and drive the business. Having the individual teams act as independent companies accelerates the development of future business leaders. Once the business scale reaches a certain magnitude, the organization is divided under a process called

Organization and Human Resources Development



cell splits to maintain autonomy and adhere to the concept that "small is beautiful."

Employees at MISUMI are free to volunteer for personnel openings within the company. Moreover, every two years, all employees can request to be moved to their desired department. The reshuffling matches employees with supervisors in the employee's desired organization. Instead of being assigned a position, employees choose for themselves. That nurtures a sense of responsibility and solidifies the employee's commitment to see their work through to completion.

Implementing Business Plans

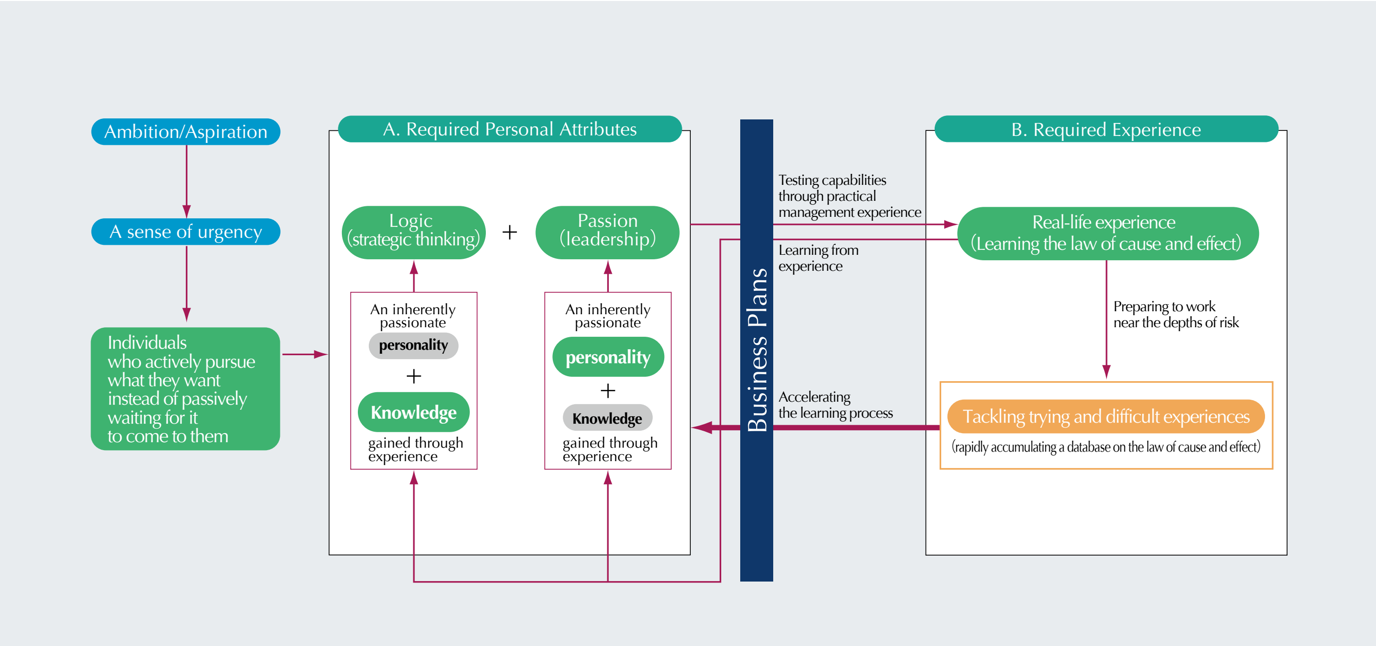
Of course, while motivation is important, one also needs skills to deliver results. Furthermore, the actions small teams can take are limited inherently by their size. Meanwhile, having too many small teams within the organization can weaken companywide controls. To counter these effects and enhance employees' skills in strategic planning and execution, the MISUMI Group has implemented a system of business plans and reviews.

Each year, business teams and divisions revisit their four-year rolling business plans. Considering past results, team directors and division general managers envision how they plan to compete and in what market segments over the next four years. The strategy they draw up becomes their business plan.

While it is important that employees feel ownership of their business, if their drive and passion are too strong it could strain uniformity of direction across the individual teams. Moreover, the narrow scope of the team's activities could enable team members to shy away from taking on challenges outside of their comfort zones. To prevent these situations, business plans undergo an iteration of reviews at multiple levels, from team directors to division general managers and top management, to share the strategic story of the business plan. Doing so makes it possible to consider bolder strategies leveraging division-wide or companywide resources. Approval of the plan establishes delegation of the appropriate authority. As long as the team stays within the scope of the approved business plan, the team is free to use its own discretion in driving the business. Employees' passion and commitment to the business are borne of the autonomy granted them, not directives ordered by top management. This is the source of MISUMI's vitality.

Under the organization at the MISUMI Group, small teams exhibit vitality on the front lines while striking strategic harmony through their business plans. The MISUMI Group has succeeded in fusing these two apparently contradictory elements into one coexistence at the company.

An Overview of Management Talent Development



The Need for Practical Management Literacy

The business plan also plays a significant role in cultivating management talent. Creating a solid business plan requires managers to enhance their practical management literacy. The process calls for more than merely academic knowledge of business management. The manager needs to be able to break down a problem into comprehensible pieces, simplify the causes, translate the strategy into a simple story and win acceptance among those involved in the plan's execution. Even then, a well conceived business plan is nothing more than a hypothesis. Throughout the execution of the plan there will be instances where reality does not play out according to plan. How did your story fall apart? How will you rebuild it? The fretting and agonizing constitute painful experiences that get cross-referenced with a person's existing knowledge and thereby accelerate that person's learning.

We have also strengthened training sessions. Since new management took over in FY2002, we have shifted from a policy that employees grow naturally to a structure for actively training our employees. For example, executive managers participate in Management Forums, venues for pragmatic debate that are chaired by the chairman or president. Also, through strategic training implemented by top management, we communicate strategic frameworks and MISUMI's management philosophy. For general employees, we offer basic strategic training to teach about strategy and nurture strategic thinking capabilities among young employees interested in a management career track.

At the MISUMI Group, we are forming a strong management team through these employee training initiatives coupled with the active recruitment of battle-hardened mid-career talent from outside the company.

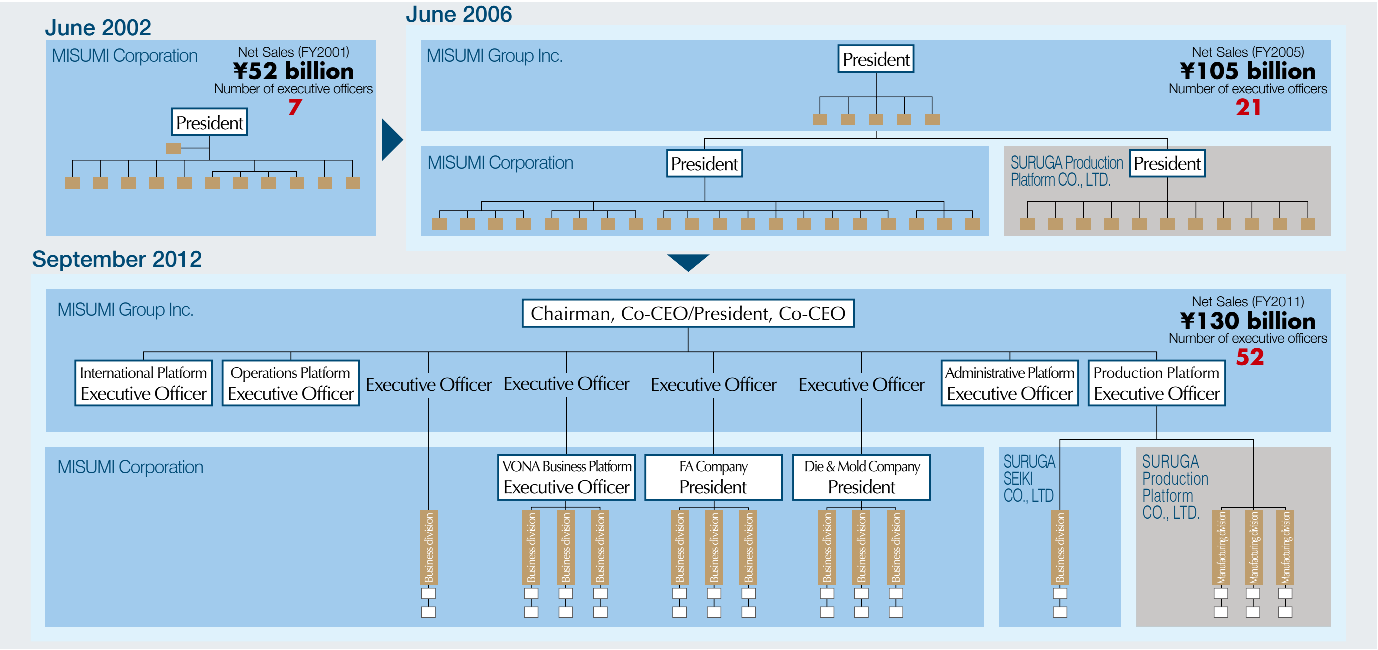
Evolutionary Changes in the MISUMI Organizational Model

In addition to cultivating management talent, organizational reforms represent an important management challenge as globalization of the business progresses.

At the MISUMI Group, we have spread the concept of small is beautiful to our business operating companies as part of an effort to delegate authority and accelerate the speed of management decision-making.

In FY2002, with sales of ¥52 billion, the organizational structure was simple, comprising only a few divisions and a total of seven corporate officers and division general managers. Four years later, business growth and the integration of SURUGA SEIKI (presently SURUGA Production Platform) caused a rapid increase in the number of divisions. Including external appointments, the number of corporate officers and division general managers grew to 21 in all. Sales surpassed ¥100 billion, and the acceleration of

Evolving the MISUMI Organization Model



international business expansion led to a more complex organization overseas. Business scale had grown beyond what one top executive could oversee in individualized detail, driving the need for the decentralization of authority.

In FY2008, we launched an organization comprising four companies handling the machinery related businesses and two platform groups charged with providing infrastructure functions and supporting the businesses. Each company organization ran its business in a vertically integrated fashion, including the attached SURUGA SEIKI manufacturing unit. This created a unique organization that unified sales and manufacturing and transcended the framework of MISUMI and SURUGA SEIKI. Each company was headed by a president and each platform group by an executive officer. The heads of these organizations were granted expansive authority as a means to clarify where business execution responsibilities reside and enable speedy decision-making.

Now, the organization has evolved into a structure comprising an FA Company, a Die and Mold Company, a VONA Business Platform, an Electronics Division and a Factory Supplies Division on the business side. On the business support and infrastructure side, there is an Operations Platform, which covers IT systems, logistics and marketing-center functions, a Production Platform, which overseas global production activities and drives manufacturing reforms, and an International Platform, which supports the businesses' international expansion. The company presidents and executive officers comprise home-grown talent who have risen from within the ranks of the company.

Three Philosophies

1. **An organization based on small is beautiful**
   ・Employees on the front lines are engaged and energized
2. **Strategic thinking**
   ・Strategically aligned by means of business plans
3. **Develop management talent**
   ・A nurturing environment where motivated employees thrive

In this way, the organizational structure at MISUMI has continually evolved in response to business growth.

Despite the changes described above, however, we have stayed true to the following three philosophies of MISUMI's organization: (1) employees on the front lines are engaged and energized within organizations built on the belief that “small is beautiful;" (2) business plans are leveraged to strike strategic harmony across the small teams; and (3) management talent is nurtured and developed.

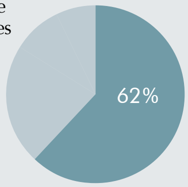
Moving forward, the MISUMI Group will continue to create and implement its unique organizational philosophy and pioneer a new type of Japanese-style management as the organization grows and the business globalizes.

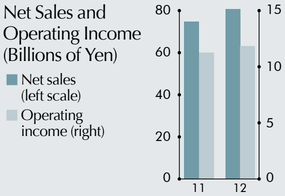
Review of Operations of The MISUMI Group

Factory Automation Businesses

Our Factory Automation (FA) Businesses develop and supply standard components for automated machinery used in rationalized and laborsaving production systems, including factory automation equipment. Factory Automation Businesses are the backbone of the MISUMI Group's operations, with the greatest sales of any division.

Percentage of Net Sales





FA Mechanical Standard Components

FA Mechanical Standard Components cover about 650,000 standard products used in FA automated machinery. Our MISUMI-VONA e-catalog allows customers to search product offerings from about 60 makers including MISUMI, compare competing products, get estimates, download CAD data and more.

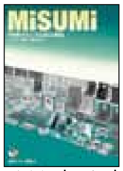
FA Mechanical Standard Components Catalog

Major Products

Shafts, linear guides, single axis actuators, heaters, aluminum frames, casters.

FA Mechanical Machined Components

FA Mechanical Machined Components cover about 39,000 product types of machined components in categories ranging from sheet metal, milling cutters, welding and lathes to resins and rubbers.

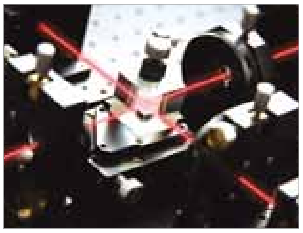


FA Mechanical Machined Components Catalog

Major Products

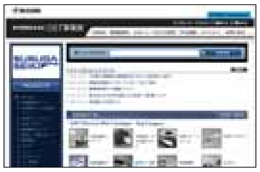
Mounting plates and brackets, holders, small parts for slide guides, connector parts, locator and jig parts, small metal plates and covers and more.

OST Businesses



OST Businesses leverage micron-level precision locating technology to develop, manufacture and sell manual and automatic locating stages and locator units for use in industrial manufacturing equipment in the electrical, electronics, telecommunications and other industries. Locating modules and units embody both stage and control technologies.

OST Businesses Catalog



URL: http://jpn.surugaost.jp/

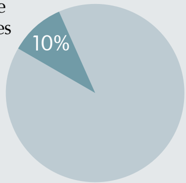
Major Products

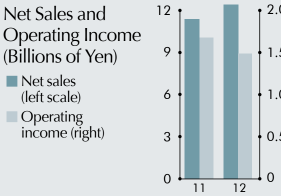
Manual and automatic locating stages (X, Y, Z and theta), laser inspection devices, centering units, mirrors, lenses, holders and more.

Electronics Businesses

Our Electronic Businesses develop and supply connection harnesses, cables, connectors, and terminal blocks used to connect various types of FA equipment. We also develop and supply breakers, switching power supplies, switches and other control device parts, PC bodies and peripheral components suited to FA and industrial applications.

Percentage of Net Sales





Electronics

Wiring connection components cover about 730,000 products including components for wiring connections for use in various automated equipment, inspection and measurement devices and other factory automation equipment. Other products include PC components, as well as components for image processing applications. We provide original products finished in ways that reduce work ordinarily done by our customers. Additionally, we have begun our MISUMI-VONA e-catalog which allows customers to search and compare competing products, get estimates, download CAD data and more.

Wiring Connection Components Catalog

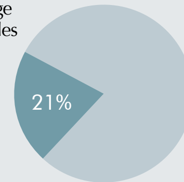
Major Products

Harnesses, boxes, electrical wires, terminal blocks, connectors, AC outlets, breakers, switching power supplies, relays, switches, fans, tools, wiring accessories and more.

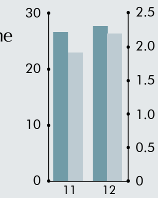
Die Components Businesses

Our Die Components Businesses develop and supply standardized components used in metal press and injection molding dies and components used in precision dies mainly to the automotive, electronics and electrical machinery industries.

Percentage of Net Sales



Net Sales and Operating Income (Billions of Yen)
Net sales (left scale)
Operating income (right)

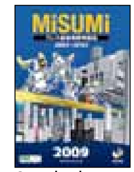


Standard Components for Press Dies

Standard components for press dies cover about 300,000 products. Some components are used in press dies required in the mass production of automobiles, home appliances and precision equipment. Others include punches and dies used to punch holes in steel sheets and guides used to assist the vertical movement of dies.

Major Products

Punches, button dies, stripper guide pins, coil springs and more.



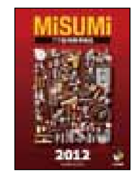
Standard Components for Press Dies Catalog

Standard Components for Plastic Molds

Standard components for plastic molds cover about 150,000 products including ejector pins, core pins and guides used in plastic molds for manufacturing plastic products. Here we leverage precision processing technology including cutting, grinding and polishing developed over the years and optimized to various materials.

Major Products

Ejector pins, sprue bushings, locators, mold-opening control parts and more.

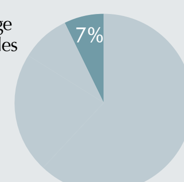


Standard Components for Plastic Molds Catalog

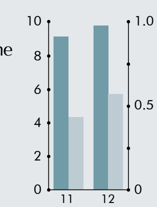
Other businesses

Our Other businesses develop and sell tooling and maintenance and repair supplies (MRO).

Percentage of Net Sales



Net Sales and Operating Income (Billions of Yen)
Net sales (left scale)
Operating income (right)



Tools and Consumables

Our tools and consumables cover about 160,000 products used in manufacturing settings—from MRO supplies to cutting tools and cleaning agents. Our MISUMI-VONA e-catalog service allows customers to search, compare and get estimates on competing products from 63 manufacturers including MISUMI.

Major Products

End mills, drills, lathe-turning tools, machining jigs, electric discharge tools, cutting tools, work tools, consumables, regrinding services and more.

Tools and Consumables Catalog

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

MISUMI-VONA e-catalog

Our MISUMI-VONA e-catalog allows customers to search product offerings from about 170 makers including MISUMI, compare competing products, get estimates, download CAD data and more.

Global Network

Domestic Network

MISUMI Group Inc. / MISUMI Corporation
Iidabashi First Building,
5-1, Koraku 2-chome, Bunkyo-ku,
Tokyo , Japan 112-8583
Tel: +81-3-5805-7050(Representative)
Fax: +81-3-5805-7458

Marketing Centers

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

(Tokyo)
Iidabashi First Building,
5-1, Koraku 2-chome, Bunkyo-ku,
Tokyo , Japan 112-0004

(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

SURUGA Production Platform Co., Ltd.
505, Nanatsushinya, Shimizu-ku, Shizuoka City,
Shizuoka 424-8566
Tel: +81-54-344-0311 Fax: +81-54-346-1053
URL:http://www.suruga-g.co.jp/

- **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: +81-54-344-0332 Fax: +81-54-346-1196

- **Tokyo Sales office**
  3F, Konan YK Bldg.
  2-4-12, Konan, Minato-ku, Tokyo 108-0075
  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

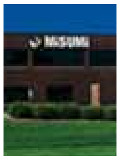
MISHIMA SEIKI CO., LTD.
580-49, Tokura, Shimizu-cho, Sunto-gun, Shizuoka 411-0917
Tel: +81-55-931-1249 Fax: +81-55-931-2496

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

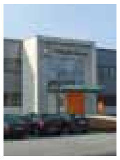
- **Kansai Plant**
  Misumi Production Park
  2-3-2, Akamatsudai, Kita-ku, Kobe City, Hyogo 651-1516
  Tel: +81-78-940-0113 Fax: +81-78-940-0114

* Toll-free number for Japan only

Overseas Network(Sales Offices)



MISUMI USA, Inc.
1717 Penny Lane, Suite 200 Schaumburg,
Illinois 60173, U.S.A.
Tel: +1-847-843-9105 Fax: +1-847-843-9107
URL:http://us.misumi-ec.com/



MISUMI EUROPA GmbH
Katharina-Paulus-Strasse 6, 65824 Schwalbach,
Germany
Tel: +49-6196-7746-0 Fax: +49-6196-7746-360
URL:http://www.misumi-europe.com/

- U.K. Office
  Tel: +44-20-3051-4809
- Rappresentanza Italiana Office
  Tel: +39-02-6203-3100

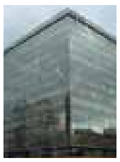
MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD.
16th Floor, Jinling Hai Xin Bldg., No. 666 Fuzhou Rd.,
Shanghai 200001, P.R.China
Tel: +86-21-6391-7080 Fax: +86-21-6391-7085
URL:http://cn.misumi-ec.com/

- 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
- Wuhan Office
  Tel: +86-27-6878-8699 Fax: +86-27-6878-8600
- Suzhou Office
  Tel: +86-512-6900-0766 Fax: +86-512-6790-3668
- Dongguan Office
  Tel: +86-769-8162-8680 Fax: +86-769-8162-8690
- Beijing Office
  Tel: +86-10-5791-8380 Fax: +86-10- 5791-8381
- Dalian Office
  Tel: +86-411-3924-2286 Fax: +86-411-3924-2285
- Tsingtao Office
  Tel: +86-532-5557-6488 Fax: +86-532-5557-6480
- Chengdou Office
  Tel: +86-28-6151-2010 Fax: +86-28-6151-2030

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

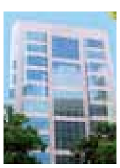
Overseas Network(Sales Offices)

MISUMI KOREA CORP.
3804 World Trade Center, 511, Yeongdong-daero,
Kangnam-Gu, Seoul 135-729, Korea
Tel: +82-2-551-3611 Fax: +82-2-551-4811
URL:http://kr.misumi-ec.com/
- Daegu Office
  Tel: +82-53-600-8611 Fax: +82-53-600-8615

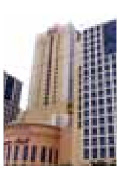


MISUMI TAIWAN CORP.
9F-1, No. 126 Nanjing East Road, Sec. 4,
Taipei 10595 Taiwan
Tel: +886-2-2570-3766 Fax: +886-2-2570-3767
URL:http://tw.misumi-ec.com/
- Taichung Office
  Tel: +886-4-2381-4027 / +886-4-2381-8908
  Fax: +886-4-2381-6346
- Kaohsiung Office
  Tel: +886-7-390-9171 / +886-7-390-9382
  Fax: +886-7-390-9972
- Hsinchu Office
  Tel: +886-3-550-9220
  Fax: +886-3-550-4311

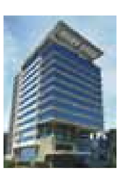
MISUMI (THAILAND) CO., LTD.
300/24 Moo 1, Eastern Seaboard Industrial Estate,
Soi 5, Tambol Tasith, Amphur Pluakdaeng,
Rayong Province 21140, Thailand
Tel: +66-38-959-200 Fax: +66-38-959-202
URL:http://th.misumi-ec.com/
- Bangkok Office
  Tel: +66-2-751-5160 Fax: +66-2-751-5161



MISUMI SOUTH EAST ASIA PTE. LTD.
331 North Bridge Road, #05-03 Odeon Towers,
Singapore 188720
Tel: +65-6733-7211 Fax: +65-6733-0211
URL:http://sg.misumi-ec.com/
- Vietnam Office (Ho Chi Minh City)
  Tel: +84-8-5449-9555 Fax: +84-8-5449-9559



MISUMI MALAYSIA SDN. BHD.
Unit 1206, 12th Floor Menara Amcorp No.18,
Jalan Persiaran
Barat 46050 Petaling Jaya, Selangor, Malaysia
Tel: +60-3-7960-8499 Fax: +60-3-7960-7499
URL:http://my.misumi-ec.com/

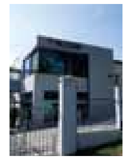


MISUMI INDIA Pvt. Ltd.
3rd Floor, Onyx Building, North Main Road,
Koregaon Park,
Pune-411001 Maharashtra, India
Tel: +91-20-6647-0000 Fax: +91-20-6647-0050
URL:http://in.misumi-ec.com/
- Gurgaon Office
  Tel: +91-124-424-1662
- Chennai Office
  Tel: +91-20-6647-0000 Fax: +91-20-6647-0050
- Bangalore Office
  Tel: +91-20-6647-0000

SURUGA SEIKI SALES & TRADING (SHANGHAI) Co., Ltd.
Room 2503, No.580 Nanjing Xi Road,Jing An District,
Shanghai 200041, P.R.China
Tel: +86-21-6287-0630 Fax: +86-21-6287-0639
http://www.suruga-g.cn/
- Shenzhen Office
  Tel:+86-21-6287-0630 Fax:+86-21-6287-0639

Overseas Network(Manufacturing Sites)

SAIGON PRECISION CO., LTD.



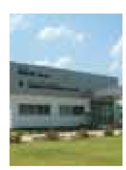
- Linh Trung Factory 1
  Lot Nos. 15, 17, 19a, Road No.2, Saigon-Linh Trung EPZ,
  Linh Trung Ward, Thu Duc District,
  Ho Chi Minh City, Viet Nam
  Tel: +84-8-3897-4387 Fax: +84-8-3897-4613

- Linh Trung Factory 2
  Lot Nos. 84, 85 Road A, Linh Trung II EPZ,
  Binh Chieu Ward, Thu Duc District,
  Ho Chi Minh City, Viet Nam
  Tel: +84-8-3729-5533 Fax: +84-8-3729-5532

- Linh Trung Factory 3
  Lot Nos.1,2,3,4, Saigon-Linh Trung EPZ,
  Linh Trung Ward, Thu Duc District,
  Ho Chi Minh City, Viet Nam
  Tel: +84-8-3724-6453 Fax: +84-8-3724-6455

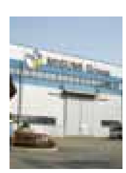
SURUGA USA CORP.
40S. Addison Rd., Suite 300, Addison, IL60101, U.S.A.
Tel: +1-630-628-4000 Fax: +1-630-628-4005

SURUGA SEIKI (SHANGHAI) CO., LTD.
A 19, No. 5399, Wai Qing Song Rd., Qing Pu District,
Shanghai 201707, P.R.China
Tel: +86-21-6921-2188 Fax: +86-21-6921-2355

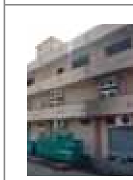


SURUGA (THAILAND) CO., LTD.
300/23 Moo 1, Eastern Seaboard Industrial Estate,
Tambol Tasith, Amphur Pluakdaeng,
Rayong Province 21140, Thailand
Tel: +66-38-954935 Fax: +66-38-954939

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



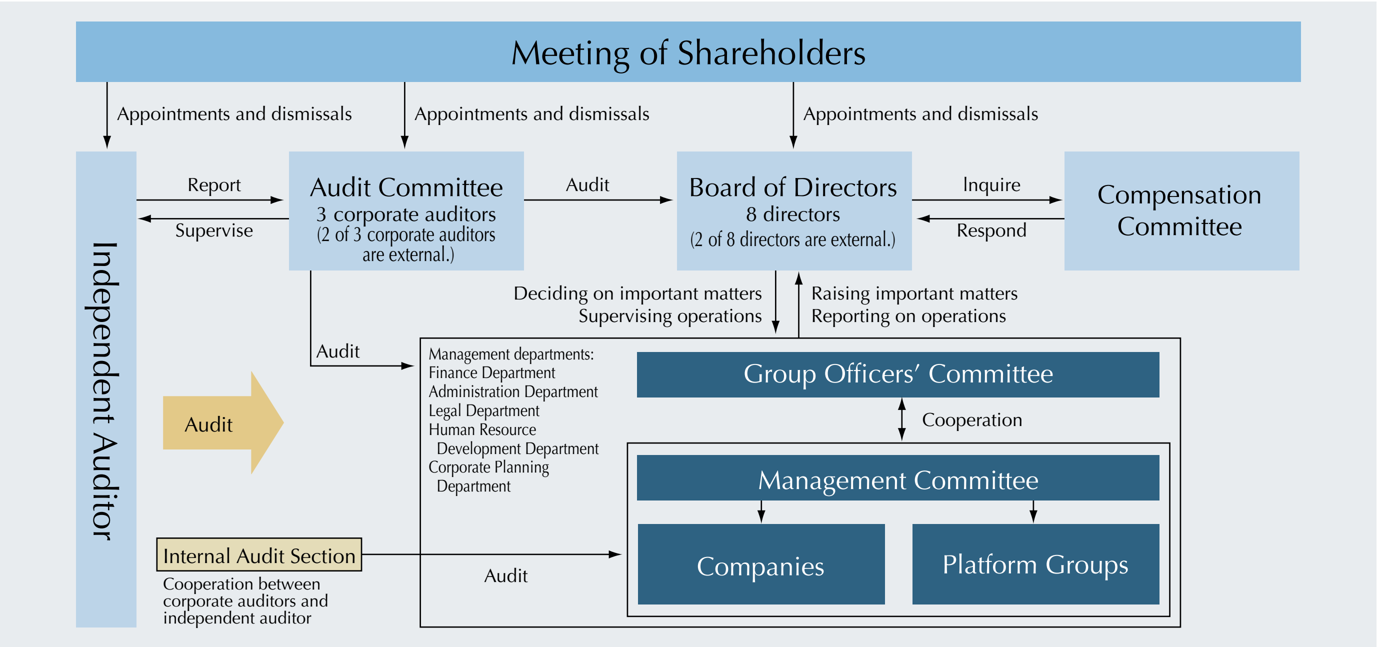
SURUGA KOREA CO., LTD.
3 Ma 621 Sihwa Industrial Complex #2099-5,
Jeongwang-Dong, Siheung-Shi, Gyeonggi-Do
429-935, Korea
Tel: +82-31-434-8357 Fax: +82-31-434-8359



SURUGA INDIA Pvt. Ltd.
Building - D-9, Parasnath complex,
Valpada, Near Pipeline, Dapoda - Anjur Phata Road,
Bhiwandi, Thane, 421302 Maharashtra, India
Tel: +91-252-232-5656

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 high priority to measures aimed at further strengthening corporate governance.



The MISUMI Group employs its Board of Directors, Group Officers' Committee, Management Committee, and Audit Committee to perform the supervision and auditing of operational execution. Our Board of Directors comprises eight people, including two outside directors. In principle, the Board meets once per month on a regular basis and as necessary on an ad hoc basis to make decisions on important business matters. The Group Officers' Committee comprises internal directors including representative directors as well as corporate officers attending as observers, meets monthly and aims to strengthen both supervision and operational execution. In June 2008, The MISUMI Group implemented organizational reforms, reorganizing machinery-related businesses into Companies and business support and infrastructure functions into Platform Groups. The aim is to bring together MISUMI's business divisions, which include sales organizations, with SURUGA Production Platform'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. Deliberations at the Group Officers' Committee and the Management Committee serve the dual purpose of conducting preliminary deliberations in advance as well as confirming reporting items to the Board of Directors Meetings. The Audit Committee comprises three corporate auditors, including two outside corporate auditors, 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 Section (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 risk management systems, in December 2007, we established an internal reporting system for compliance issues. To ensure compliance with the Japanese equivalent 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 our Internal Audit Section. 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. Also, in April 2008, we instituted our Information Security Basic Principles, which declare our fundamental stance regarding information security, and our Confidentiality Preservation Rules, which stipulate fundamental rules. 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.
Regarding legal affairs, compliance issues, and other important management issues, MISUMI seeks advice as needed from outside legal counsel, accountants, tax accountants, and other specialists who are independent of MISUMI's in-house organizations.

The MISUMI Group's Top Management

Top Management

Chairman, Co-CEO
Tadashi Saegusa*

President, Co-CEO
Masayuki Takaya*

*Representative Director

Executive Vice President
Masahiko Eguchi

Executive Director
Ryusei Ohno

Executive Director
Tokuya Ikeguchi

Executive Director, CFO
Yoshiyuki Sanada

Senior Corporate Officer
Yasuyuki Matsumoto

Outside Director of the Board
Hiroshi Fukino

Outside Director of the Board
Tsuyoshi Numagami

Corporate Officers

Corporate Officer Shigehito Nakamura

Corporate Officer Shigetaka Shimizu

Corporate Officer Naoki Shirao

Corporate Auditors

Corporate Auditor Hiroshi Miyamoto

Outside Corporate Auditor Juichi Nozue

Outside Corporate Auditor Hidetada Hirai

Contributing to Socioeconomic Progress

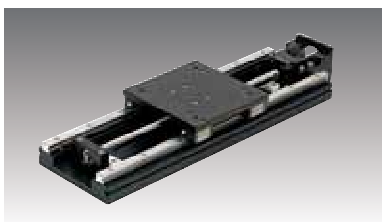
The MISUMI Group continues to be active in contributing to society through student manufacturing support, environmental management activities and cooperation with cultural activities.

Tokyo Denki University F-SAE vehicle

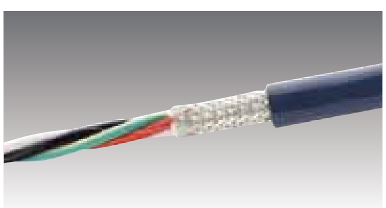
Student Manufacturing Support Activities

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 FY2011, 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 of 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.



Uniaxial actuator (FA Businesses)



Flexible power cable (Electronics Businesses)

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 Production Platform 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 Production Platform and SURUGA SEIKI were certified in January 2001.

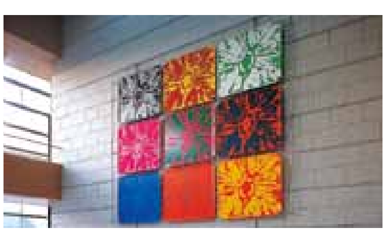


Exhibit at Museum of Contemporary Art Tokyo (2002)

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

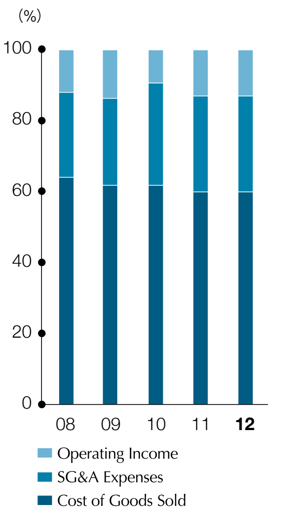
Supporting Exhibitions with the MISUMI Art Collection

Over the past few years, MISUMI has lent works from the MISUMI Art Collection 17 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.

Moving forward, we plan to continue to circulate art works on loan in response to demand from museums in other areas as well.

Management's Discussion & Analysis

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



The MISUMI Group comprises the MISUMI Group Inc., 26 consolidated subsidiaries and three non-consolidated subsidiaries. We categorize our business into four segments: Factory Automation; Die Components; Electronics; and Other businesses.

Results Overview

In FY2011 (April 1, 2011, through March 31, 2012), the Japanese economy suffered tremendous damage caused by a substantial decline in production activity due to the Great East Japan Earthquake coupled with nationwide power shortages resulting from the Fukushima nuclear power accident. The supply chain disruptions resulting from the earthquake and tsunami affected production activities both inside and outside Japan. Moreover, the global economic climate grew increasingly harsh. Following a prolonged period of strong economic growth in China, fiscal tightening and other factors dampened real GDP growth. Europe and the United States also showed signs of slower economic growth. The machine tool industry we serve grappled with difficult business circumstances as Japanese exporters reined in capital investments and production activity in Asian nations stagnated. Moreover, the sovereign debt crisis in Europe fanned uncertainties in the global economy, further obscuring the outlook.

At the MISUMI Group, we continued to deliver high quality at low cost on short delivery times and maintained high on-time delivery rates. Moreover, we leveraged our e-catalogs and Web Order System, which are available through all local subsidiaries overseas, to deliver value in terms of both price and convenience and answer latent needs among customers seeking to reduce the burden of designing and ordering parts. Overseas, we strengthened our sales force by growing our network of sales offices primarily in Asia and achieved success in efforts to increase local production and procurement as part of our aim to realize an optimized sourcing regime.

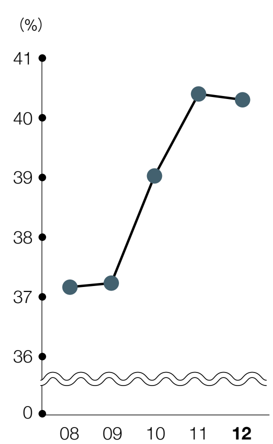
As a result, consolidated net sales were ¥130,213 million (up ¥9,010 million, or 7.4%, compared to the previous year), renewing a record high. Profits increased, too, as higher sales absorbed upfront investments made according to plan, such as headcount additions and other measures aimed at securing future growth. Operating income was ¥16,646 million (up ¥1,083 million, or 7.0%), ordinary income was ¥17,056 million (up ¥1,825 million, or 12.0%) and net income was ¥9,414 million (up ¥407 million, or 4.5%).

Net Sales

The business environment surrounding our company grew increasingly harsh, as the European sovereign debt crisis intensified, China and the rest of East Asia saw slower economic growth, and the yen appreciated. Amid such an environment the MISUMI Group drove penetration of the MISUMI Business Model and added customer accounts in global markets. As a result, consolidated net sales were ¥130,213 million (up ¥9,010 million, or 7.4%). All regions overseas marked record-high levels of sales.

Cost of Goods Sold and Sales, General & Administrative Expenses

Gross Profit Margin



The cost of goods sold (COGS) was ¥77,787 million (up ¥5,523 million, or 7.6%). Gross profit was ¥52,426 million (up ¥3,487 million, or 7.1%), a record high. Gross margin was 40.3%, on par with the 40.4% marked last year. Sales, general & administrative (SG&A) expenses were ¥35,780 million (up ¥2,403 million, or 7.2%). SG&A expenses amounted to 27.5% of sales, flat year-on-year.

As a result, operating income was ¥16,646 million (up ¥1,083 million, or 7.0%), a record high. Operating margin was 12.8%, also flat compared to the previous year.

Other Profits and Losses

Non-operating profits exceeded non-operating losses by ¥410 million. As a result, ordinary income was ¥17,056 million (up ¥1,825 million, or 12.0%), a record high. Ordinary margin improved to 13.1% from 12.6% last year. Pretax income was ¥17,022 million (up ¥1,613 million, or 10.5%) as a result of factors including a write-down on an equity investment in an affiliate booked as an extraordinary loss.

Net Income

Net income was ¥9,414 million (up ¥407 million, or 4.5%). Net income as a percentage of sales was 7.2%, down from the 7.4% marked last year. Earnings per share increased to ¥105.14 from ¥101.16 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. Accordingly, effective the second half of FY2011, we have increased our target dividend payout ratio from 20% to 25%.

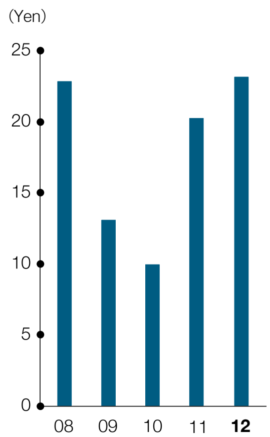
Generally, the MISUMI Group pays out dividends from retained earnings twice a year, after the first half and after the end of the year.

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.

In consideration of the policies described above, annual dividends were set to ¥23.2 per share in light of business performance in FY2011 and the future outlook. That comprises the sum of a year-end dividend of ¥13 per share and an interim dividend of ¥10.2 per share.

As a result, dividend distributions equaled 22.1% of consolidated net income and 2.4% of net assets.

Cash Dividends per Share



Business Performance by Business Segment

Factory Automation Businesses

The automotive industry—a major customer segment—gradually returned to normalized levels of production activity following the disruptions caused by the earthquake and tsunami. Meanwhile, LCD, semiconductor and other sectors related to the electronics industry continued to see subdued levels of production activity. Amid this environment, the MISUMI Group drove penetration of the MISUMI Business Model and added customer accounts in global markets. As a result, sales were ¥80,724 million (up ¥5,893 million, or 7.9%). Operating income was ¥11,825 million (up ¥547 million, or 4.9%), thanks to a recovery in sales and the effects of profitability improvement measures implemented in the previous year.

Die Components Businesses

The automotive industry—a major customer segment of the Die Components Businesses—showed reason for optimism in some areas. Meanwhile, utilization rates in the electrical equipment and electronics industries continued to stagnate. As a result, sales were ¥27,686 million (up ¥1,064 million, or 4.0%). Operating income was ¥2,195 million (up ¥284 million, or 14.9%), thanks to manufacturing process improvements and other cost reductions.

Electronics Businesses

The Electronics Businesses were affected by stagnation in the LCD and semiconductor industries. Nevertheless, sales increased to ¥12,401 million (up ¥1,024 million, or 9.0%). Operating income was ¥1,486 million (down ¥187 million, or 11.2%).

Other Businesses

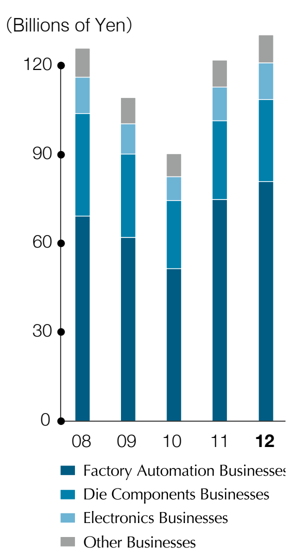
Others Businesses comprise our tools and consumables business (operated by our Factory Supply Division) and our veterinary and medical consumables business (operated by PROMICLOS Corporation). In our factory supply business, our core product, cemented carbide endmills, enjoyed strong sales. The Others Businesses as a whole achieved sales of ¥9,775 million (up ¥660 million, or 7.3%). Operating income was ¥569 million (up ¥136 million, or 31.6%).

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 (sales and distribution channels) and the back end (manufacturing). In terms of 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.

Net Sales by Segment



Cash Flows

As of the end of FY2011, consolidated cash and cash equivalents amounted to ¥26,723 million, an increase of ¥7,960 million compared to the beginning of the year.

Cash flows from operating activities were a positive ¥7,785 million, down ¥3,940 million compared to the previous year. Pretax income was ¥17,022 million and depreciation and amortization costs were ¥3,295 million. Trade accounts receivable increased ¥2,743 million, inventories increased ¥1,950 million and trade accounts payable increased ¥252 million. Corporate income tax payments were ¥8,672 million.

Cash flows from investment activities were a positive ¥2,313 million, an increase of ¥5,278 million compared to the previous year. Outlays for the acquisition of marketable securities were ¥4,201 million. Income from the sale and redemption of marketable securities was ¥4,501 million. Outlays from the acquisition of fixed assets were ¥4,154 million. Outlays for deposits into time deposit accounts were ¥13,879 million and income from withdrawals from time deposit accounts was ¥20,843 million.

Cash flows from financing activities were a negative ¥2,072 million, as net outlays increased ¥1,512 million compared to the previous year. Income from the issuance of shares was ¥1,186 million. Outlays from the repurchase of company shares were ¥1,500 million. Payments of dividends amounted to ¥1,858 million.

Assets

Total assets as of the end of FY2011 were ¥115,721 million (up ¥8,169 million, or 7.6%, compared to the previous year-end). Current assets were ¥88,335 million (up ¥6,349 million, or 7.7%). This is mainly due to an increase in notes receivable and trade accounts receivable of ¥2,649 (up 10.2%), an increase in goods and products of ¥1,420 million (up 15.6%), an increase in marketable securities of ¥1,084 (up 22.3%) and an increase in cash and deposits of ¥956 million (up 2.7%).

Fixed assets were ¥27,386 million (up ¥1,820 million, or 7.1%). Tangible fixed assets were ¥15,748 million (up ¥674 million, or 4.5%). This is mainly due to an increase in capital equipment resulting from the establishment of new manufacturing facilities.Investments and other assets were ¥11,638 million (up ¥1,145 million, or 10.9%). This is mainly due to an increase in investment marketable securities.

Liabilities

Total liabilities were ¥24,381 million (up ¥1,105 million, or 4.8%, compared to the previous year-end). Current liabilities were ¥21,629 million (up ¥1,067 million, or 5.2%). This is mainly due to an increase in accounts payable. Fixed liabilities were ¥2,752 million (up ¥38 million, or 1.4%).

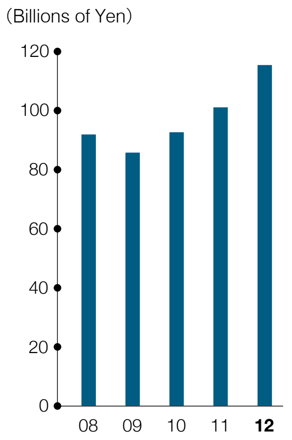
As a result, the current ratio was 4.1 times, sustaining a high degree of stability.

Equity

Total net assets, the sum of shareholders equity, other comprehensive income and stock options, were ¥91,340 million, up ¥7,063 million compared to the previous year-end. Shareholders equity increased ¥7,312 million; this is mainly due to an increase in retained earnings of ¥7,557 million, an increase in treasury stock of ¥1,500 million, and a combined total increase in common stock and capital surplus of ¥1,255 million due to the exercise of stock options. Meanwhile, foreign currency translation adjustments and other comprehensive income decreased ¥304 million.

As a result of the above, the equity ratio was 78.5%.

Total Assets



Capital Investments

The MISUMI Group spent a total of ¥4,231 million for capital investments during FY2011. Of that amount, ¥1,094 million was spent on SURUGA Vietnam Plant No. 3, which began operations in August 2011.

As a matter of internal controls, the MISUMI Group does not allocate assets to reporting business segments. Therefore, an overview of capital investments by reporting business segment is not available.

Research and Development Expenditures

The MISUMI Group is involved in research and development efforts focused on manufacturing technology possessed by SURUGA Production Platform Co., Ltd. Total research and development expenditures during FY2011 were ¥461 million. The relevant business units are responsible for research and development activities.

The Factory Automation Businesses spent ¥362 million to develop new products and enhance productivity. The Die Components Businesses spent ¥98 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 the MISUMI Group's business and financial situations may influence investor decisions.

Please note that forward-looking statements provided are based on judgments made at the end of FY2011 by the MISUMI Group.

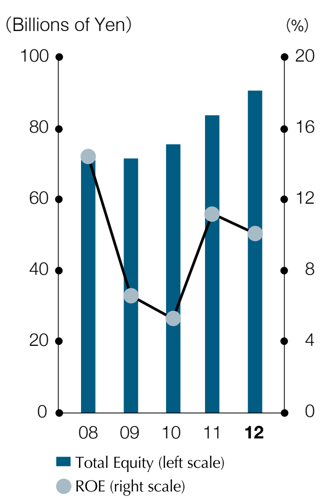
Effect of Trends in Certain Markets on Business Results

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 and economic 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.

Total Equity and ROE



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, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	**¥26,723**	¥18,763	**$325,137**
Time deposits (Note 13)	**10,352**	17,355	**125,948**
Marketable securities (Notes 3 and 13)	**5,596**	4,512	**68,084**
Receivables:			
Trade notes (Note 13)	**5,536**	4,766	**67,359**
Trade accounts (Note 13)	**23,079**	21,199	**280,796**
Other	**373**	551	**4,543**
Allowance for doubtful receivables	**(118)**	(326)	**(1,433)**
Inventories (Note 4)	**14,210**	12,539	**172,891**
Deferred tax assets (Note 10)	**1,420**	1,596	**17,275**
Other	**1,164**	1,031	**14,164**
Total current assets	**88,335**	81,986	**1,074,764**
PROPERTY, PLANT AND EQUIPMENT (Note 19):			
Land	**3,793**	3,890	**46,155**
Buildings and structures	**11,669**	11,469	**141,970**
Machinery and vehicles	**7,029**	5,912	**85,527**
Other	**3,868**	3,078	**47,052**
Total	**26,359**	24,349	**320,704**
Accumulated depreciation and impairment loss	**(10,611)**	(9,276)	**(129,101)**
Net property, plant and equipment	**15,748**	15,073	**191,603**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	**3,589**	3,030	**43,663**
Investments in unconsolidated subsidiaries and associated companies (Note 13)	**170**	199	**2,064**
Software	**4,178**	4,184	**50,846**
Goodwill	**246**	488	**2,988**
Refundable insurance premium	**245**	232	**2,985**
Deferred tax assets (Note 10)	**1,202**	1,283	**14,620**
Other assets	**2,008**	1,077	**24,437**
Total investments and other assets	**11,638**	10,493	**141,603**
TOTAL	**¥115,721**	¥107,552	**$1,407,970**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	**¥1,000**	¥ 900	**$12,167**
Payables:			
Trade notes and accounts (Note 13)	**8,960**	8,568	**109,021**
Accounts payable—other	**5,162**	3,195	**62,808**
Income taxes payable (Note 10)	**4,119**	4,908	**50,113**
Accrued bonuses (Note 2.m)	**1,050**	612	**12,776**
Other	**1,338**	2,379	**16,278**
Total current liabilities	**21,629**	20,562	**263,163**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 7)	**2,569**	2,451	**31,254**
Other	**183**	263	**2,230**
Total long-term liabilities	**2,752**	2,714	**33,484**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 14)			
EQUITY (Notes 8, 9, 16,17 and 18)**:**			
Common stock—authorized, 340,000,000 shares in 2012 and 2011; issued, 90,566,984 shares in 2012 and 89,853,084 shares in 2011	**5,969**	5,341	**72,618**
Capital surplus	**15,740**	15,112	**191,504**
Stock acquisition rights	**515**	460	**6,275**
Retained earnings	**73,793**	66,236	**897,833**
Treasury stock—at cost, 1,271,629 shares in 2012 and 385,333 shares in 2011	**(2,152)**	(652)	**(26,179)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**12**	31	**139**
Foreign currency translation adjustments	**(2,537)**	(2,252)	**(30,867)**
Total equity	**91,340**	84,276	**1,111,323**
TOTAL	**¥115,721**	¥107,552	**$1,407,970**

Consolidated Statements of Income

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2012, 2011 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2012	2011	2010	**2012**
NET SALES (Note 19)	**¥130,213**	¥121,203	¥89,180	**$1,584,290**
COST OF SALES	**77,787**	72,264	54,241	**946,421**
Gross profit	**52,426**	48,939	34,939	**637,869**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	**35,780**	33,376	26,531	**435,334**
Operating income (Note 19)	**16,646**	15,563	8,408	**202,535**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**215**	199	193	**2,610**
Interest expense	**(8)**	(17)	(22)	**(97)**
Exchange loss—net	**(102)**	(554)	(531)	**(1,236)**
Impairment loss (Notes 5 and 19)		(14)	(317)	
Other—net (Note 2.n)	**271**	232	47	**3,291**
Other income (expenses)—net	**376**	(154)	(630)	**4,568**
INCOME BEFORE INCOME TAXES	**17,022**	15,409	7,778	**207,103**
INCOME TAXES (Note 10):				
Current	**7,284**	6,868	4,000	**88,626**
Deferred	**324**	(466)	(108)	**3,932**
Total income taxes	**7,608**	6,402	3,892	**92,558**
NET INCOME BEFORE MINORITY INTERESTS	**9,414**	9,007	3,886	**114,545**
NET INCOME	**¥9,414**	¥9,007	¥ 3,886	**$114,545**
	Yen			U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.u, 8, 16 and 18):				
Net income	**¥105.14**	¥101.16	¥43.84	**$1.28**
Diluted net income	**104.93**	100.95	43.82	**1.28**
Cash dividends applicable to the year	**23.20**	20.20	10.00	**0.28**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
NET INCOME BEFORE MINORITY INTERESTS	**¥9,414**	¥ 9,007	**$114,545**
OTHER COMPREHENSIVE INCOME (Note15):			
Unrealized gain (loss) on available-for-sale securities	**(19)**	(32)	**(238)**
Foreign currency translation adjustments	**(285)**	(621)	**(3,463)**
Share of other comprehensive income in associates		51	
Total other comprehensive income	**(304)**	(602)	**(3,701)**
COMPREHENSIVE INCOME (Note15)	**¥9,110**	¥ 8,405	**$110,844**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note15):			
Owners of the parent	**¥9,110**	¥ 8,405	**$110,844**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2012, 2011 and 2010

	Thousands	Millions of Yen							
							Accumulated other comprehensive income		
	Issued Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total Equity
BALANCE, MARCH 31, 2009	89,019	¥4,682	¥14,453	¥157	¥55,364	¥ (650)	¥0	¥ (2,153)	¥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	(651)	63	(1,682)	75,947
Net income					9,007				9,007
Cash dividends, ¥17.58 per share					(1,573)				(1,573)
Increase in treasury stock (637 shares)						(1)			(1)
Disposal of treasury stock (208 shares)					0	0			0
Exercise of stock acquisition rights (Notes 9 and 17)	834	659	659						1,318
Net change in the year				180			(32)	(570)	(422)
BALANCE, MARCH 31, 2011	89,853	¥5,341	¥15,112	¥460	¥66,236	¥(652)	¥31	¥ (2,252)	¥84,276
Net income					**9,414**				**9,414**
Cash dividends, ¥20.70 per share					**(1,857)**				**(1,857)**
Increase in treasury stock (886,296 shares)						**(1,500)**			**(1,500)**
Exercise of stock acquisition rights (Notes 9 and 17)	**714**	**628**	**628**						**1,256**
Net change in the year				**55**			**(19)**	**(285)**	**(249)**
BALANCE, MARCH 31, 2012	**90,567**	**¥5,969**	**¥15,740**	**¥515**	**¥73,793**	**¥(2,152)**	**¥12**	**¥(2,537)**	**¥91,340**

	Thousands of U.S.Dollars (Note 1)							
						Accumulated other comprehensive income		
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total Equity
BALANCE, MARCH 31, 2011	**$64,976**	**$183,868**	**$5,600**	**$805,885**	**$(7,925)**	**$377**	**$(27,404)**	**$1,025,377**
Net income				**114,545**				**114,545**
Cash dividends, $0.25 per share				**(22,597)**				**(22,597)**
Increase in treasury stock (886,296 shares)					**18,254**			**(18,254)**
Exercise of stock acquisition rights (Notes 9 and 17)	**7,642**	**7,636**						**15,278**
Net change in the year			**675**			**(238)**	**(3,463)**	**(3,026)**
BALANCE, MARCH 31, 2012	**$72,618**	**$191,504**	**$6,275**	**$897,833**	**$(26,179)**	**$139**	**$(30,867)**	**$1,111,323**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2012, 2011 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2012	2011	2010	**2012**
OPERATING ACTIVITIES:				
Income before income taxes	**¥17,022**	¥15,409	¥7,778	**$207,103**
Adjustments for:				
Income taxes paid	**(8,672)**	(3,876)	(4,586)	**(105,516)**
Income taxes refund	**297**	216	611	**3,609**
Depreciation and amortization	**3,295**	2,243	1,878	**40,088**
Amortization of goodwill	**243**	182	738	**2,955**
Exchange loss	**137**	431	54	**1,664**
Impairment loss		14	317	
Changes in assets and liabilities:				
(Increase) decrease in receivables	**(2,743)**	(3,473)	(5,061)	**(33,372)**
(Increase) decrease in inventories	**(1,950)**	(2,277)	761	**(23,726)**
Increase (decrease) in payables	**252**	1,087	2,599	**3,068**
Increase (decrease) in other current liabilities	**292**	908	694	**3,564**
Other—net	**(388)**	870	630	**(4,724)**
Total adjustments	**(9,237)**	(3,675)	(1,365)	**(112,390)**
Net cash provided by operating activities	**7,785**	11,734	6,413	**94,713**
INVESTING ACTIVITIES:				
Proceeds from sales and redemption of marketable securities	**4,501**	6,050	11,005	**54,769**
Purchase of marketable and investment securities	**(4,201)**	(3,502)	(10,008)	**(51,117)**
Purchase of property, plant and equipment	**(4,154)**	(5,312)	(3,823)	**(50,543)**
Proceeds from sales of stocks of subsidiaries and affiliates		307		
Refund from time deposits	**20,843**	21,475	9,602	**253,601**
Payment into time deposits	**(13,879)**	(21,894)	(23,949)	**(168,867)**
Other—net	**(797)**	(89)	11	**(9,698)**
Net cash provided by (used in) investing activities	**2,313**	(2,965)	(17,162)	**28,145**
FINANCING ACTIVITIES:				
Decrease in short-term bank loans—net	**100**	(300)	(100)	**1,217**
Repayments of long-term debt			(561)	
Proceeds from issuance of stock	**1,186**	1,314		**14,427**
Acquisition of treasury stock	**(1,500)**	(1)	(1)	**(18,254)**
Proceeds from disposal of treasury stock		0	0	
Dividends paid	**(1,858)**	(1,573)	(443)	**(22,597)**
Net cash used in financing activities	**(2,072)**	(560)	(1,105)	**(25,207)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(66)**	(355)	128	**(807)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,960**	7,854	(11,726)	**96,844**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**18,763**	10,909	22,671	**228,293**
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION			(36)	
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥26,723**	¥18,763	¥10,909	**$325,137**

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 generally accepted accounting principles in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statements of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 15.

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 2010 and 2011 financial statements to conform to the classifications used in 2012.

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 ¥82.19 to $1, the approximate rate of exchange at March 31, 2012. 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, 2012 include the accounts of the Company and its 26 (23 as of March 31, 2011) 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 2012 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 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 may tentatively 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) exclusion of minority interests from net income, if included.

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.

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. However, buildings acquired on and after April 1, 1998 are computed by the straight-line method, except for building accompanying facilities. The straight-line method is applied to property, plant and equipment held by consolidated foreign subsidiaries.

The range of useful lives is principally as follows:

Buildings and structures	3 to 50	years
Machineries and vehicles	2 to 15	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. *Asset Retirement Obligations*—In March 2008, the ASBJ published the 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.

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.

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.

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 as of the consolidated 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 consolidated 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. Regarding stock option rights that are vested after a certain period of employment, proceeds assuming the exercise of the rights include the part for the services rendered to the company in the future out of the fair value of the 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.

In June 2010, the ASBJ published ASBJ Statement No.2 "Accounting Standard for Earnings Per Share", ASBJ Guidance No.4 "Guidance on Accounting Standard for Earnings Per Share" and ASBJ PITF No. 9, "Practical Solution on Earnings Per Share."

The Company has applied this standard, the guidance and the PITF from the year ended March 31, 2012.
Details of the effect of these are explained in Note 16. NET INCOME PER SHARE.

v. ***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 have been applied 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.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2012 and 2011 consisted of the following

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Current:			
Corporate and public bonds	**¥5,596**	¥4,512	**$68,084**
Trust fund investments			
Total	**¥5,596**	¥4,512	**$68,084**
Non current:			
Equity securities	**¥77**	¥78	**$941**
Corporate and public bonds	**2,600**	1,015	**31,631**
Trust fund investments	**912**	1,937	**11,091**
Total	**¥3,589**	¥3,030	**$43,663**

The costs and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**¥65**	**¥9**	**¥4**	**¥70**
Debt securities	**8,203**	**6**	**13**	**8,196**
Trust fund investments	**901**	**73**	**62**	**912**

	Millions of Yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥71	¥7	¥6	¥72
Debt securities	5,522	9	4	5,527
Trust fund investments	1,899	89	51	1,937

	Thousands of U.S. Dollars			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**$794**	**$112**	**$43**	**$863**
Debt securities	**99,802**	**72**	**159**	**99,715**
Trust fund investments	**10,955**	**884**	**748**	**11,091**

Available-for-sale securities were not sold for the years ended March 31, 2012 and 2011.

The redemption amounts of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2012 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Available for Sale	Available for Sale
Due in one year or less	**¥5,600**	**$68,135**
Due after one year through five years	**2,635**	**32,060**
Due after five years through ten years	**15**	**182**
Due after ten years	**54**	**659**
Total	**¥8,304**	**$101,036**

4.INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Merchandise	**¥10,248**	¥8,771	**$124,684**
Finished goods	**255**	312	**3,107**
Materials	**2,198**	1,944	**26,739**
Supplies	**622**	606	**7,565**
Work in process	**887**	906	**10,796**
Total	**¥14,210**	¥12,539	**$172,891**

5.LONG-LIVED ASSETS

For the year ended March 31, 2012, there was no impairment loss recognized.

For the year ended March 31, 2011, the Group recognized an impairment loss of ¥14 million as other expense for the unused land of Iwaki, which is decided to be sold and the carrying amount for the assets group was reduced to the recoverable amount.

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

The annual interest rates applicable to the short-term bank loans ranged from 0.55% to 0.90% and from 0.80% to 1.04% at March 31, 2012 and 2011, respectively.

There was no long-term debt outstanding at March 31, 2012 and 2011.

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, a qualified retirement pension plan and an 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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Plan assets	¥60,682	¥64,279	$738,318
Liability based on pension benefit calculation	77,898	79,316	947,780
Difference	¥(17,216)	¥ (15,037)	$(209,462)

(Note) The above shows the latest figures released by the Social Welfare Pension Fund of Nippon Sheet Metal Presswork.

	2012	2011
Percentage of the Group's contributions to the total plan	**6.90%**	5.89%

As of March 31, 2011, difference for the Social Welfare Pension Fund of Nippon Sheet Metal Presswork (the "Fund") is due to a past service liability from the pension benefit calculation (¥13,549 million) and carry forward deficit (¥3,667 million). The past service liability is amortized on a straight-line basis over a period of 18 years.

As of March 31, 2010, difference for the Fund is due to a past service liability from the pension benefit calculation (¥13,530 million yen) and carry forward deficit (¥1,507 million). The past service liability is amortized on a straight-line basis over a period of 19 years.

b. Funding status of Shizuoka Midland Machine Industry Pension Fund

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Plan assets	¥15,743	¥17,614	$191,545
Liability based on pension benefit calculation	21,965	23,265	267,250
Difference	¥(6,222)	¥(5,651)	$(75,705)

(Note) The above shows the latest figures released by Shizuoka Midland Machine Industry Pension Fund.

	2012	2011
Percentage of the Group's contributions to the total plan	**13.83%**	13.14%

As of March 31, 2011, difference for the Shizuoka Midland Machine Industry Pension Fund (the "Fund") is caused primarily by a past service liability from the pension benefit calculation (¥2,900 million) and carry forward deficit (¥3,322 million). The past service liability is amortized on a straight-line basis over 19 years.

As of March 31, 2010, difference for the Shizuoka Midland Machine Industry Pension Fund (the "Fund") is caused primarily by a past service liability from the pension benefit calculation (¥1,841 million) and carry forward deficit (¥8,759 million). The past service liability is amortized on a straight-line basis over 19 years.

This pension fund employs certain fund management services of AIJ Investment Co., Ltd. Detailed disposition plan for the future is yet to be determined.

The liability for retirement benefits at March 31, 2012 and 2011 for the directors and corporate auditors is ¥432 million ($5,253 thousand) and ¥424 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, 2012 and 2011 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
	2012	2011	**2012**
Projected benefit obligation	**¥2,963**	¥2,688	**$36,050**
Fair value of plan assets	**(684)**	(584)	**(8,325)**
Unrecognized actuarial loss	**(142)**	(77)	**(1,724)**
Net liability	**¥2,137**	¥2,027	**$26,001**

The components of net periodic benefit costs for the year ended March 31, 2012 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	**2012**
Service cost	**¥428**	**$5,202**
Interest cost	**32**	**383**
Expected return on plan assets	**(6)**	**(73)**
Recognized actuarial loss	**(17)**	**(201)**
Contribution to the Pension	**342**	**4,163**
Net periodic benefit costs	**¥779**	**$9,474**

Assumptions used in determining the retirement benefit obligations for the year ended March 31, 2012 are set forth as follows:

	2012
Discount rate	**1.2%-1.3%**
Expected rate of return on plan assets	**1.1%**

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 are stipulated. 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 an earned legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of the earned 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 earned legal reserve may be reversed without limitation. The Companies Act also provides that common stock, earned legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c.Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders that is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9.STOCK OPTION

Information of the stock options for the year ended March 31, 2012 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2004 Stock Option (1)	2 directors 3 employees	552,000 shares	2004.7.1	¥1,795 ($21.84)	From August 1, 2006 to July 31, 2011
2004 Stock Option (2)	4 directors 139 employees	497,200 shares	2005.3.15	¥1,735 ($21.11)	From August 1, 2006 to July 31, 2011
2005 Stock Option (1)	2 directors 1 employee	489,000 shares	2005.7.1	¥1,785 ($21.72)	From August 1, 2007 to July 31, 2012
2005 Stock Option (2)	2 directors 166 employees	708,400 shares	2006.3.1	¥2,534 ($30.83)	From August 1, 2007 to July 31, 2012
2007 Stock Option (1)	6 directors	280,000 shares	2007.7.12	¥2,219 ($27.00)	From August 1, 2009 to July 31, 2014
2007 Stock Option (2)	15 employees of the Group	60,000 shares	2008.1.11	¥2,027 ($24.66)	From February 1, 2010 to January 31, 2015
2008 Stock Option (1)	8 directors	440,000 shares	2008.7.11	¥2,073 ($25.22)	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 ($19.18)	From January 1, 2011 to December 31, 2016
2009 Stock Option (1)	7 directors	486,000 shares	2009.7.10	¥1,432 ($17.42)	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 ($19.47)	From September 1, 2011 to August 31, 2016
2010 Stock Option (1)	6 directors	520,000 shares	2010.7.2	¥1,827 ($22.23)	From August 1, 2012 to July 31, 2018
2010 Stock Option (2)	38 employees of the Group	155,000 shares	2010.7.2	¥1,827 ($22.23)	From August 1, 2012 to July 31, 2018

The stock option activity is as follows:

	2004 Stock Option (1)	2004 Stock Option (2)	2005 Stock Option (1)	2005 Stock Option (2)	2007 Stock Option (1)	2007 Stock Option (2)
	(Shares)					
For the Year Ended March 31, 2011						
Non-vested:						
March 31, 2010—outstanding						
Granted						
Canceled						
Vested						
March 31, 2011—outstanding						
Vested:						
March 31, 2010—outstanding	480,000	220,400	489,000	504,000	280,000	35,000
Vested						
Exercised	336,200	53,600				
Canceled		8,800	24,000	58,000		
March 31, 2011—outstanding	143,800	158,000	465,000	446,000	280,000	35,000
For the Year Ended March 31, 2012						
Non-vested:						
March 31, 2011—outstanding						
Granted						
Canceled						
Vested						
March 31, 2012—outstanding						
Vested:						
March 31, 2011—outstanding	**143,800**	**158,000**	**465,000**	**446,000**	**280,000**	**35,000**
Vested						
Exercised	**143,800**	**114,600**	**256,200**			
Canceled		**43,400**		**48,600**		
March 31, 2012—outstanding			**208,800**	**397,400**	**280,000**	**35,000**
	Yen (U.S. Dollars)					
Exercise price	**¥1,795**	**¥1,735**	**¥1,785**	**¥2,534**	**¥2,219**	**¥2,027**
	($21.84)	**($21.11)**	**($21.72)**	**($30.83)**	**($27.00)**	**($24.66)**
Fair value price at grant date					**¥384**	**¥305**
					($4.67)	**($3.71)**

The stock option activity is as follows:

	2008 Stock Option (1)	2008 Stock Option (2)	2009 Stock Option (1)	2009 Stock Option (2)	2010 Stock Option (1)	2010 Stock Option (2)
	(Shares)					
For the Year Ended March 31, 2011						
Non-vested:						
March 31, 2010—outstanding	400,000	77,000	486,000	120,000		
Granted					520,000	155,000
Canceled		6,000		9,000		9,000
Vested	400,000	71,000				
March 31, 2011—outstanding			486,000	111,000	520,000	146,000
Vested:						
March 31, 2010—outstanding						
Vested	400,000	71,000				
Exercised		3,000				
Canceled						
March 31, 2011—outstanding	400,000	68,000				
For the Year Ended March 31, 2012						
Non-vested:						
March 31, 2011—outstanding			**486,000**	**111,000**	**520,000**	**146,000**
Granted						
Canceled				**2,000**	**80,000**	**13,000**
Vested			**486,000**	**109,000**		
March 31, 2012—outstanding					**440,000**	**133,000**
Vested:						
March 31, 2011—outstanding	**400,000**	**68,000**				
Vested			**486,000**	**109,000**		
Exercised		**12,900**	**177,300**	**9,100**		
Canceled						
March 31, 2012—outstanding	**400,000**	**55,100**	**308,700**	**99,900**		
	Yen (U.S. Dollars)					
Exercise price	**¥2,073**	**¥1,576**	**¥1,432**	**¥1,600**	**¥1,827**	**¥1,827**
	($25.22)	**($19.18)**	**($17.42)**	**($19.47)**	**($22.23)**	**($22.23)**
Fair value price at grant date	**¥286**	**¥87**	**¥272**	**¥356**	**¥330**	**¥330**
	($3.48)	**($1.06)**	**($3.31)**	**($4.33)**	**($4.02)**	**($4.02)**

The Assumptions Used to Measure Fair Value of Stock Options Granted for the Year Ended March 31, 2012:
None are applicable.

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, 2012, 2011and 2010.

Except, due to the tax reform as described below, the normal effective statutory tax rate varies in accordance with the years the temporary differences will be realized.

From the year ended March 31, 2013 to the year ended March 31, 2015: 38.0%

From the year ended March 31, 2016 and after: 35.6%

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117, 2011) on December 2, 2011, the corporate income tax rates will be changed from the years beginning on or after April 1, 2012.

As a result of this change, the net deferred tax assets decreased by ¥215 million ($2,616 thousand), and income taxes - deferred and unrealized gain on available-for-sale securities recorded for the year ended March 31, 2012 increased by ¥215 million ($2,616 thousand) and ¥1 million ($11 thousand), respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Current deferred tax assets:			
Devaluation of inventories	**¥605**	¥ 399	**$7,369**
Accrued enterprise tax	**289**	368	**3,513**
Accrued bonuses	**334**	675	**4,058**
Unrealized income	**186**	135	**2,267**
Other—net	**164**	207	**1,997**
Subtotal	**1,578**	1,784	**19,204**
Valuation allowance	**(135)**	(151)	**(1,648)**
Current deferred tax assets	**1,443**	1,633	**17,556**
Current deferred tax liabilities:			
Other—net	**(23)**	(37)	**(281)**
Current deferred tax liabilities	**(23)**	(37)	**(281)**
Net current deferred tax assets	**¥1,420**	¥ 1,596	**$17,275**
Non-current deferred tax assets:			
Liabilities for retirement benefits for employees	**¥762**	¥ 828	**$9,275**
Depreciation	**332**	414	**4,033**
Tax losses carried forward	**1,216**	1,357	**14,803**
Provision for directors' retirement benefit	**154**	172	**1,873**
Other—net	**197**	204	**2,398**
Subtotal	**2,661**	2,975	**32,382**
Valuation allowance	**(1,275)**	(1,485)	**(15,519)**
Non-current deferred tax assets	**1,386**	1,490	**16,863**
Non-current deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	**(122)**	(123)	**(1,482)**
Other—net	**(62)**	(84)	**(761)**
Non-current deferred tax liabilities	**(184)**	(207)	**(2,243)**
Net non-current deferred tax assets	**¥1,202**	¥ 1,283	**$14,620**

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, 2012 and 2010 are as follows:

	2012	2010
Normal effective statutory tax rate	**40.7%**	40.7%
Non-deductible bonuses to directors and corporate auditors	**0.3**	0.9
Increase in temporary differences not scheduled for income tax purposes	**2.5**	5.5
Amortization of goodwill	**0.6**	3.9
Equity in earnings of affiliates	**(0.8)**	0.4
Effect of tax rate reduction	**1.3**	
Other	**0.1**	(1.4)
Actual effective tax rate	**44.7%**	50.0%

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, 2011 was not presented because the differences between them were immaterial.

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, 2012, 2011 and 2010 was ¥1,423 million ($17,315 thousand), ¥1,291 million and ¥1,132 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, 2012 and 2011 was as follows:

	Millions of Yen		
	2012		
	Machineries and Vehicles	Other	Total
Acquisition cost	**¥354**	**¥22**	**¥376**
Accumulated depreciation	**(266)**	**(19)**	**(285)**
Net leased property	**¥88**	**¥3**	**¥91**

	Millions of Yen		
	2011		
	Machineries and Vehicles	Other	Total
Acquisition cost	¥ 728	¥ 35	¥ 763
Accumulated depreciation	(563)	(26)	(589)
Net leased property	¥ 165	¥ 9	¥ 174

	Thousands of U.S. Dollars		
	2012		
	Machineries and Vehicles	Other	Total
Acquisition cost	**$4,308**	**$270**	**$4,578**
Accumulated depreciation	**(3,242)**	**(226)**	**(3,468)**
Net leased property	**$1,066**	**$44**	**$1,110**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Due within one year	**¥47**	¥85	**$570**
Due after one year	**46**	93	**559**
Total	**¥93**	¥178	**$1,129**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Depreciation expense	**¥84**	¥137	**$1,022**
Interest expense	**1**	3	**16**
Total	**¥85**	¥140	**$1,028**
Lease payments	**¥87**	¥142	**$1,058**

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, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥107**	**$1,305**
Due after one year	**166**	**2,011**
Total	**¥273**	**$3,316**

12.RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥461 million ($5,605 thousand), ¥322 million and ¥275 million for the years ended March 31, 2012, 2011 and 2010, respectively.

13.FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(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 operations mainly consist of highly rated bonds and are exposed to market fluctuation risk. The Group follows a stable operation policy and does not have any speculative transactions, primarily holding securities until maturity.

(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 Company evaluated that there is no material credit risk. The maximum credit risk as of March 31, 2012 is presented as financial assets, 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 on a monthly basis. 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 contracts 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 the 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) Supplementary explanation for 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, 2012 and 2011 are as follows:

	Millions of Yen		
	2012		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**¥26,723**	**¥26,723**	
Time deposits	**10,352**	**10,352**	
Marketable securities	**5,596**	**5,596**	
Trade notes receivable	**5,536**	**5,536**	
Trade accounts receivable	**23,079**	**23,079**	
Investment securities	**3,589**	**3,589**	
Trade notes payable and accounts payable	**(8,960)**	**(8,960)**	
Derivatives, net	**(217)**	**(217)**	

	Millions of Yen		
	2011		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 18,763	¥ 18,763	
Time deposits	17,355	17,355	
Marketable securities	4,512	4,512	
Trade notes receivable	4,766	4,766	
Trade accounts receivable	21,199	21,199	
Investment securities	3,030	3,030	
Trade notes payable and accounts payable	(8,568)	(8,568)	
Derivatives, net	(136)	(136)	

	Thousands of U.S. Dollars		
	2012		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**$325,137**	**$325,137**	
Time deposits	**125,948**	**125,948**	
Marketable securities	**68,084**	**68,084**	
Trade notes receivable	**67,359**	**67,359**	
Trade accounts receivable	**280,796**	**280,796**	
Investment securities	**43,663**	**43,663**	
Trade notes payable and accounts payable	**(109,021)**	**(109,021)**	
Derivatives, net	**(2,644)**	**(2,644)**	

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, 2012 and 2011

	Carrying Amount		
	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
	2012	2011	**2012**
Unlisted securities	**¥176**	¥204	**$2,139**

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2012 and 2011

	Millions of Yen			
	2012			
	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	**¥26,723**			
Time deposits	**10,352**			
Trade notes receivable	**5,536**			
Trade accounts receivable	**23,079**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds	**1,000**			
Corporate bonds	**4,600**	**¥2,600**		
Other		**35**	**¥15**	**¥54**
Total	**¥71,290**	**¥2,635**	**¥15**	**¥54**

	Millions of Yen			
	2011			
	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	¥ 18,763			
Time deposits	17,355			
Trade notes receivable	4,766			
Trade accounts receivable	21,199			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds	2,013	¥1,015		
Corporate bonds	2,498	991		
Other		34	¥ 16	¥ 59
Total	¥ 66,594	¥ 2,040	¥ 16	¥ 59

	Thousands of U.S. Dollars			
	2012			
	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	**$325,137**			
Time deposits	**125,948**			
Trade notes receivable	**67,359**			
Trade accounts receivable	**280,796**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds	**12,167**			
Corporate bonds	**55,968**	**$31,634**		
Other		**426**	**$182**	**$659**
Total	**$867,375**	**$32,060**	**$182**	**$659**

14.DERIVATIVES

Derivative transactions to which hedge accounting is not applied at March 31, 2012 and 2011 are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2012				**2012**			
	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	**¥1,721**		**¥(48)**	**¥(48)**	**$20,936**		**$(587)**	**$(587)**
Selling	**9,731**		**(169)**	**(169)**	**118,394**		**(2,057)**	**(2,057)**

	Millions of Yen			
	2011			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	¥ 1,496		¥ (27)	¥ (27)
Selling	5,925		(109)	(109)

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

15.COMPREHENSIVE INCOME

Reclassification and tax effects income attributable to other comprehensive income for the year ended March 31, 2012 is as follows:

	2012	
	Millions of Yen	Thousands of U.S. Dollars
Unrealized gain (loss) on available-for-sale securities: Gains (losses) arising during the year	**¥(34)**	**$(414)**
Reclassification adjustments to profit or loss: Amount before income tax effect	**(34)**	**(414)**
Income tax effect	**15**	**176**
Total	**(19)**	**(238)**
Foreign currency translation adjustments: Adjustments arising during the year	**(285)**	**(3,463)**
Total other comprehensive income	**¥(304)**	**$(3,701)**

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of the first year of adopting that standard and not disclosed herein.

Total comprehensive income for the year ended March 31, 2010 is as follows:

	Millions of Yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥ 4,420
Total comprehensive income	¥ 4,420

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 63
Foreign currency translation adjustments	455
Share of other comprehensive income in associates	16
Total other comprehensive income	¥534

16.NET INCOME PER SHARE

The Company has applied ASBJ Statement No.2 "Accounting Standard for Earnings Per Share ("EPS")," ASBJ Guidance No.4 "Guidance on Accounting Standard for Earnings Per Share" and ASBJ PITF No. 9, "Practical Solution on Earnings Per Share" from the year ended March 31, 2012. Accordingly, the Group changed the method to calculate the diluted net income per share. Therefore, regarding stock option rights that are vested after a certain period of employment, proceeds assuming the exercise of the rights include the part for the services rendered to the company in the future out of the fair value of the stock option rights.

EPS information for the year ended March 31, 2011 under the revised accounting standard is also disclosed hereunder as required.

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the years ended March 31, 2012, 2011 and 2010 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2012	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥9,414**	**89,546**	**¥105.14**	**$1.28**
Effect of dilutive securities—Stock options		**174**		
Diluted EPS—Net income for computation	**¥9,414**	**89,720**	**¥104.93**	**$1.28**
Year Ended March 31, 2011				
Basic EPS—Net income available to common shareholders	¥ 9,007	89,042	¥ 101.16	
Effect of dilutive securities—Stock options		183		
Diluted EPS—Net income for computation	¥ 9,007	89,225	¥100.95	
Year Ended March 31, 2010				
Basic EPS—Net income available to common shareholders	¥ 3,886	88,634	¥ 43.84	
Effect of dilutive securities—Stock options		53		
Diluted EPS—Net income for computation	¥ 3,886	88,687	¥ 43.82	

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the years ended March 31, 2011 and 2010, which is based on the previous standard, is as follows:

	Millions of Yen	Thousands of Shares	Yen
Year Ended March 31, 2011	Net Income	Weighted-average Shares	EPS
Basic EPS—Net income available to common shareholders	¥ 9,007	89,042	¥ 101.16
Effect of dilutive securities—Stock options		205	
Diluted EPS—Net income for computation	¥ 9,007	89,247	¥100.93
Year Ended March 31, 2010			
Basic EPS—Net income available to common shareholders	¥ 3,886	88,634	¥ 43.84
Effect of dilutive securities—Stock options		94	
Diluted EPS—Net income for computation	¥ 3,886	88,728	¥ 43.80

17.RELATED PARTY TRANSACTIONS

Related party transactions between the Company and related parties for the years ended March 31, 2012 and 2011 are as follows:

2012

Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount: Millions of Yen	Amount: Thousands of U.S. Dollars
Board member	Tadashi Saegusa	Director of the Company	(Owned) Direct 0.57	Exercise of stock option	**¥662**	**$8,049**
Board member	Masayuki Takaya	Director of the Company	(Owned) Direct 0.02	Exercise of stock option	**123**	**1,502**
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.05	Exercise of stock option	**98**	**1,189**
Board member	Ryusei Ohno	Director of the Company	(Owned) Direct 0.01	Exercise of stock option	**12**	**145**
Board member	Hiroshi Fukino	Director of the Company	(Owned) Direct 0.11	Exercise of stock option	**54**	**655**
Board member	Teiichi Aruga	Director of the Company		Exercise of stock option	**83**	**1,014**

2011					
Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount Millions of Yen
Board member	Tadashi Saegusa	Director of the Company	(Owned) Direct 0.61	Exercise of stock option	¥1,219
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.04	Exercise of stock option	35

There were no related party transactions for the year ended March 31, 2010.

18.SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2012 were approved at the shareholders meeting held on June 18, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year end cash dividends, ¥ 13.00 ($0.16) per share	**¥1,161**	**$14,124**

19.SEGMENT INFORMATION

The Group has applied "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) effective from the year ended March 31, 2011. The segment information for the year ended March31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1)Description of reportable segments

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

The Group has operational headquarters by each product or service in MISUMI Corporation. Each operational headquarter plans overall strategies for both domestic and overseas and conducts business of its own products or services. Accordingly, the Group comprises segments by products or services based on the operational headquarters and there are 4 reportable segments; "Factory Automation Business", "Die Components Business", "Electronics Business" and "Diversified Business".

"Factory Automation Business" develops and provides standard components that help streamline production and save labor costs in a production system such as Factory Automation as well as auto locating modules for high-precision production equipment. Various optics research and experimental equipment and components for production equipment, which changes due to digitalization of electronic devices, are also developed and offered.

"Die Components Business" serves the automotive, electronics, and electrical machinery industries by developing and supplying standardized die components for metal press and plastic injection molding applications and precision die components.

"Electronics Business" develops and provides cables to connect Factory Automation equipment and inspecting and measurement instruments, harnesses, and connectors, as well as equipment itself, and peripherals for the field of inspection, measurement and control.

"Diversified Business" develops and provides machine tools, veterinary and medical supplies.

(2)Method of measurement for the amounts of sales and profit (loss) for each reportable segment

Accounting policies of the reportable segments are almost the same as the ones mentioned in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES except for the adjustments due to the different closing date. Income by reportable segments is based on operating income.

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

	Millions of Yen						
	2012						
	Reportable Segments						
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total	Adjustments	Consolidated
Net sales:							
Sales to customers	**¥80,724**	**¥27,686**	**¥12,401**	**¥9,775**	**¥130,586**	**¥(373)**	**¥130,213**
Total	**80,724**	**27,686**	**12,401**	**9,775**	**130,586**	**(373)**	**130,213**
Segment profit	**¥11,825**	**¥2,195**	**¥1,486**	**¥569**	**¥16,075**	**¥571**	**¥16,646**

	Millions of Yen						
	2011						
	Reportable Segments						
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total	Adjustments	Consolidated
Net sales:							
Sales to customers	¥74,831	¥26,622	¥11,376	¥9,114	¥121,943	¥(740)	¥121,203
Total	74,831	26,622	11,376	9,114	121,943	(740)	121,203
Segment profit	¥11,278	¥1,911	¥1,673	¥432	¥15,294	¥269	¥15,563

	Millions of Yen						
	2010						
	Reportable Segments						
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total	Adjustments	Consolidated
Net sales:							
Sales to customers	¥51,445	¥23,007	¥8,081	¥7,772	¥90,305	¥ (1,125)	¥89,180
Total	51,445	23,007	8,081	7,772	90,305	(1,125)	89,180
Segment profit	¥6,817	¥820	¥1,040	¥80	¥8,757	¥ (349)	¥8,408

	Thousands of U.S. Dollars						
	2012						
	Reportable Segments						
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total	Adjustments	Consolidated
Net sales:							
Sales to customers	**$982,166**	**$336,846**	**$150,886**	**$118,929**	**$1,588,827**	**$(4,537)**	**$1,584,290**
Total	**982,166**	**336,846**	**150,886**	**118,929**	**1,588,827**	**(4,537)**	**1,584,290**
Segment profit	**$143,880**	**$26,710**	**$18,075**	**$6,923**	**$195,588**	**$6,947**	**$202,535**

(4)Details of adjustments

	Net sales		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Total of reportable segment	**¥130,586**	¥121,943	**$1,588,827**
Adjustments due to the different closing date of consolidated subsidiary	**(368)**	(654)	**(4,473)**
Other	**(5)**	(86)	**(64)**
Net sales in consolidated statements of income	**¥130,213**	¥121,203	**$1,584,290**

	Operating income		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Total of reportable segment	**¥16,075**	¥15,294	**$195,588**
Adjustments due to the different closing date of consolidated subsidiary	**652**	161	**7,933**
Other	**(81)**	108	**(986)**
Operating income in consolidated statements of income	**¥16,646**	¥15,563	**$202,535**

(5)Information by region

	Millions of Yen				
	2012				
	Japan	Asia	North and South America	Europe	Total
Net sales	**¥94,389**	**¥26,767**	**¥5,360**	**¥3,697**	**¥130,213**

	Millions of Yen				
	2011				
	Japan	Asia	North and South America	Europe	Total
Net sales	¥88,103	¥25,549	¥4,563	¥2,988	¥121,203

	Thousands of U.S. Dollars				
	2012				
	Japan	Asia	North and South America	Europe	Total
Net sales	**$1,148,419**	**$325,668**	**$65,224**	**$44,979**	**$1,584,290**

	Millions of Yen			
	2012			
	Japan	Vietnam	Others	Total
Property, plant and equipment	**¥10,766**	**¥3,163**	**¥1,819**	**¥15,748**

	Millions of Yen			
	2011			
	Japan	Vietnam	Others	Total
Property, plant and equipment	¥11,557	¥1,938	¥1,578	¥15,073

	Thousands of U.S. Dollars			
	2012			
	Japan	Vietnam	Others	Total
Property, plant and equipment	**$130,985**	**$38,481**	**$22,137**	**$191,603**

(6)Information of Impairment loss by reportable segment

	Millions of Yen						
	2011						
	Reportable Segment						
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total	Adjustments (Note)	Total
Impairment loss						¥14	¥14

Note: Adjustments are related to the unused assets.
None is applicable for the year ended March 31, 2012.

(7)Information of Goodwill by reportable segment

	Millions of Yen				
	2012				
	Reportable Segment				
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total
Amortization for the year ended March 31, 2012	**¥246**	**¥(3)**			**¥243**
Balance as of March 31, 2012	**¥246**				**¥246**

	Millions of Yen				
	2011				
	Reportable Segment				
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total
Amortization for the year ended March 31, 2011	¥217	¥ (38)		¥3	¥182
Balance as of March 31, 2011	¥491	¥ (3)			¥488

	Thousands of U.S. Dollars				
	2012				
	Reportable Segment				
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Total
Amortization for the year ended March 31, 2012 ...	**$2,988**	**$(33)**			**$2,955**
Balance as of March 31, 2012	**$2,988**				**$2,988**

Information about operations in different industry segments, geographical segments and sales to foreign customers of the Group for the year ended March 31, 2010, which is based on the previous standard, 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 year ended March 31, 2010.

a.Sales and Operating Income

	Millions of Yen					
	2010					
	Factory Automation Business	Die Components Business	Electronics Business	Diversified Business	Eliminations (Corporate)	Consolidated
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)	Consolidated
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

(2)Geographical Segments

The geographical segments of the Group for the years ended March 31, 2010 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

(3)Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 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

Independent Auditors' Report

Deloitte.

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To the Board of Directors of
MISUMI Group Inc.:

We have audited the accompanying consolidated balance sheet of MISUMI Group Inc. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in 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 15, 2012

Company Profile and Stock Information

Corporate Profile

Corporate Name	MISUMI Group Inc.
Established	February 23, 1963
Head Office	Iidabashi First Building, 5-1, Koraku 2-chome, Bunkyo-ku,Tokyo 112-8583
Paid-in Capital	5,969 Millions of Yen
Stock Listing	Tokyo Stock Exchange (Ticker code: 9962)
Fiscal Year	From April 1 through March 31 of the following calendar year
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

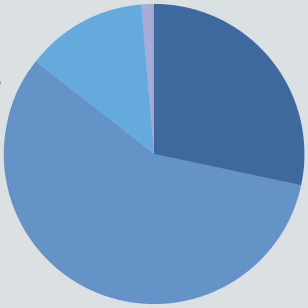
Authorized Number of Shares	340,000,000
Issued Number of Shares	90,566,984
Number of Shareholders	4,698

Major Shareholders

Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Shares Outstanding (%)
State Street Bank and Trust Company	17,966	19.84
The Master Trust Bank of Japan, Ltd.	9,320	10.29
Japan Trustee Services Bank, Ltd.	6,738	7.44
Hiroshi Taguchi	5,028	5.55
Goldman Sachs and Company Regular Account	3,667	4.05
Trust & Custody Services Bank, Ltd. (as trustee for Mizuho Bank Ltd. Retirement Benefit Trusts Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	3,559	3.93
RBC Dexia Investor Services Trust, London Lending Account	2,868	3.17
Mellon Bank NA as agent for its client, Mellon Omnibus US Pension	2,074	2.29
Trust & Custody Services Bank, Ltd.	1,839	2.03
The Nomura Trust and Banking Co., Ltd.	1,816	2.01

*Percentages of shares owned are rounded off after the third decimal point.

Composition of Shareholders



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