It's all about TIME

MiSUMi

MISUMI Group Inc. ANNUAL REPORT 2013

ANNUAL REPORT 2013

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)

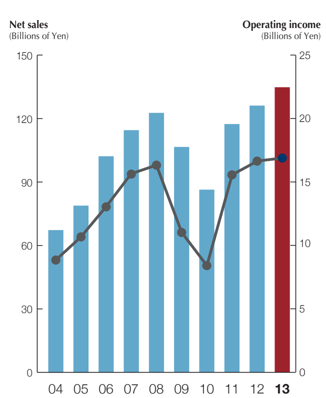
MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, and 2004

Millions of Yen

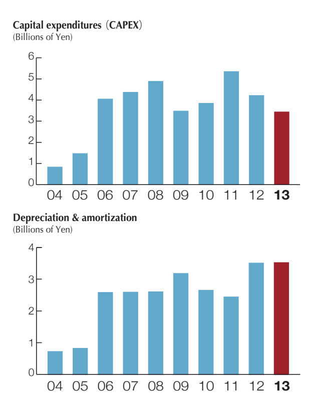
	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
For the Year:										
Net sales	69,562	81,509	105,408	118,139	126,665	110,041	89,180	121,203	130,213	**134,844**
Factory Automation (FA) Businesses[5]	26,497	35,476	50,993	60,510	69,205	62,030	51,445	74,831	80,724	**84,299**
Die Components Businesses[5]	26,527	26,875	31,623	33,066	34,652	28,139	23,007	26,622	27,686	**37,020**
Electronics Businesses[5]	7,594	8,901	10,084	12,449	12,313	10,262	8,081	11,376	12,401	**12,381**
Other Businesses[5,6]	2,412	3,136	4,352	6,044	6,684	5,555	4,353	5,798	6,415	**6,747**
Adjustments[5]	6,532	7,121	8,356	6,070	3,811	4,055	2,294	2,576	2,987	**-5,603**
Operating income	8,824	10,649	13,035	15,643	16,317	11,017	8,408	15,563	16,646	**16,809**
Income before income taxes (and minority interests)	8,785	10,739	13,424	15,999	16,296	9,640	7,778	15,409	17,022	**15,890**
Net income	5,023	6,507	7,619	9,447	9,698	4,687	3,886	9,007	9,414	**9,881**
At Year-End:										
Total assets	44,348	51,733	78,177	84,244	92,596	86,080	92,941	107,552	115,721	**136,303**
Total equity[1]	32,189	38,645	54,077	63,751	71,302	71,696	75,667	83,815	90,824	**103,014**
Interest-bearing debt	800	800	3,092	1,717	2,164	1,862	1,200	900	1,000	**1,000**
CAPEX and Depreciation & Amortization										
Capital expenditures (CAPEX)	847	1,484	4,063	4,383	4,898	3,493	3,863	5,362	4,231	**3,451**
Depreciation & amortization	733	834	2,593	2,605	2,614	3,192	2,664	2,453	3,521	**3,560**
Major Indicators:										
Return on equity[3] (%)	16.8	18.4	16.4	16.0	14.4	6.6	5.3	11.3	10.8	**10.2**
Return on assets[3] (%)	21.9	22.4	20.7	19.7	18.4	10.8	8.7	15.4	15.2	**12.6**
Current ratio (%)	350.1	383.7	278.5	351.4	351.5	529.2	463.6	398.7	408.4	**349.5**
Interest coverage ratio[4] (times)	835.4	1,171.1	156.6	110.0	815.3	499.1	362.1	854.1	1,150.6	**2,095.6**
Per Share Data:										
Net income per share[2] (yen)	59.68	78.27	84.95	108.42	109.72	52.89	43.84	101.16	105.14	**110.28**
Cash dividends per share[2] (yen)	12.33	15.50	18.00	22.00	23.00	13.00	10.00	20.20	23.20	**27.45**
Equity per share[1,2] (yen)	399.53	475.82	619.93	725.44	805.33	808.90	853.70	936.82	1,017.12	**1,139.93**
Cash flow per share[2] (yen)	54.61	64.70	77.70	81.20	127.00	140.04	72.36	131.16	87.18	**127.89**
Stock Valuations:										
Price/Earnings ratio – PER (times)	29.7	21.5	30.7	19.5	16.1	22.4	43.7	20.4	19.1	**23.5**
Price/Cash flow ratio – PCFR (times)	21.7	26.0	33.5	26.0	13.9	8.5	26.5	15.7	23.1	**20.3**
Price/Book value ratio – PBR (times)	3.0	3.5	4.2	2.9	2.2	1.5	2.2	2.2	2.0	**2.3**
Number of Customers (Companies)										
In Japan (Machinery-related only[7])	51,703	55,105	58,336	60,172	61,069	61,430	59,779	60,936	61,648	**63,007**
Overseas	10,792	15,705	22,770	33,057	41,230	47,990	52,375	61,993	67,608	**91,817**
Total number of customer companies	62,495	70,810	81,106	93,229	102,299	109,420	112,154	122,929	129,256	**154,824**
Number of Employees	472	690	2,887	3,382	3,813	4,049	3,581	4,831	5,615	**7,238**

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.

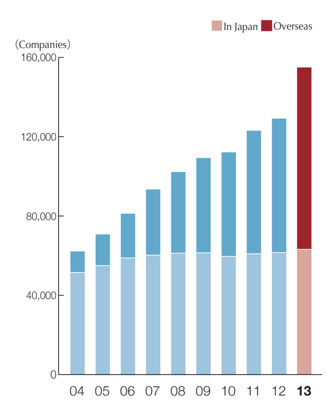
Net sales and Operating income



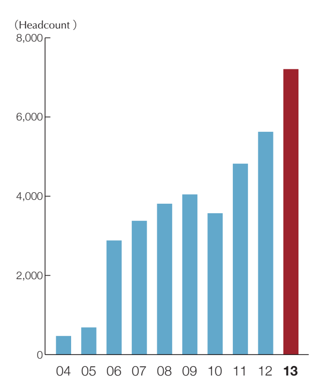
CAPEX and Depreciation & Amortization



Number of Customers



Number of Employees



Accelerating the Build-out of a Global Supply Chain Capable of Achieving Short Delivery Times to Fundamentally Bolster Our Competitiveness

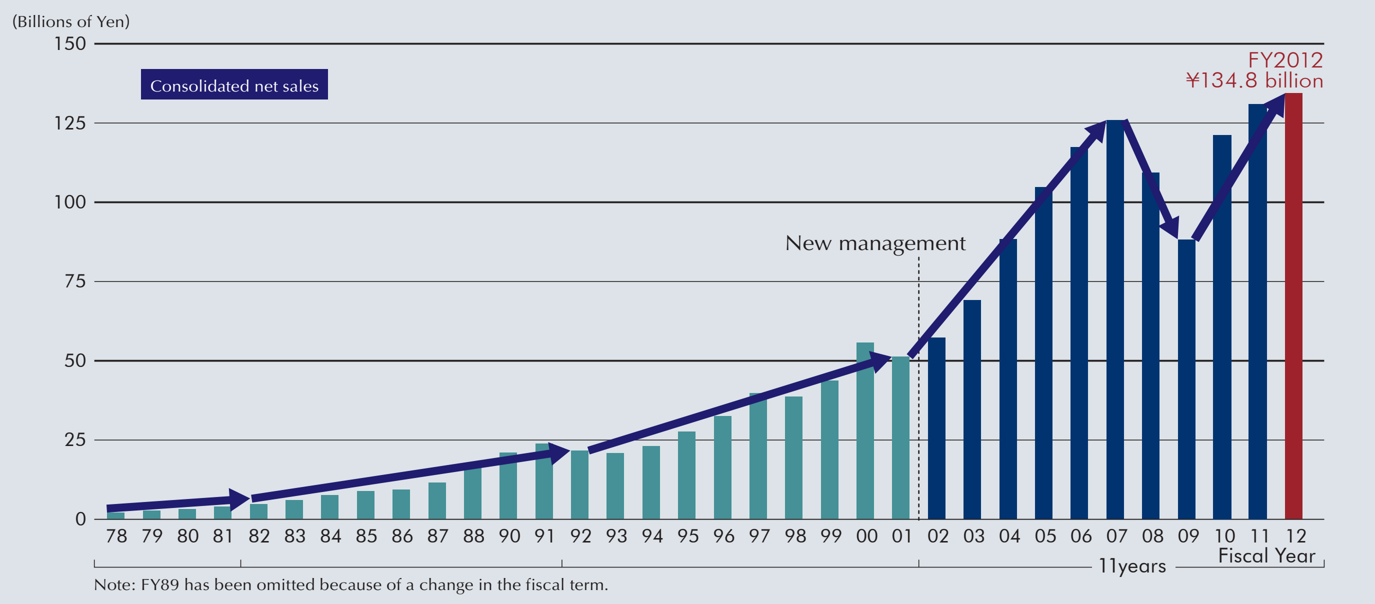
Taking new steps to enhance our cost- and time-competitiveness, including the acquisition of two US die components makers and the establishment of a new manufacturing site in China.

Tadashi Saegusa
Representative Director,
Chairman, Co-CEO

Masayuki Takaya
Representative Director,
President, Co-CEO

Top Message

Growth of The MISUMI Group



FY2012 Consolidated Business Performance

In FY2012 (April 1, 2012, through March 31, 2013), global production activity lacked upward momentum, as the European economies continued to struggle with prolonged fiscal debt challenges and China and other emerging economies adjusted to slower growth rates, despite some optimistic signs—a recovery in the US economy and yen depreciation heading into the end of the fiscal year.

Amid this environment, we strengthened efforts to drive penetration of the MISUMI QCT Model—high quality (Q) components at low cost (C) on short delivery times (T)—in global markets.

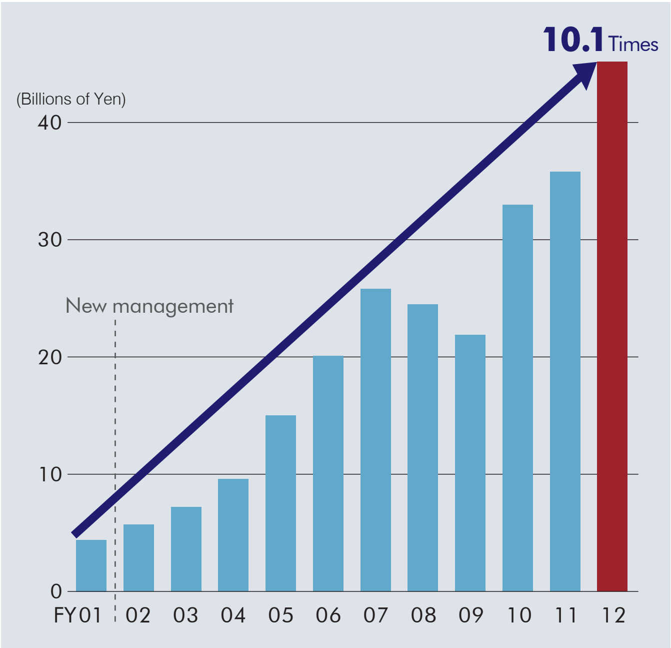
As a result, FY2012 consolidated sales at MISUMI were ¥134.8 billion (up 3.6% compared to the previous year), setting a record high for a second consecutive year.

The locomotive of this growth was our international businesses. In FY2012, international sales reached ¥45.2 billion (up 26.4%). The international sales ratio reached 33.6% (up 6.1 ppt) of total sales. Both figures represent record highs. The international sales ratio grew substantially for reasons including our progress in driving penetration of the MISUMI QCT Model in global markets, an increase in the number of customers and the acquisition in November 2012 of leading US die components makers, Dayton Progress Corporation (Dayton) and Anchor Lamina America, Inc. (Anchor Lamina). The addition of Dayton and Anchor Lamina sites expanded our footprint overseas. MISUMI Group as a whole now has 50 sales offices, 11 logistics centers and 19 production sites located in major global markets outside Japan.

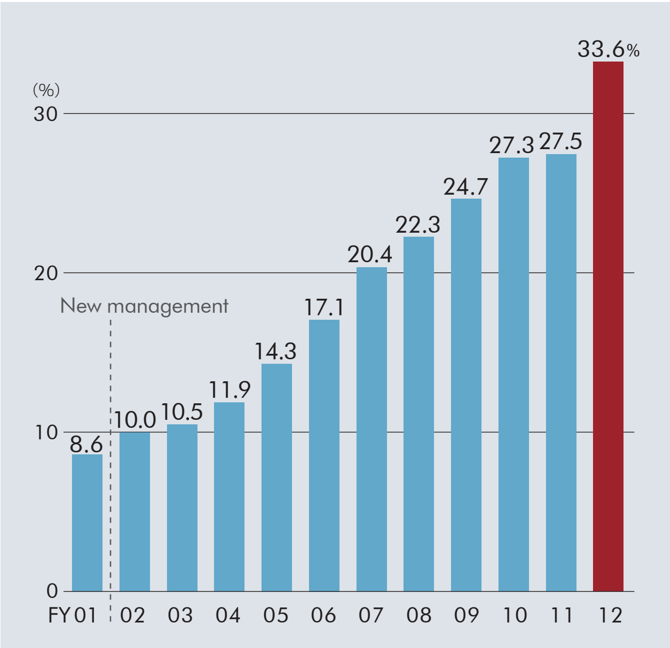
Operating income was ¥16.8 billion, also representing a record high for the second consecutive year. In FY2012, we continued to invest aggressively in growth strategies to accelerate global deployment of the MISUMI QCT Model. To name a few of these investments, we added personnel and bolstered organizations. We established a concentrated production site for Factory Automation components in China. We also acquired Dayton and Anchor Lamina. These expenses, incurred as part of our growth strategy, were absorbed by topline growth and cost improvements.

Net income was ¥9.8 billion (up 5.0%), reaching a record high for the first time in five years. Despite the booking of extraordinary losses--¥980 million in charges for withdrawing subsidiaries from an employee pension fund—there were

International Net Sales



International Sales Ratio



improvements in the tax burden rate resulting from a turn to profitability at some overseas subsidiaries.

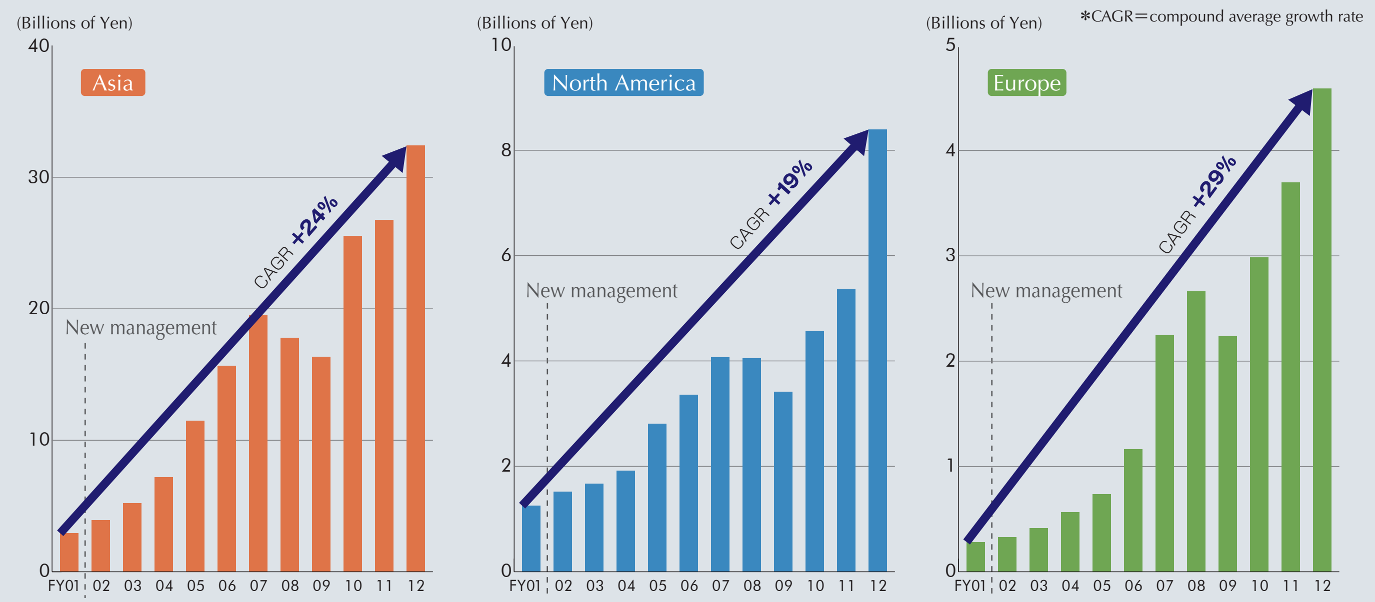
Effective beginning the second half of FY2011, we increased our dividend payout ratio to 25% from 20% as part of our effort to increase the return of profits to our shareholders. In FY2012, we have maintained the 25% payout ratio. We increased our year-end dividend to ¥16.2 per share (up ¥3.2 compared to the same period in the previous year). As a result, MISUMI paid out annual dividends per share of ¥27.45 (up ¥4.25), including the interim dividend of ¥11.25 per share paid out after the first half of the fiscal year.

Aiming to Accelerate Global Expansion

By standardizing high-precision mechanical components, in Japan the MISUMI Group established the MISUMI QCT Model, which delivers high quality (Q) at low cost (C) with short delivery times (T) and no minimum quantity requirements. Since new management took over in 2002, MISUMI has placed a strategic focus on the overseas business, based on the belief the MISUMI QCT Model can be applied to overseas markets, as well. In 2004, we brought manufacturing capabilities in-house with the acquisition of SURUGA SEIKI (SURUGA Production Platform Co., Ltd.).

To accelerate penetration of the MISUMI QCT Model in global markets, it is essential we further bolster our competitiveness in terms of cost and time. In FY2012, we acquired the leading US die components makers, Dayton and Anchor Lamina, and established a site for manufacturing FA components in China. These moves should help us accelerate our build-out of a global supply chain capable of achieving short delivery times and fundamentally bolster our competitiveness in global markets in terms of cost and time.

Sales by Region



Note: Figures for FY2012 include two-month sales contributions from Dayton and Anchor Lamina of North America.

Moreover, we have begun implementing a new strategy for our Factory Automation (FA) businesses in China—our greatest market overseas.

Initiatives Taken Following the Acquisition of US Die Components Makers

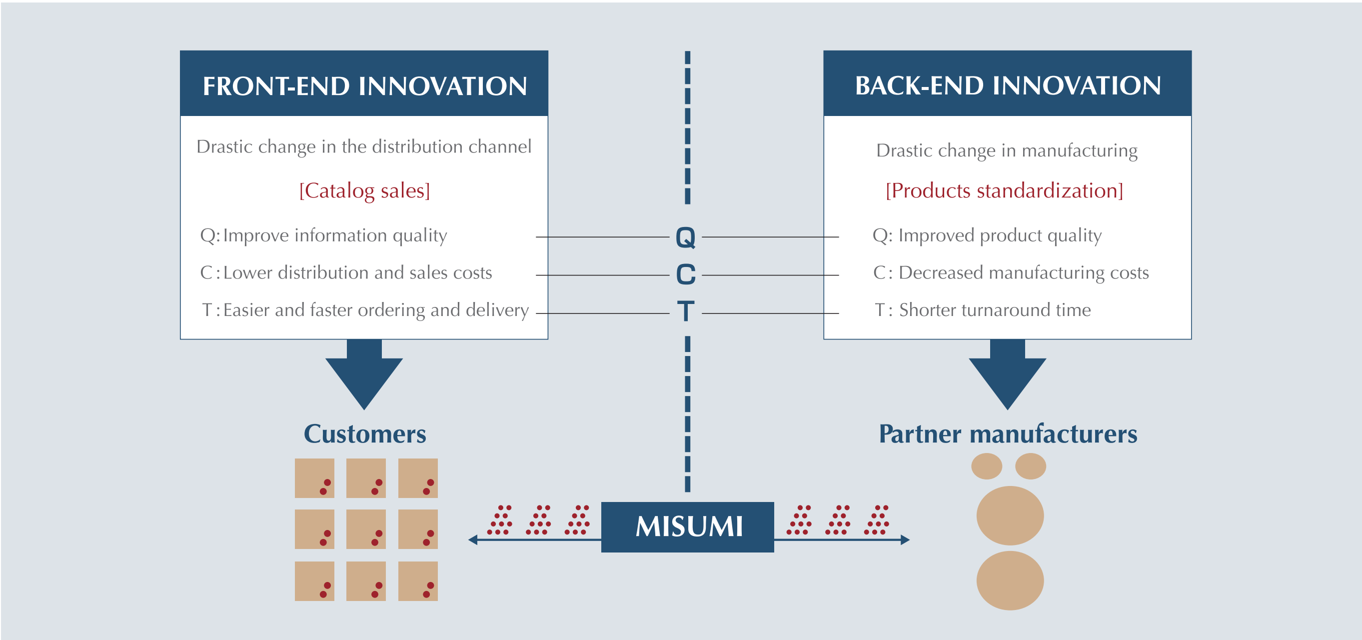
In November 2012, we spent ¥15.3 billion to acquire leading US die components makers Dayton and Anchor Lamina. Dayton boasts a history of more than 60 years, and Anchor Lamina, more than 80 years. Both companies are leading makers of die components in the US and European markets, with a combined share that is number one in North America, and number two in Europe. To date, the companies have been competitors to MISUMI in the US and European markets.

Dayton and Anchor Lamina possess five strong brands—DAYTON, PCS, DANLY IEM, Anchor Lamina and LEMPCO.

Dayton

Anchor Lamina

■MISUMI QCT Model



Customers include Detroit's Big 3 automotive makers, major parts makers and Japanese automakers. The companies boast strong technical capabilities—supported by a customer service regime—that make them suppliers of choice among North American automotive makers.

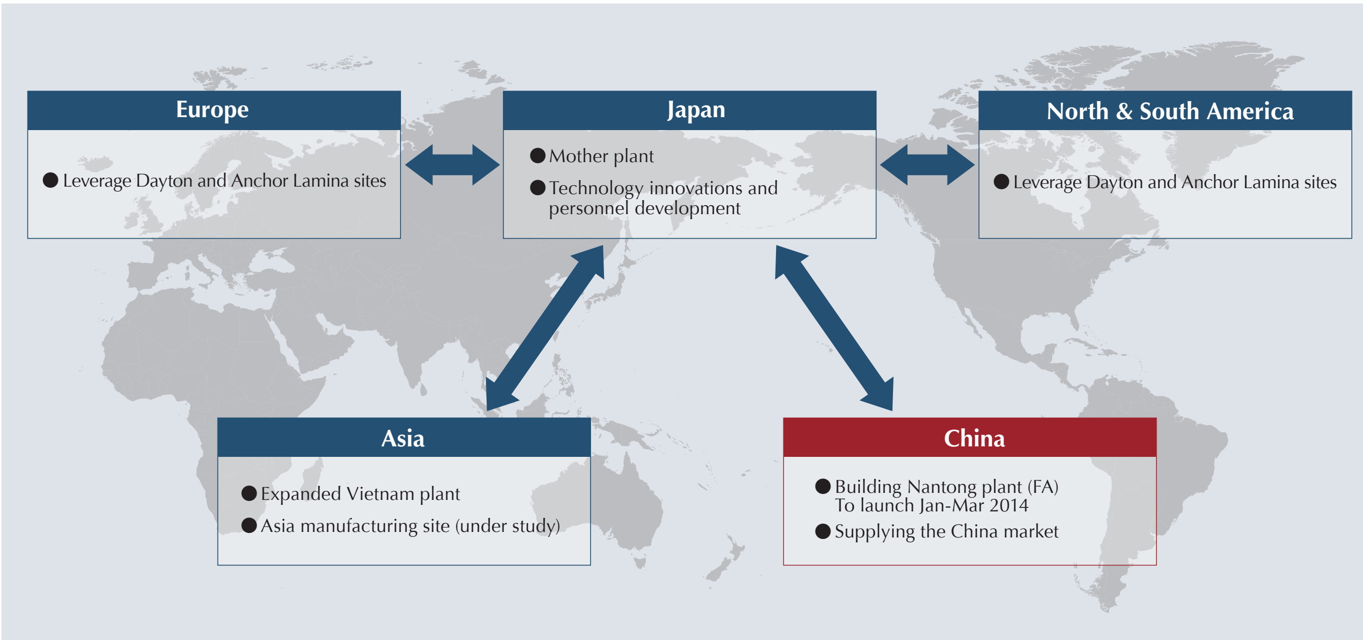
The source of strength of the MISUMI QCT Model is in a production regime and supply chain that leverages product blanks to achieve short delivery times. Building out this production regime and supply chain is no simple matter. It took us more than 30 years to build it. Meanwhile, Dayton already has a die components production regime leveraging standardized products and product blanks. The company produces and delivers on short lead times. As a result, their model has a high degree of affinity to MISUMI's.

We expect to take advantage of the various ways our die components businesses complement each other and demonstrate a variety of synergies in both sales and production. To maximize these synergies, the management teams and employees of Dayton and Anchor Lamina have formed a united front with MISUMI and started specific initiatives.

● Overview of Dayton and Anchor Lamina

Company	Dayton	Anchor Lamina
Year established	1946	1922
Headquarters	Ohio, US	Michigan, US
Plant locations	Total of eight, including HQ, Mexico and Portugal	Total of four, including Michigan, Wisconsin and Wuhan, China
Number of employees	About 1,000	About 300
Brands carried	DAYTON PCS COMPANY	LEMPCO DANLY IEM® Anchor Lamina

MISUMI's Global Supply Chain Capable of Delivering on Short Lead Times



A New Strategy for FA Businesses in China

At MISUMI, we position the China market as the greatest among our international businesses.

Since fully launching the business in 2002, we have strived to grow the market there by establishing local sales offices, logistics centers and production sites. FY2012 sales in China have grown to account for one-third of all international sales at MISUMI. Moving forward, adoption of factory automation in China's manufacturing industry is expected to accelerate, driving greater demand for high-quality and high-precision FA components.

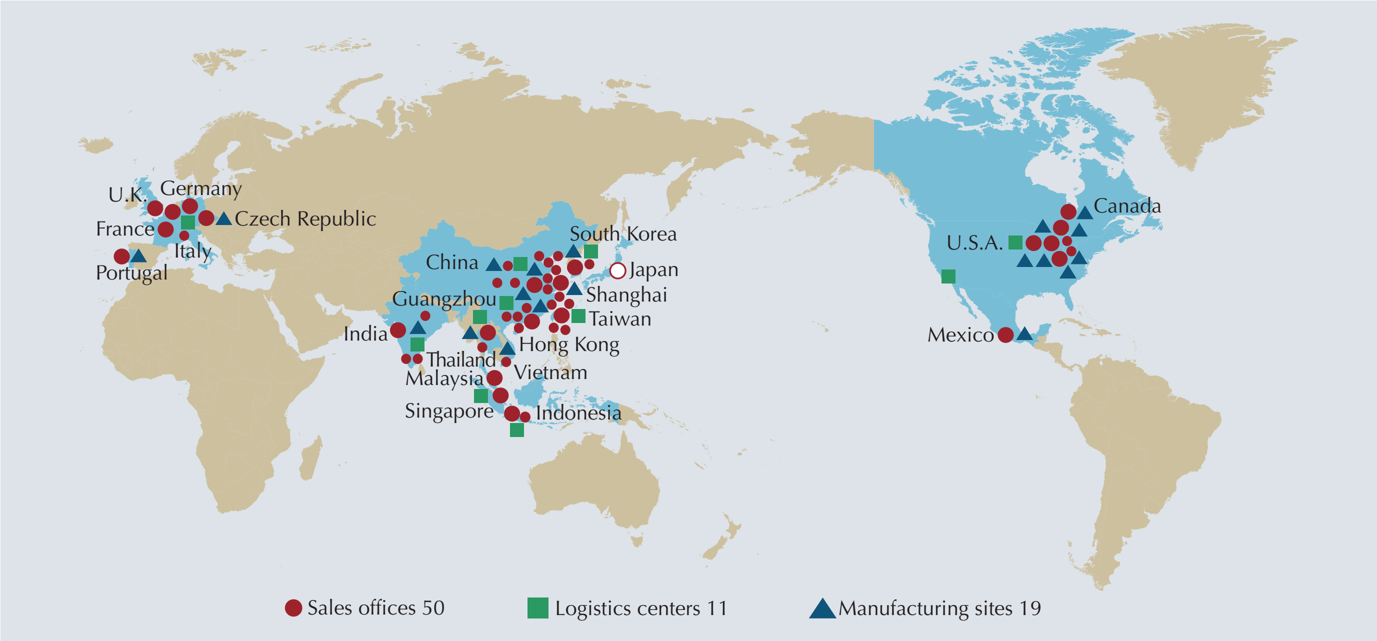
To further enhance our competitiveness in the China market, it is essential we boost our cost competitiveness by developing products that meet local customers' needs and promoting local sourcing—including both production and procurement. We also need to increase the number of products offered on short delivery times.

To that end, in January 2013 we newly established SURUGA SEIKI (NANTONG) CO. LTD., in Nantong, China, as a manufacturing site for FA products in anticipation of a growing market for factory automation in China. In FY2013, we plan to spend about ¥2.5 billion on capital equipment and begin operations there in the fourth quarter. With the launch of this new plant, we aim to achieve a high level of quality that is on par with Japanese standards as well as a cost basis that is competitive locally in China and the rest of Asia. At the same time, by dramatically upgrading our competitiveness in terms of delivery time, we aim to exhibit MISUMI's solid competitive superiority in China's growing market for high-quality and high-precision components.

In addition to the market for high-quality and high-precision components, in China the market for standardized components of middle-grade precision also represents a volume zone. To address this market for standardized components, MISUMI will introduce its own middle-grade line of original, standardized products called C-VALUE. Moreover, combining C-VALUE products with the products manufactured by Asian makers handled under our China

FA Mechanical Standardized Components Chinese-language Catalog

Global Network



VONA business* makes it possible to realize a lineup that broadly covers the market for standardized components.

In the standardized-component market as in other markets, we aim to leverage an overwhelming product offering, high quality and the convenience MISUMI delivers to customers to capture growing demand and accelerate growth in FA businesses.

*The VONA business is a new business launched in full scale in 2010 in Japan that offers third-party brands. The China VONA business launched there in full scale in May 2012.

FY2013 Consolidated Business Performance Forecasts

Although uncertainties continue to muddy the outlook for the global economy, we forecast another year of record highs in consolidated sales and profits, driven by growth in international businesses.

Overseas, we will strive to actively invest overseas to fundamentally strengthen our competitiveness in terms of both cost and delivery time. At the same time, we will drive innovations to the MISUMI model designed to surpass international rivals and accelerate global business development targeting further growth.

We hope to enjoy your continued understanding and support.

Representative Director,
Chairman, Co-CEO
Tadashi Saegusa

Representative Director,
President, Co-CEO
Masayuki Takaya

Special Feature

Initiatives Aimed at Global Expansion of FA Businesses

Since the new management regime was introduced in FY2002, the MISUMI Group has accelerated the deployment of its international businesses and grown international sales beyond 30% of total company sales.
To beat out international rivals through further innovations to the MISUMI Business Model, we have already begun implementing new strategies in our FA Businesses in China and the rest of Asia.

1 Building Out a Global Supply Chain Capable of Delivering on Short Lead Times in FA Businesses

2 A Full-scale Entry into the Market for Mid-grade Components in China and the Rest of Asia

3 Growth Through Innovations to the MISUMI Model

1. Building Out a Global Supply Chain Capable of Delivering on Short Lead Times in FA Businesses

For the MISUMI Group to become a stronger competitor in global markets, we must develop products that meet local customer needs, strengthen our cost competitiveness with more local sourcing, and expand the number of products that can be delivered on short lead times.

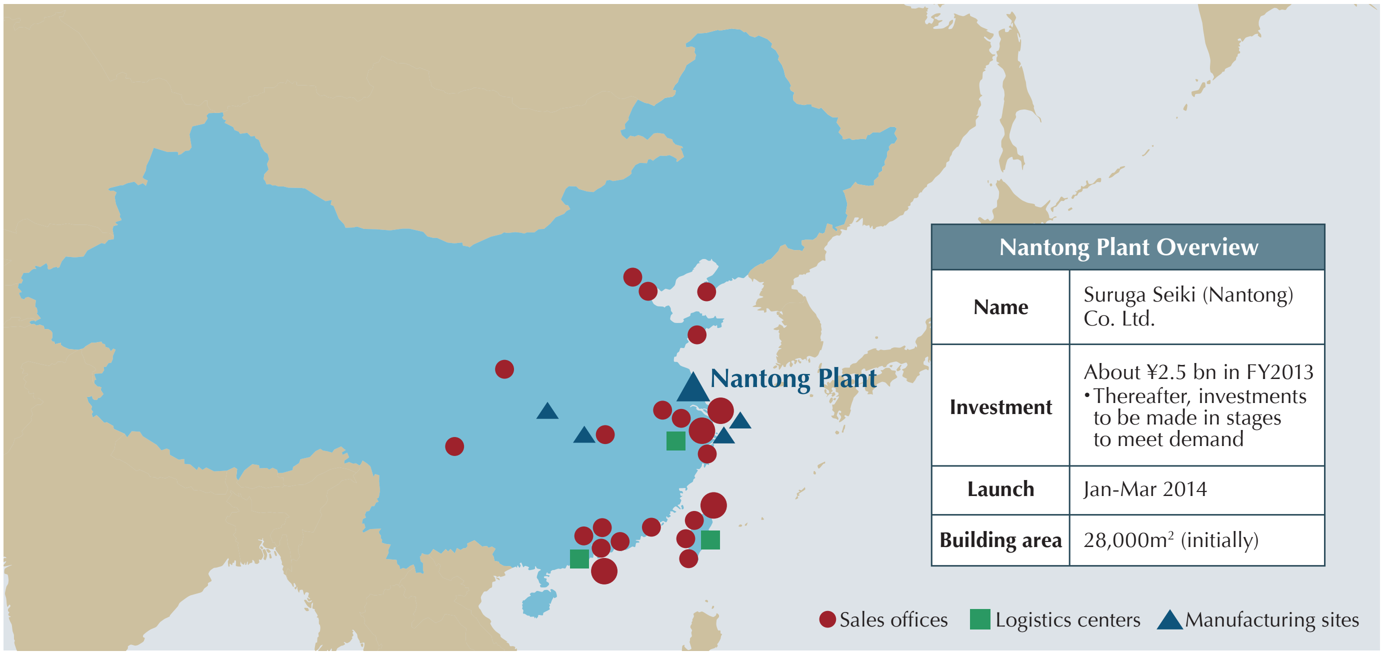
In particular, our Factory Automation (FA) Businesses contribute more than 60% of consolidated sales. In FA, we are building out a supply chain capable of delivering on short lead times. This will help support the stable supply of cost-competitive products that can be delivered on short lead times. As part of that effort, we will attempt to maximize our value proposition of low cost and fast delivery times in China, which is our largest overseas market.

In January 2013, we newly established SURUGA SEIKI (NANTONG) CO. LTD., in Nantong, China, as a manufacturing site for FA products. Preparations to launch the Nantong Plant are progressing as planned, and we expect to begin operations there in the fourth quarter of FY2013 (January to March 2014). We plan to spend about ¥2.5 billion on capital in FY2013. Thereafter, we plan to step up capital investments as demand justifies.

With the launch of this new plant, we aim to achieve a high level of quality that meets Japan's rigid standards. At the same time, we expect to dramatically enhance our competitiveness in terms of cost and delivery time so that we can compete fully with local rivals in China and the rest of Asia.

Nantong Plant (Illustration)

China Network



Nantong Plant Overview	
Name	Suruga Seiki (Nantong) Co. Ltd.
Investment	About ¥2.5 bn in FY2013 •Thereafter, investments to be made in stages to meet demand
Launch	Jan-Mar 2014
Building area	28,000m² (initially)

2. A Full-scale Entry into the Market for Mid-grade Components in China and the Rest of Asia

The FA market in China comprises a market for high-grade components as well as a market for components of middle-grade quality and precision. Customers differentiate between high-grade and middle-grade components depending on the application.

Establishing Competitive Superiority in the Segment for Small Lots of High-precision Components

The market for high-grade standardized components is where products made-to-order under the MISUMI QCT Model can best exhibit their competitive strength. Product blanks are key to our competitive edge. At the MISUMI Group, we carry inventory of half-finished product blanks. The blanks are then finished into final products once the customer order is received. This model enables us to generate the benefits of manufacturing in mass quantities in the optimal global site. At the same time, we can enjoy the benefits of producing in small lots, delivering on short lead times and carrying minimal inventories in finishing plants located near the market of consumption. The combination of the methodologies enables us to realize a MISUMI QCT Model that is capable of delivering high quality (Q) at low cost (C) on short delivery times (T) with no minimum quantity requirements whatsoever.

Blank Finished product

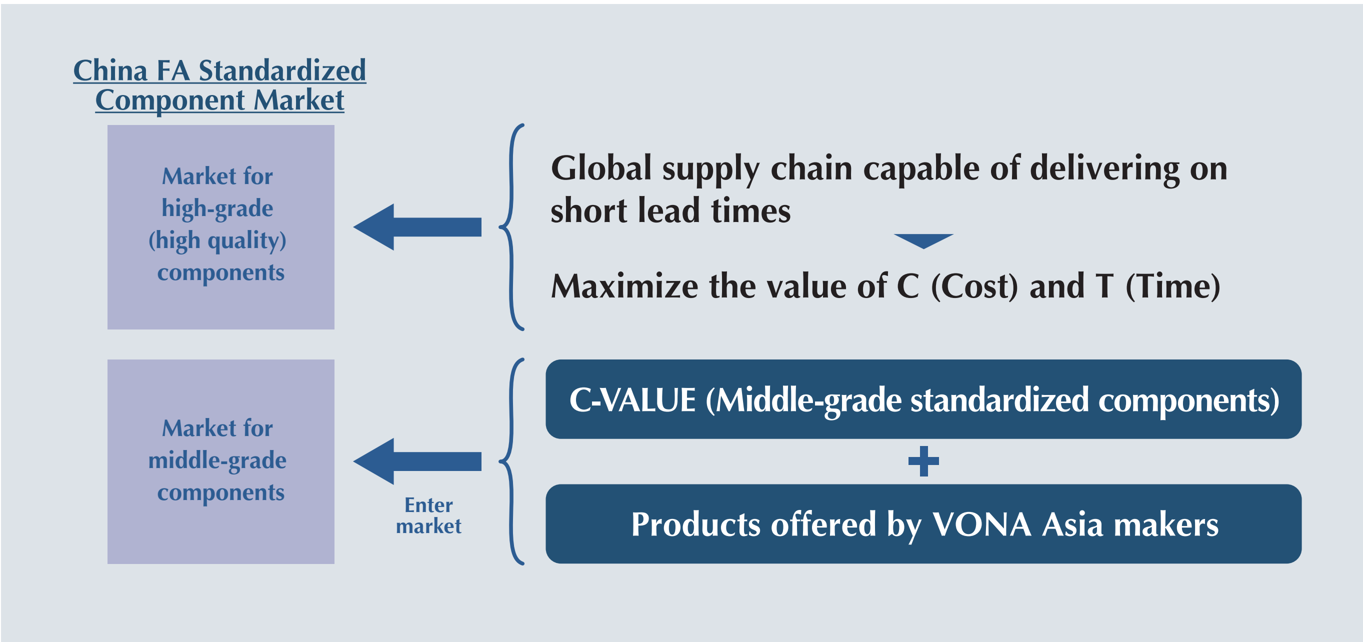
Our Nantong Plant is located in China where the product will be consumed. That, coupled with lower costs and more products delivered on short lead times, will help us establish a solid competitive edge in the growing market for high-grade components.

Full-scale Entry Into the Market for Middle-grade Components in China and the Rest of Asia

Meanwhile, the market in China for standardized components of middle-grade precision also represents a volume zone. In this market segment, competitors include local makers in China and the rest of Asia.

We have made a full-scale entry into this volume-zone market. To address this market segment, we have introduced new MISUMI-brand standardized components called C-VALUE that meet market demand in terms of product lineup, delivery time and price. Additionally, under our VONA business, we sell third-party branded products procured from Asian makers.

Initiatives to Target the China FA Standardized Component Market



Introducing New Standardized Products—C-VALUE

To address this market for standardized components, MISUMI has developed low-priced product families at significant price discounts to our traditional product lineups and introduced our own middle-grade line of original, standardized products, called C-VALUE. In April 2013, we published a new catalog including both high-grade and the C-VALUE medium-grade components in China. This enabled us to assemble a lineup that covers China's market for standardized components.

The C-VALUE products are offered under the MISUMI brand. Quality satisfies MISUMI standards. And MISUMI guarantees precision to specification. Moreover, the C-VALUE products are sold and distributed in a way that leverages the convenience that MISUMI offers. In that sense, C-VALUE products adhere to MISUMI's uncompromising demands for quality, standards and delivery times—the same high bar we set for our high-grade product lines. These factors differentiate C-VALUE products from those offered by Asian rivals and demonstrate our edge over the competition.

FA Mechanical Standardized Components Chinese-language Catalog

Procuring Product From Asian Makers Under MISUMI VONA

Combining C-VALUE products with the products manufactured by Asian makers handled under our China VONA business makes it possible to realize a lineup that broadly covers the market for standardized components.

The VONA business is a new business launched in full scale in 2010 in Japan that offers third-party brands. The China VONA business launched there in full scale in May 2012. In FY2012, we introduced e-catalogs that integrated MISUMI-brand products with VONA products first in Japan. In FY2013, we are introducing a similar integrated e-catalog in China as well.

Under VONA, the Asian-made products available are offered at the third-party maker's level of quality. Precision to specification is also guaranteed by the third-party maker. However, MISUMI delivers convenience on the sales and distribu-

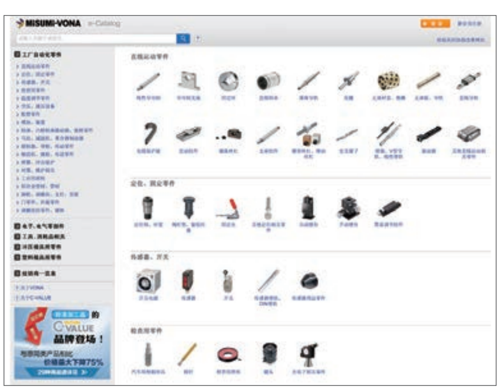
VONA FA Mechanical Standardized Components Local Chinese Catalog

Comparison with Asian Competitors

	Quality	Precision to Specifications	Sales & Distribution
C-VALUE	MISUMI standards of quality	Guaranteed by MISUMI	Provide the convenience of MISUMI
VONA Asian maker products	Maker standards of quality	Guaranteed by the maker	Provide the convenience of MISUMI
Asian competitors' products	No quality standards	Not specified	General distribution standards

tion side. This achieves a competitive edge over Asian rivals' products in terms of aspects including delivery times, getting estimates and making orders.

Both C-VALUE and VONA are enjoying increasingly broader support from customers, thanks to the one-stop benefit offered by the catalogs. In the market for standardized components as well as other markets, we plan to accelerate growth in FA businesses by capturing growing demand through the overwhelming product lineup, stringent MISUMI standards and great convenience we offer our customers.



MISUMI-VONA e-catalog (Chinese version)

3. Growth Through Innovations to the MISUMI Model

Intensifying international competition means we must innovate the MISUMI QCT Model. The MISUMI QCT Model comprises front-end innovations covering sales and distribution, back-end innovations covering manufacturing and the like, and a supporting business infrastructure that is based on high-quality service.

As we have described, to strengthen our FA businesses, we are building out a global supply chain capable of delivering on short lead times as a means of strengthening the back end. At the same time, we are executing a new strategy in China that links the front and back ends.

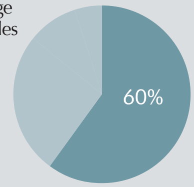
Moving forward, we will continue to make focused investments of management resources in innovations to the MISUMI QCT Model and beat out international rivals.

Review of Operations of The MISUMI Group

Factory Automation Businesses

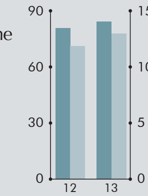
Our Factory Automation (FA) Businesses develop and supply standard components for automated machinery used in rationalized and laborsaving production systems, including factory automation equipment. Factory Automation Businesses are the backbone of the MISUMI Group's operations, with the greatest sales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

Percentage of Net Sales



Net Sales and Operating Income (Billions of Yen)

■ Net sales (left scale)
■ Operating income (right)



FA Mechanical Standard Components

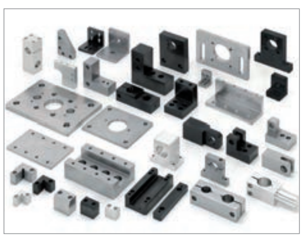
FA Mechanical Standard Components cover about 650,000 standard products used in FA automated machinery. Our MISUMI-VONA e-catalog allows customers to search product offerings from MISUMI and other makers, compare competing products, get estimates, download CAD data and more.

FA Mechanical Standard Components Catalog

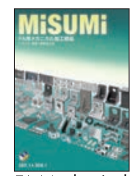
Major Products

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

FA Mechanical Machined Components



FA Mechanical Machined Components cover about 40,000 product types of machined components in categories ranging from sheet metal, milling cutters, welding and lathes to resins and rubbers.

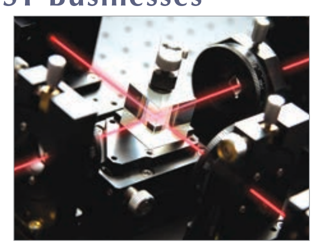


FA Mechanical Machined Components Catalog

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/

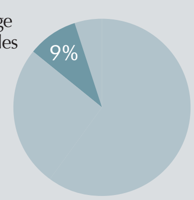
Major Products

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

Electronics Businesses

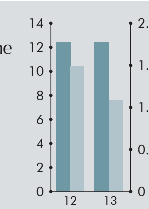
Our Electronic Businesses develop and supply connection harnesses, cables, connectors, and terminal blocks used to connect various types of FA equipment. We also develop and supply breakers, switching power supplies, switches and other control device parts, PC bodies and peripheral components suited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

Percentage of Net Sales



Net Sales and Operating Income (Billions of Yen)

■ Net sales (left scale)
■ Operating income (right)



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

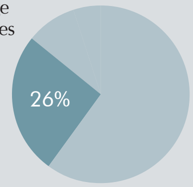
Major Products

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

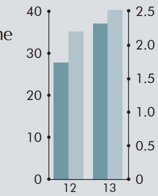
Die Components Businesses

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)



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

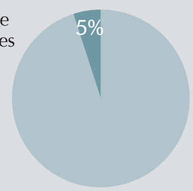
Ejector pins, sprue bushings, locators, mold-opening control parts and more.

Standard Components for Plastic Molds Catalog

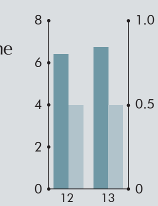
Other businesses

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)



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 MISUMI and other makers.

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 200 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
URL:http://www.misumi.co.jp/

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

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

DAYTON PROGRESS CORPORATION OF JAPAN
2-7-35 Hashimotodai, Midori-ku, Sagamihara-shi,
Kanagawa-ken, 252-0132
Tel: +81-42-774-0821 Fax: +81-42-773-4955

- **Sagamihara Plant**
  2-7-35 Hashimotodai, Midori-ku, Sagamihara-shi,
  Kanagawa-ken, 252-0132

* Toll-free number for Japan only

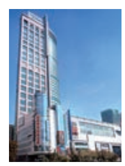
Overseas Network(Sales Offices)

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/

- QCT Illinois Office
  Tel: +1-224-659-7625 Fax: +1-978-367-1950
- California QCT & West Sales Office
  Tel: +1-310-532-3135 Fax: +1-310-532-3236

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/

- Rappresentanza Italiana Office
  Tel: +39-02-6203-3100



MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD.
11th Floor, Raffles City Shanghai,
268 Xizang Middle Road, Shanghai 200001
Tel: +86-21-6391-7080 Fax: +86-21-6391-7602
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: +86-755-8287-2322 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
- Qingdao Office
  Tel: +86-532-5557-6488 Fax: +86-532-5557-6480
- Chengdu Office
  Tel: +86-28-6151-2010 Fax: +86-28-6151-2030
- Xi'an Office
  Tel: +86-29-6569-2131 Fax: +86-29-6569-2134
- Xiamen Office
  Tel: +86-592-5319-670 Fax: +86-592-5319-675

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

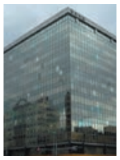
Overseas Network(Sales Offices)

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/

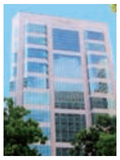
- Taichung Office
  Tel: +886-4-2381-4027 / +886-4-2381-8908
  Fax: +886-4-2381-6346
- Kaohsiung Office
  Tel: +886-7-390-9171 / +886-7-390-9382
  Fax: +886-7-390-9972
- Hsinchu Office
  Tel: +886-3-550-9220
  Fax: +886-3-550-4311

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,
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Barat 46050 Petaling Jaya, Selangor, Malaysia

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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

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Menara Karya, LT. 28. Jl. H.R. Rasuna Said Kav 1-2,
Kuningan Jakarta, Selatan 12950, Indonesia

Tel: +62-21-5789-5837 Fax: +62-21-5789-5836

- Cikarang Office
  Tel: +62-21-8984-0009 Fax: +62-21-8983-4368

Overseas Network(Sales Offices)

SURUGA SEIKI SALES & TRADING (SHANGHAI) Co., Ltd.

Room 2503, No.580 Nanjing West Road,
Shanghai 200041, P.R.China

Tel: +86-21-6287-0630 Fax: +86-21-6287-0639
http://www.suruga-g.cn/

- Shenzhen Office
  Tel:+86-755-26428735 Fax:+86-755-26429621

Dayton Progress Corporation

500 Progress Road, P.O. Box 39, Dayton,
Ohio 45449-0039, USA

Tel: +1-937-859-5111 Fax: +1-937-859-5353
URL:http://www.daytonprogress.com

- Detroit Office
  34488 Doreka Drive, Fraser, Michigan 48026, USA
  Tel: +1-800-892-1518 Fax: +1-586-293-1684
- P.C.S.Company
  34488 Doreka Drive, Fraser, Michigan 48026, USA
  Tel: +1-586-294-7780 Fax: +1-586-294-7799
  URL:http://www.pcs-company.com
- Dayton Progress Canada, Ltd.
  861 Rowntree Dairy Road, Woodbridge,
  Ontario L4L 5W3, Canada
  Tel: +1-905-264-2445 Fax: +1-905-264-1071
- Dayton Progress Ltd.(UK)
  G1 Holly Farm Business Park, Honiley, Kenilworth,
  Warwickshire CV8 1NP UK
  Tel: +44-1926-484192 Fax: +44-1926-484172
  URL:http://www.daytonprogress.co.uk
- Dayton Progress GmbH(Germany)
  Adenauerallee 2, 61440 Oberursel, Germany
  Tel: +49-6171-9242-01 Fax: +49-6171-9242-20
  URL:http://www.daytonprogress.de
- Dayton Progress SAS(France)
  105 Avenue de l'Epinette,,BP 128,,
  Zone Industrielle,,77107 Meaux Cedex, France
  Tel: +33-1-60-24-73-01 Fax: +33-1-60-24-73-00
  URL:http://www.daytonprogress.fr
- Dayton Progress Perfuradores Lda(Portugal)
  Zona Industrial de Casal da Areia Lote 17,
  Co's, 2460-392 Alcobaca, Portugal
  Tel: +351-262-540-400 Fax: +351-262-540-409
  URL:http://www.daytonprogress.pt
- Dayton Progress s.r.o.(Czech Republic)
  Pražská 707, CZ-294 71 Benátky nad Jizerou,
  Czech Republic
  Tel: +420-326375911 Fax: +420-326375910
  URL:http://www.daytonprogress.cz
- Dayton Progress Mexico, S. de R.L. de C.V.
  Access II Number 5, Warehouse 9,
  Benito Juarez Industrial Park,
  Quere'taro, Qro. Mexico 76130
  Tel: +52-442-2095114 Fax: +52-442-2095123

Anchor Lamina America, Inc.

38505 Country Club Drive, Suite 100,
Farmington Hills, MI 48331 USA

Tel: +1-248-489-9122 Fax: +1-248-489-0890
URL:http://www.anchorlamina.com

- Cleveland Office
  6779 Engle Road, Suite A, Cleveland,
  OH 44130, USA
  Tel: +1-440-239-7600 Fax: +1-440-239-7602

Global Network

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,
Soi 5, Tambol Tasith, Amphur Pluakdaeng,
Rayong Province 21140, Thailand
Tel: +66-38-954935 Fax: +66-38-954939

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

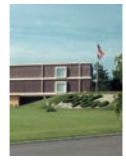
SURUGA INDIA Pvt. Ltd.

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

SURUGA SEIKI (NANTONG) CO., LTD.

No.1 Qing dao Road, Nantong Economic & Technological
Development Area, jiangsu Provice, China
Tel: +86-513-8059-0000 Fax: +86-513-8059-0001

Overseas Network(Manufacturing Sites)



Dayton Progress Corporation

- Ohio Plant

500 Progress Road, P.O. Box 39, Dayton,
Ohio 45449-0039, USA
Tel: +1-937-859-5111 Fax: +1-937-859-5353

- Portland Plant

1314 North Meridian St., Portland,
Indiana 47371, USA
Tel: +1-260-726-6861 Fax: +1-260-726-6859

- Fraser Plant(P.C.S.Company)

34488 Doreka Drive, Fraser, Michigan 48026 USA
Tel: +1-586-294-7780 Fax: +1-586-294-7799

- Dayton Progress Canada, Ltd.

861 Rowntree Dairy Road, Woodbridge,
Ontario L4L 5W3, Canada
Tel: +1-905-264-2445 Fax: +1-905-264-1071

- Dayton Progress Perfuradores Lda(Portugal)

Zona Industrial de Casal da Areia Lote 17, Co's,
2460-392 Alcobaca, Portugal
Tel: +351-262-540-400 Fax: +351-262-540-409

- Dayton Progress s.r.o.(Czech Republic)

Pražská 707, CZ-294 71 Benátky nad Jizerou,
Czech Republic
Tel: +420-326375911 Fax: +420-326375910

- Dayton Progress Mexico, S. de R.L. de C.V.

Access II Number 5, Warehouse 9,
Benito Juarez Industrial Park, Quere'taro,
Qro. Mexico 76130
Tel: +52-442-2095114 Fax: +52-442-2095123

Anchor Lamina America, Inc.

- Bellaire Plant

3650 South Derenzy Road, Bellaire, MI 49615, USA
Tel: +1-231-533-8646 Fax: +1-231-533-6344

- Beaver Dam Plant

151-A, Industrial Drive, Beaver Dam, WI 53916, USA
Tel: +1-920-885-1004 Fax: +1-920-885-1013

Wuhan Dongfeng Connell Die & Mould Standard Parts Co., Ltd. (China)

- Wuhan Plant

D Block Hongsheng Industry Garden,
Hi-tech Industry of Economic and Technological
Development Zone, Wuhan, Hubei 430056, China

- Shiyan Plant

No. 100 Dongyue Road, Shiyan, Hubei 442025, China

Contributing to Socioeconomic Progress

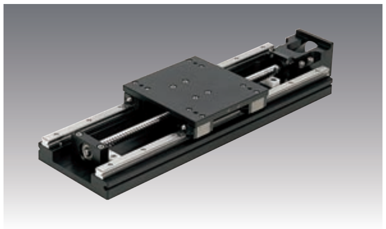
The MISUMI Group continues to be active in contributing to society through student manufacturing support, environmental management activities and cooperation with cultural activities.

Tokyo Denki University F-SAE vehicle

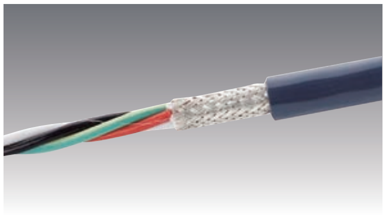
Student Manufacturing Support Activities

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 FY2012, 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. 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)

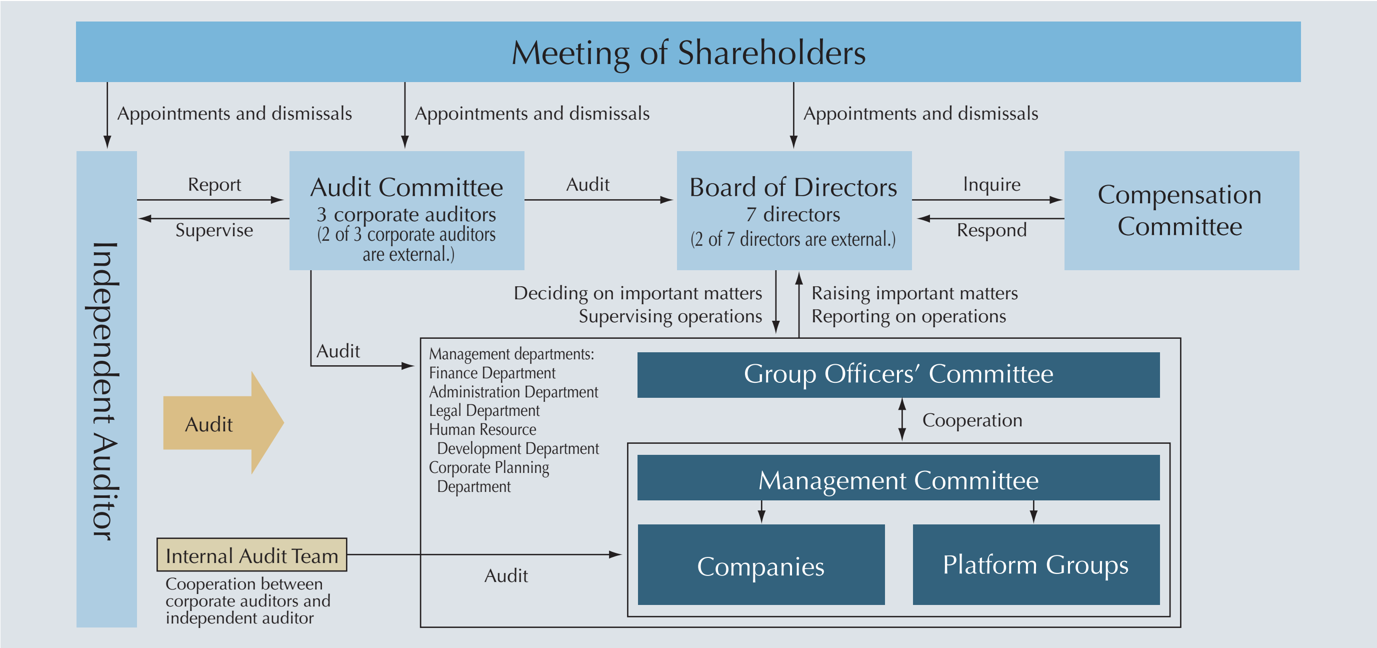
Supporting Exhibitions with the MISUMI Art Collection

Over the past few years, MISUMI has lent works from the MISUMI Art Collection 18 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.

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 seven 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 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 Team (established in April 2008) with the goal of increasing the effectiveness and efficiency of audit activities.

The Compensation Committee includes outside directors and 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 Team. 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

Senior Executive Director
Ryusei Ohno

Executive Director
Tokuya Ikeguchi

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 Officer Takashi Mineshima

Corporate Officer Yutaka Ushinohama

Corporate Officer Sawato Hayashi

Corporate Officer Katsukuni Hyodo

Corporate Auditors

Corporate Auditor Hiroshi Miyamoto

Outside Corporate Auditor Juichi Nozue

Outside Corporate Auditor Hidetada Hirai

Management's Discussion & Analysis

The MISUMI Group comprises the MISUMI Group Inc., 46 consolidated subsidiaries and two non-consolidated subsidiaries. We categorize our business into four segments: Factory Automation; Die Components; Electronics; and Other businesses.

Results Overview

In FY2012 (April 1, 2012, through March 31, 2013), the Japanese economy started the fiscal year on a moderate recovery trend, boosted by economic measures and demand from restoration activities following the Great East Japan Earthquake. Thereafter, however, a mood of stagnation intensified, primarily driven by cooling business related to China, as anti-Japanese sentiment intensified in China. European economies continued to decelerate, as demand within the region was depressed by fiscal tightening implemented in reaction to sovereign debt problems and meek lending by financial institutions sacked with non-performing debt. Asian economies exhibited trends of slower growth, as exports—a main locomotive for these economies—slowed down significantly in response to stagnation in Europe's economies. The machine tool industry we serve struggled with meager growth in both capital investments by Japanese exporters and production activity in various parts of Asia.

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. These efforts led to continued topline growth.

As a result, consolidated net sales were ¥134,844 million (up ¥4,632 million, or 3.6%, compared to the previous year). Operating income was ¥16,809 million (up ¥163 million, or 1.0%) and ordinary income was ¥16,895 million (down ¥161 million, or 0.9%).

Net income was ¥9,881 million (up ¥466 million, or 5.0%). Despite the booking of extraordinary losses, specifically ¥985 million in charges for withdrawing subsidiaries from an employee pension fund, there were improvements in the tax burden rate resulting from a turn to profitability at some overseas subsidiaries driven by a weaker yen. As a result, net income reached a new record-high.

Net Sales

A recovery in the US economy and corrections to the appreciated yen toward the end of the fiscal year provided some cause for optimism. However, global production activity struggled to grow, due to stagnation in European economies dealing with prolonged sovereign debt issues and slower growth rates in China and other emerging markets. Amid such an environment the MISUMI Group drove penetration of the MISUMI Business Model. That led to a record-high number of customer accounts. As a result, consolidated net sales were ¥134,844 million (up ¥4,632 million, or 3.6%). All regions overseas marked record-high levels of sales.

Cost of Goods Sold and Sales, General & Administrative Expenses

The cost of goods sold (COGS) was ¥78,745 million (up ¥958 million, or 1.2%). Gross profit was ¥56,100 million (up ¥3,673 million, or 7.0%), a record high. Gross margin was 41.6%, up from the 40.3% marked last year. Sales, general & administrative (SG&A) expenses were ¥39,290 million (up ¥3,510 million, or 9.8%). SG&A expenses amounted to 29.1% of sales, up from 27.5% last year. As a result, operating income was ¥16,809 million (up ¥163 million, or 1.0%), a record high. Operating margin was 12.5%, compared to 12.8% in the previous year.

Other Profits and Losses

Non-operating profits exceeded non-operating losses by ¥86 million. As a result, ordinary income was ¥16,895 million (down ¥161 million, or 0.9%). Ordinary margin was 12.5%, compared to 13.1% last year. Net extraordinary losses (less extraordinary gains) were ¥1,005 million. Pretax income was ¥15,890 million (down ¥1,131 million, or 6.6%).

Net Income

Net income was ¥9,881 million (up ¥466 million, or 5.0%). Net income as a percentage of sales was 7.3%, compared to the 7.2% marked last year. Earnings per share increased to ¥110.28 from ¥105.14 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, our target dividend payout ratio is 25% of consolidated net income. 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 ¥27.45 per share in light of business performance in FY2012 and the future outlook. That comprises the sum of a year-end dividend of ¥16.20 per share and an interim dividend of ¥11.25 per share. As a result, dividend distributions equaled 25.0% of consolidated net income and 2.5% of net assets. Retained earnings will be used to further bolster our financial standing, enhance product and service capabilities as a means to establish a stable management base over the long run, and fill out our procurement and sales regimes inside and outside Japan.

Business Performance by Business Segment

Factory Automation Businesses

In the automotive industry—a major customer segment—demand grew solidly but at a modest pace. 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 QCT Model and thereby added customer accounts in global markets. As a result, sales were ¥84,299 million (up ¥3,574 million, or 4.4%). Operating income was ¥13,007 million (up ¥1,181 million, or 10.0%).

Die Components Businesses

The automotive industry—a major customer segment of the Die Components Businesses—enjoyed strong performance. Also, we acquired Dayton Progress Corporation (Dayton) and Anchor Lamina America, Inc. (Anchor Lamina) in November 2012. As a result, sales were ¥37,020 million (up ¥9,334 million, or 33.7%). Operating income was ¥2,502 million (up ¥307 million, or 14.0%).

Electronics Businesses

The Electronics Businesses were affected by stagnation in the LCD and semiconductor industries. As a result, sales were ¥12,381 million (down ¥21 million, or 0.2%). Operating income was ¥1,079 million (down ¥407 million, or 27.4%).

Other Businesses

Others Businesses comprise business handling tools and consumables for maintenance, repair and overhaul supplies (MRO). Sales were ¥6,747 million (up ¥332 million, or 5.2%). Operating income was ¥576 million (down 0.1%).

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.

Cash Flows

As of the end of FY2012, consolidated cash and cash equivalents amounted to ¥28,069 million, an increase of ¥1,346 million compared to the beginning of the year.

Cash flows from operating activities were a positive ¥11,557 million, up ¥3,773 million compared to the previous year. Pretax income was ¥15,890 million and depreciation and amortization costs were ¥3,132 million. Trade accounts receivable decreased ¥1,343 million, inventories increased ¥1,273 million and trade accounts payable increased ¥1,261 million. Corporate income tax payments were ¥8,257 million.

Cash flows from investment activities were a negative ¥11,320 million, a decrease of ¥13,633 million compared to the previous year. Outlays for the acquisition of marketable securities were ¥6,603 million. Income from the sale and redemption of marketable securities was ¥7,100 million. Outlays from the acquisition of fixed assets were ¥3,381 million. Outlays for the acquisition of shares in affiliated companies were ¥15,959 million. Outlays for deposits into time deposit accounts were ¥16,490 million and income from withdrawals from time deposit accounts was ¥21,436 million.

Cash flows from financing activities were a negative ¥178 million, as net outlays decreased ¥1,893 million compared to the previous year. Income from the issuance of shares was ¥647 million. Income from the disposition of treasury stock was ¥1,342 million. Payments of dividends amounted to ¥2,168 million.

Assets

Total assets as of the end of FY2012 were ¥136,303 million (up ¥20,582 million, or 17.8%, compared to the previous year-end). Current assets were ¥92,359 million (up ¥4,024 million, or 4.6%). This is mainly due to an increase in notes receivable and trade accounts receivable of ¥1,939 million (up 6.8%), an increase in goods and products of ¥3,208 million (up 30.5%), and a decrease in marketable securities of ¥3,348 million (down 56.3%).

Fixed assets were ¥43,944 million (up ¥16,558 million, or 60.5%). Tangible fixed assets were ¥19,416 million (up ¥3,668 million, or 23.3%). This is mainly due to an increase in capital equipment resulting from the acquisition of Dayton and Anchor Lamina. Intangible fixed assets were ¥18,650 million (up ¥13,902 million, or 292.8%). This is mainly due to an increase in goodwill and other intangible fixed assets resulting from the acquisition of Dayton and Anchor Lamina. Investments and other assets were ¥5,878 million (down ¥1,012 million, or 14.7%). This is mainly due to a decrease in investment marketable securities.

Liabilities

Total liabilities were ¥32,672 million (up ¥8,291 million, or 34.0%, compared to the previous year-end). Current liabilities were ¥26,425 million (up ¥4,795 million, or 22.2%). This is mainly due to an increase in other liabilities, including forward currency contract liabilities. Fixed liabilities were ¥6,247 million (up ¥3,495 million, or 127.0%). This is mainly due to an increase in deferred tax liabilities.

As a result, the current ratio was 3.5 times, sustaining a high degree of stability.

Equity

Total net assets, the sum of shareholders equity, other comprehensive income and stock options, were ¥103,631 million, up ¥12,291 million compared to the previous year-end. Shareholders equity increased ¥9,978 million; this is mainly due to an increase in retained earnings of ¥7,713 million, a decrease in treasury stock of ¥1,208 million, and a combined total increase in common stock and capital surplus of ¥1,057 million due to the exercise of stock options. Meanwhile, foreign currency translation adjustments and other comprehensive income increased ¥2,212 million.

As a result of the above, the equity ratio was 75.6%.

Capital Investments

The MISUMI Group spent a total of ¥3,451 million for capital investments during FY2012. Of that amount, ¥1,052 million was spent on the acquisition of capital equipment for SAIGON PRECISION CO., LTD. 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 FY2012 were ¥604 million. The relevant business units are responsible for research and development activities.

The Factory Automation Businesses spent ¥367 million to develop new products and enhance productivity. The Die Components Businesses spent ¥237 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 FY2012 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.

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 Sheet

MISUMI Group Inc. and Its Consolidated Subsidiaries
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	**¥28,069**	¥26,723	**$298,443**
Time deposits (Note 14)	**5,813**	10,352	**61,808**
Marketable securities (Notes 4 and 14)	**2,603**	5,596	**27,673**
Receivables:			
Trade notes (Note 14)	**5,264**	5,536	**55,970**
Trade accounts (Note 14)	**25,289**	23,079	**268,894**
Other	**436**	373	**4,644**
Allowance for doubtful receivables	**(227)**	(118)	**(2,419)**
Inventories (Note 5)	**18,760**	14,210	**199,473**
Deferred tax assets (Note 11)	**2,175**	1,420	**23,121**
Other	**4,177**	1,164	**44,413**
Total current assets	**92,359**	88,335	**982,020**
PROPERTY, PLANT AND EQUIPMENT (Note 22)**:**			
Land	**3,854**	3,793	**40,980**
Buildings and structures	**13,025**	11,669	**138,495**
Machinery and vehicles	**12,764**	7,029	**135,718**
Other	**4,536**	3,868	**48,225**
Total	**34,179**	26,359	**363,418**
Accumulated depreciation and impairment loss	**(14,763)**	(10,611)	**(156,975)**
Net property, plant and equipment	**19,416**	15,748	**206,443**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	**3,129**	3,589	**33,274**
Investments in unconsolidated subsidiaries and associated companies (Note 14)	**163**	170	**1,733**
Software	**3,911**	4,178	**41,586**
Goodwill (Notes 2x, 17 and 22)	**6,653**	246	**70,742**
Refundable insurance premium		245	
Deferred tax assets (Note 11)	**1,079**	1,202	**11,472**
Other assets	**9,593**	2,008	**101,990**
Total investments and other assets	**24,528**	11,638	**260,797**
TOTAL	**¥136,303**	¥115,721	**$1,449,260**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	**¥1,000**	¥1,000	**$10,633**
Payables:			
Trade notes and accounts (Note 14)	**8,704**	8,960	**92,549**
Accounts payable—other	**4,121**	5,162	**43,818**
Income taxes payable (Note 11)	**3,745**	4,119	**39,818**
Accrued bonuses (Note 2.m)	**1,955**	1,050	**20,787**
Other	**6,900**	1,338	**73,359**
Total current liabilities	**26,425**	21,629	**280,964**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 8)	**3,068**	2,569	**32,621**
Deferred tax liabilities (Note 11)	**2,571**		**27,333**
Other	**608**	183	**6,473**
Total long-term liabilities	**6,247**	2,752	**66,427**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 15)			
EQUITY (Notes 9, 10, 18, 19 and 21)**:**			
Common stock—authorized, 340,000,000 shares in 2013 and 2012; issued, 90,925,984 shares in 2013 90,566,984 shares in 2012	**6,316**	5,969	**67,156**
Capital surplus	**16,449**	15,740	**174,899**
Stock acquisition rights	**351**	515	**3,738**
Minority interests	**265**		**2,816**
Retained earnings	**81,506**	73,793	**866,621**
Treasury stock—at cost, 557,199 shares in 2013 and 1,271,629 shares in 2012	**(943)**	(2,152)	**(10,028)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**21**	12	**217**
Foreign currency translation adjustments	**(334)**	(2,537)	**(3,550)**
Total equity	**103,631**	91,340	**1,101,869**
TOTAL	**¥136,303**	¥115,721	**$1,449,260**

Consolidated Statement of Income

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	**2013**
NET SALES (Note 22)	**¥134,844**	¥130,213	¥121,203	**$1,433,752**
COST OF SALES	**78,744**	77,787	72,264	**837,264**
Gross profit	**56,100**	52,426	48,939	**596,488**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**39,291**	35,780	33,376	**417,760**
Operating income (Note 22)	**16,809**	16,646	15,563	**178,728**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**225**	215	199	**2,392**
Interest expense	**(7)**	(8)	(17)	**(76)**
Exchange loss—net	**(289)**	(102)	(554)	**(3,070)**
Impairment loss (Notes 6 and 22)			(14)	
Gain on sales of stocks of subsidiaries and affiliates	**224**			**2,383**
Loss on withdrawal from pension fund (Note 8)	**(985)**			**(10,471)**
Relocation expenses	**(329)**			**(3,496)**
Other—net	**242**	271	232	**2,567**
Other income (expenses)—net	**(919)**	376	(154)	**(9,771)**
INCOME BEFORE INCOME TAXES	**15,890**	17,022	15,409	**168,957**
INCOME TAXES (Note 11):				
Current	**7,153**	7,284	6,868	**76,055**
Deferred	**(1,140)**	324	(466)	**(12,120)**
Total income taxes	**6,013**	7,608	6,402	**63,935**
NET INCOME BEFORE MINORITY INTERESTS	**9,877**	9,414	9,007	**105,022**
MINORITY INTERESTS	**(4)**			**(36)**
NET INCOME	**¥9,881**	¥9,414	¥9,007	**$105,058**

	Yen			U.S. Dollars
	2013	2012	2011	**2013**
PER SHARE OF COMMON STOCK (Notes 2.u, 9, 18 and 21):				
Net income	**¥110.28**	¥105.14	¥101.16	**$1.17**
Diluted net income	**110.04**	104.93	100.95	**1.17**
Cash dividends applicable to the year	**27.45**	23.20	20.20	**0.29**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	**2013**
NET INCOME BEFORE MINORITY INTERESTS	**¥9,877**	¥9,414	¥9,007	**$105,022**
OTHER COMPREHENSIVE INCOME (Note 16):				
Unrealized gain (loss) on available-for-sale securities	**9**	(19)	(32)	**95**
Foreign currency translation adjustments	**2,203**	(285)	(621)	**23,425**
Share of other comprehensive income in associates			51	
Total other comprehensive income	**2,212**	(304)	(602)	**23,520**
COMPREHENSIVE INCOME (Note 16)	**¥12,089**	¥9,110	¥8,405	**$128,542**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16):				
Owners of the parent	**¥12,081**	¥9,110	¥8,405	**$128,454**
Minority interests	**8**			**88**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2013

	Thousands	Millions of Yen								
								Accumulated other comprehensive income		
	Issued Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Minority Interests	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total Equity
BALANCE, APRIL 1, 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 ..	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 10 and 19)	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
Net income............................						**9,881**				**9,881**
Cash dividends, ¥24.25 per share ..						**(2,168)**				**(2,168)**
Increase in treasury stock (70 shares)							**(0)**			**(0)**
Disposal of treasury stock (714,500 shares)			**362**				**1,209**			**1,571**
Exercise of stock acquisition rights (Notes 10 and 19)	**359**	**347**	**347**							**694**
Net change in the year				**(164)**	**¥265**			**9**	**2,203**	**2,313**
BALANCE, MARCH 31, 2013	**90,926**	**¥6,316**	**¥16,449**	**¥351**	**¥265**	**¥81,506**	**¥(943)**	**¥21**	**¥(334)**	**¥103,631**

	Thousands of U.S.Dollars (Note 1)								
							Accumulated other comprehensive income		
	Common Stock	Capital Surplus	Stock Acquisition Rights	Minority Interests	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total Equity
BALANCE, APRIL 1, 2012	**$63,460**	**$167,354**	**$5,484**		**$784,613**	**$(22,877)**	**$122**	**$(26,975)**	**$971,181**
Net income...					**105,058**				**105,058**
Cash dividends, $0.26 per share					**(23,050)**				**(23,050)**
Increase in treasury stock (70 shares)						**(2)**			**(2)**
Disposal of treasury stock (714,500 shares) ..		**3,853**				**12,851**			**16,704**
Exercise of stock acquisition rights (Notes 10 and 19) ..	**3,696**	**3,692**							**7,388**
Net change in the year			**(1,746)**	**$2,816**			**95**	**23,425**	**24,590**
BALANCE, MARCH 31, 2013	**$67,156**	**$174,899**	**$3,738**	**$2,816**	**$866,621**	**$(10,028)**	**$217**	**$(3,550)**	**$1,101,869**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	**2013**
OPERATING ACTIVITIES:				
Income before income taxes	**¥15,890**	¥17,022	¥15,409	**$168,957**
Adjustments for:				
Income taxes paid	**(8,257)**	(8,672)	(3,876)	**(87,794)**
Income taxes refund	**445**	297	216	**4,728**
Depreciation and amortization	**3,132**	3,295	2,243	**33,296**
Amortization of goodwill	**465**	243	182	**4,949**
Exchange loss	**73**	137	431	**779**
Impairment loss			14	
Changes in assets and liabilities:				
(Increase) decrease in receivables	**1,343**	(2,743)	(3,473)	**14,284**
(Increase) decrease in inventories	**(1,273)**	(1,950)	(2,277)	**(13,537)**
Increase (decrease) in payables	**(1,261)**	252	1,087	**(13,407)**
Increase (decrease) in other current liabilities	**577**	292	908	**6,138**
Other—net	**423**	(388)	870	**4,491**
Total adjustments	**(4,333)**	(9,237)	(3,675)	**(46,073)**
Net cash provided by operating activities	**11,557**	7,785	11,734	**122,884**
INVESTING ACTIVITIES:				
Proceeds from sales and redemption of marketable and investment securities	**8,162**	4,501	6,050	**86,788**
Purchase of marketable and investment securities	**(6,603)**	(4,201)	(3,502)	**(70,212)**
Purchase of property, plant and equipment	**(3,381)**	(4,154)	(5,312)	**(35,954)**
Proceeds from sales of stocks of subsidiaries and affiliates	**704**		307	**7,482**
Purchase of stocks of subsidiaries and affiliates (Note 20)	**(15,959)**			**(169,687)**
Refund from time deposits	**21,436**	20,843	21,475	**227,925**
Payment into time deposits	**(16,491)**	(13,879)	(21,894)	**(175,337)**
Other—net	**812**	(797)	(89)	**8,630**
Net cash provided by (used in) investing activities	**(11,320)**	2,313	(2,965)	**(120,365)**
FINANCING ACTIVITIES:				
Increase(decrease) in short-term bank loans—net		100	(300)	
Proceeds from issuance of stock	**647**	1,186	1,314	**6,882**
Acquisition of treasury stock	**0**	(1,500)	(1)	**(2)**
Proceeds from disposal of treasury stock	**1,343**		0	**14,273**
Dividends paid	**(2,168)**	(1,858)	(1,573)	**(23,050)**
Net cash used in financing activities	**(178)**	(2,072)	(560)	**(1,897)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**1,287**	(66)	(355)	**13,685**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,346**	7,960	7,854	**14,307**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**26,723**	18,763	10,909	**284,136**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥28,069**	¥26,723	¥18,763	**$298,443**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MISUMI Group Inc. and Its Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with generally accepted accounting principles in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 statement of changes in equity.

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 2011 and 2012 financial statements to conform them to the classifications used in 2013.

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 ¥94.05 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013 include the accounts of the Company and its 46 (26 as of March 31, 2012) 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.

Two subsidiaries, WUXI PARTS SEIKO PRECISION IND CO., LTD., and SURUGA SEIKI (GUANZHOU) CO., LTD., are not consolidated in 2013 because they would have an immaterial effect on the accompanying consolidated financial statements. Investments in the two 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 a 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 buildings 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 5 years for in-house use software and 15 years for other intangible assets.

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. In addition, the Company and certain consolidated subsidiaries have an 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 statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Deferred taxes are measured by applying currently enacted 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 statement of income.

t. ***Foreign Currency Financial Statements***—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 statement 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 18. 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.

w. ***Accounting standard issued but not yet adopted***—In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits", and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits".

(1) Overview:
According to the revised standard, actuarial gains and losses and prior service costs are recognized in equity of the balance sheet, after adjustments of tax effects, and recorded as a liability or an asset to show the funded status. In addition, it is allowable to allocate benefits to periods of service according to the benefit formula as well as to use a straight–line allocation. The calculation method of the discount rate was also revised.
(2) Expected application date:
The Company expects to apply this standard and the guidance from the year ending March 31, 2014. The adjustments are not made retroactively to the prior periods based on transitional measures.
(3) Effects of the application of the standard and the guidance:
Effects on the consolidated financial statements are currently under review.

x. ***Business Combinations***—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations". Major accounting changes under the revised accounting standard are as follows:

(1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed.
(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination are capitalized as an intangible asset.
(3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

The Company acquired all shares in the Connell Industrial Tool Corporation, the holding company that wholly owns Dayton Progress Corporation ("Dayton") and Anchor Lamina America, Inc. ("Anchor Lamina") on November 6, 2012 and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over 5 years.

3. ACCOUNTING CHANGE

A change in accounting policies which is difficult to distinguish from a change in accounting estimates

Due to the corporation tax reform, effective from the year ended March 31, 2013, the Group changed the depreciation method in accordance with the revised corporation tax act for the assets which were acquired on and after April 1, 2012. The effects of this change on operating income and income before income taxes were immaterial.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Current:			
Corporate and public bonds	**¥2,603**	¥5,596	**$27,673**
Trust fund investments			
Total	**¥2,603**	¥5,596	**$27,673**
Non current:			
Equity securities	**¥6**	¥77	**$69**
Corporate and public bonds	**3,123**	2,600	**33,205**
Trust fund investments		912	
Total	**¥3,129**	¥3,589	**$33,274**

The costs and aggregate fair values of marketable and investment securities at March 31, 2013 and 2012 were as follows:

	Millions of Yen			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:				
Equity securities				
Debt securities	**¥5,701**	**¥26**	**¥1**	**¥5,726**
Trust fund investments				

	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

	Thousands of U.S. Dollars			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:				
Equity securities				
Debt securities	**$60,618**	**$267**	**$6**	**$60,879**
Trust fund investments				

Proceeds from sales of available-for-sale securities for the year ended March 31, 2013 were as follows:

	Millions of Yen		
	2013		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	**¥84**	**¥19**	
Debt securities			
Trust fund investments	**978**	**111**	**¥34**
Total	**¥1,062**	**¥130**	**¥34**

	Thousands of U.S. Dollars		
	2013		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	**$898**	**$205**	
Debt securities			
Trust fund investments	**10,395**	**1,174**	**$358**
Total	**$11,293**	**$1,379**	**$358**

Available-for-sale securities were not sold during the year ended March 31, 2012.

The redemption amounts of debt securities and trust fund investments by contractual maturities for securities classified as available-for-sale at March 31, 2013 are as follows:

	Available for Sale	
	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	**¥2,600**	**$27,645**
Due after one year through five years	**3,100**	**32,961**
Due after five years through ten years		
Due after ten years		
Total	**¥5,700**	**$60,606**

5.INVENTORIES

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Merchandise	**¥13,453**	¥10,248	**$143,038**
Finished goods	**258**	255	**2,747**
Materials	**3,060**	2,198	**32,538**
Supplies	**699**	622	**7,435**
Work in process	**1,290**	887	**13,715**
Total	**¥18,760**	¥14,210	**$199,473**

6.LONG-LIVED ASSETS

For the years ended March 31, 2013 and 2012, there were no impairment losses 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 has been decided to be sold and the carrying amount for the assets group was reduced to the recoverable amount.

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

The annual interest rates applicable to the short-term bank loans ranged from 0.46% to 0.90% and from 0.55% to 0.90% at March 31, 2013 and 2012, respectively.

There was no long-term debt outstanding at March 31, 2013 and 2012.

8.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. In addition, the Company and certain consolidated subsidiaries have an employees' 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.

In the current year, certain domestic consolidated subsidiaries withdrew from the Shizuoka Midland Machine Industry Pension Fund. As a result, the Group recognized the special premium of ¥985 million ($10,471 thousand) incurred upon the withdrawal from the fund as "loss on withdrawal from pension fund."

a. Funding status of the Social Welfare Pension Fund of Nippon Sheet Metal Presswork

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Plan assets	¥58,159	¥60,682	$618,387
Liability based on pension benefit calculation	77,075	77,898	819,516
Difference	¥(18,916)	¥(17,216)	$(201,129)

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

	2013	2012
Percentage of the Group's contributions to the total plan	**7.82%**	6.90%

As of March 31, 2012, the 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 (¥12,628 million) and carry forward deficit (¥6,288 million). The past service liability is amortized on a straight-line basis over a period of 17 years.

As of March 31, 2011, the 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.

b. Funding status of Shizuoka Midland Machine Industry Pension Fund

	Millions of Yen
	2011
Plan assets	¥15,743
Liability based on pension benefit calculation	21,965
Difference	¥(6,222)

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

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

As of March 31, 2011, the 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.

The liability for retirement benefits at March 31, 2013 and 2012 for the directors and corporate auditors is ¥498 million ($5,296 thousand) and ¥432 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, 2013 and 2012 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
	2013	2012	**2013**
Projected benefit obligation	**¥3,513**	¥2,963	**$37,347**
Fair value of plan assets	**(790)**	(684)	**(8,403)**
Unrecognized actuarial loss	**(153)**	(142)	**(1,619)**
Net liability	**¥2,570**	¥2,137	**$27,325**

The components of net periodic benefit costs for the year ended March 31, 2013 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2013	**2013**
Service cost	**¥487**	**$5,181**
Interest cost	**29**	**307**
Expected return on plan assets	**(8)**	**(89)**
Recognized actuarial loss	**187**	**1,992**
Contribution to the Pension	**246**	**2,616**
Net periodic benefit costs	**¥941**	**$10,007**

Assumptions used in determining the retirement benefit obligations for the year ended March 31, 2013 are set forth as follows:

	2013
Discount rate	**0.5%-0.8%**
Expected rate of return on plan assets	**1.0%-1.3%**

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

9.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.

10.STOCK OPTION

Information of the stock options for the year ended March 31, 2013 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2005 Stock Option (1)	2 directors 1 employee	489,000 shares	2005.7.1	¥1,785 ($18.98)	From August 1, 2007 to July 31, 2012
2005 Stock Option (2)	2 directors 166 employees	708,400 shares	2006.3.1	¥2,534 ($26.94)	From August 1, 2007 to July 31, 2012
2007 Stock Option (1)	6 directors	280,000 shares	2007.7.12	¥2,219 ($23.59)	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 ($21.55)	From February 1, 2010 to January 31, 2015
2008 Stock Option (1)	8 directors	440,000 shares	2008.7.11	¥2,073 ($22.04)	From August 1, 2010 to July 31, 2015
2008 Stock Option (2)	21 employees of the Group	104,000 shares	2008.12.8	¥1,576 ($16.76)	From January 1, 2011 to December 31, 2016
2009 Stock Option (1)	7 directors	486,000 shares	2009.7.10	¥1,432 ($15.23)	From August 1, 2011 to July 31, 2016
2009 Stock Option (2)	31 employees of the Group	143,000 shares	2009.8.10	¥1,600 ($17.01)	From September 1, 2011 to August 31, 2016
2010 Stock Option (1)	6 directors	520,000 shares	2010.7.2	¥1,827 ($19.43)	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 ($19.43)	From August 1, 2012 to July 31, 2018
2012 Stock Option (1)	6 directors	480,000 shares	2012.7.3	¥1,892 ($20.12)	From August 1, 2014 to July 31, 2021
2012 Stock Option (2)	33 employees of the Group	125,000 shares	2012.7.3	¥1,892 ($20.12)	From August 1, 2014 to July 31, 2021

Stock option activity is as follows:

	2005 Stock Option (1)	2005 Stock Option (2)	2007 Stock Option (1)	2007 Stock Option (2)	2008 Stock Option (1)	2008 Stock Option (2)
	(Shares)					
For the Year Ended March 31, 2012						
Non-vested:						
April 1, 2011—outstanding						
Granted						
Canceled						
Vested						
March 31, 2012—outstanding						
Vested:						
April 1, 2011—outstanding	465,000	446,000	280,000	35,000	400,000	68,000
Vested						
Exercised	256,200					12,900
Canceled		48,600				
March 31, 2012—outstanding	208,800	397,400	280,000	35,000	400,000	55,100
For the Year Ended March 31, 2013						
Non-vested:						
March 31, 2012—outstanding						
Granted						
Canceled						
Vested						
March 31, 2013—outstanding						
Vested:						
March 31, 2012—outstanding	**208,800**	**397,400**	**280,000**	**35,000**	**400,000**	**55,100**
Vested						
Exercised	**193,800**		**160,000**	**11,900**	**210,000**	**38,300**
Canceled	**15,000**	**397,400**		**6,000**		
March 31, 2013—outstanding			**120,000**	**17,100**	**190,000**	**16,800**
	Yen (U.S. Dollars)					
Exercise price	**¥1,785**	**¥2,534**	**¥2,219**	**¥2,027**	**¥2,073**	**¥1,576**
	($18.98)	**($26.94)**	**($23.59)**	**($21.55)**	**($22.04)**	**($16.76)**
Fair value price at grant date			**¥384**	**¥305**	**¥286**	**¥87**
			($4.08)	**($3.24)**	**$(3.04)**	**$(0.93)**

Stock option activity is as follows:

	2009 Stock Option (1)	2009 Stock Option (2)	2010 Stock Option (1)	2010 Stock Option (2)	2012 Stock Option (1)	2012 Stock Option (2)
	(Shares)					
For the Year Ended March 31, 2012						
Non-vested:						
April 1, 2011—outstanding			520,000	146,000		
Granted						
Canceled			80,000	13,000		
Vested						
March 31, 2012—outstanding			440,000	133,000		
Vested:						
April 1, 2011—outstanding						
Vested	486,000	109,000				
Exercised	117,300	9,100				
Canceled						
March 31, 2012—outstanding	308,700	99,900				
For the Year Ended March 31, 2013						
Non-vested:						
March 31, 2012—outstanding			**440,000**	**133,000**		
Granted					**480,000**	**125,000**
Canceled				**30,000**		**15,000**
Vested			**440,000**	**103,000**		
March 31, 2013—outstanding					**480,000**	**110,000**
Vested:						
March 31, 2012—outstanding	**308,700**	**99,900**				
Vested			**440,000**	**103,000**		
Exercised	**145,200**	**44,100**	**251,000**	**19,200**		
Canceled						
March 31, 2013—outstanding	**163,500**	**55,800**	**189,000**	**83,800**		
	Yen (U.S. Dollars)					
Exercise price	**¥1,432**	**¥1,600**	**¥1,827**	**¥1,827**	**¥1,892**	**¥1,892**
	($15.23)	**($17.01)**	**($19.43)**	**($19.43)**	**($20.12)**	**($20.12)**
Fair value price at grant date	**¥272**	**¥356**	**¥330**	**¥330**	**¥424**	**¥424**
	$(2.89)	**$(3.79)**	**($3.51)**	**($3.51)**	**($4.51)**	**($4.51)**

The Assumptions Used to Measure Fair Value of Stock Options Granted for the Year Ended March 31, 2013:
Granted on July 3, 2012

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	28.04%
Estimated remaining outstanding period:	5.58 years
Estimated dividend:	¥23.2 per share
Interest rate with risk free:	0.26%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from November 2006 to June 2012.
2. Estimated remaining outstanding period is determined based on the assumption that all options would be exercised on the middle date of the exercise period.
3. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2012.
4. For the risk free interest rate, the Company uses the yield of Japanese treasury bonds applicable to the estimated remaining outstanding period of options.

The Assumptions Used to Measure the Number of Vested Stock Options
The Company uses only actual cancellations due to the difficulty in determining a reasonable assumption to measure the number of future cancellations.

11.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 38% for the year ended March 31, 2013 and 40% for the years ended March 31, 2012 and 2011.
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, and income taxes - deferred and unrealized gain on available-for-sale securities recorded for the year ended March 31, 2012 increased by ¥215 million and ¥1 million, respectively.
The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Current deferred tax assets:			
Devaluation of inventories	**¥733**	¥605	**$7,795**
Accrued enterprise tax	**285**	289	**3,036**
Accrued bonuses	**587**	334	**6,242**
Unrealized income	**307**	186	**3,264**
Other—net	**591**	164	**6,279**
Subtotal	**2,503**	1,578	**26,616**
Valuation allowance	**(170)**	(135)	**(1,808)**
Current deferred tax assets	**2,333**	1,443	**24,808**
Current deferred tax liabilities:			
Other—net	**(158)**	(23)	**(1,687)**
Current deferred tax liabilities	**(158)**	(23)	**(1,687)**
Net current deferred tax assets	**¥2,175**	¥1,420	**$23,121**
Non-current deferred tax assets:			
Liabilities for retirement benefits for employees	**¥904**	¥762	**$9,617**
Depreciation	**332**	332	**3,526**
Tax losses carried forward	**2,113**	1,216	**22,465**
Provision for directors' retirement benefit	**178**	154	**1,888**
Other—net	**700**	197	**7,445**
Subtotal	**4,227**	2,661	**44,941**
Valuation allowance	**(2,203)**	(1,275)	**(23,419)**
Non-current deferred tax assets	**2,024**	1,386	**21,522**
Non-current deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	**(133)**	(122)	**(1,410)**
Valuation of intangible assets	**(2,571)**		**(27,333)**
Other—net	**(812)**	(62)	**(8,640)**
Non-current deferred tax liabilities	**(3,516)**	(184)	**(37,383)**
Net non-current deferred tax assets	**¥(1,492)**	¥1,202	**$(15,861)**

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2012 is as follows:

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

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2013 and 2011 were not presented because the differences between them were immaterial.

12.LEASES

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

Total rental expense for the years ended March 31, 2013, 2012 and 2011 was ¥1,594 million ($16,952 thousand), ¥1,423 million and ¥1,291 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, 2013 and 2012 was as follows:

	Millions of Yen		
	2013		
	Machineries and Vehicles	Other	Total
Acquisition cost	**¥114**	**¥10**	**¥124**
Accumulated depreciation	**(92)**	**(9)**	**(101)**
Net leased property	**¥22**	**¥1**	**¥23**

	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

	Thousands of U.S. Dollars		
	2013		
	Machineries and Vehicles	Other	Total
Acquisition cost	**$1,210**	**$111**	**$1,321**
Accumulated depreciation	**(980)**	**(103)**	**(1,083)**
Net leased property	**$230**	**$8**	**$238**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Due within one year	**¥17**	¥47	**$180**
Due after one year	**5**	46	**59**
Total	**¥22**	¥93	**$239**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Depreciation expense	**¥26**	¥84	**$273**
Interest expense	**0**	1	**2**
Total	**¥26**	¥85	**$275**
Lease payments	**¥27**	¥87	**$282**

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 non-cancelable operating leases at March 31, 2013 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2013	**2013**
Due within one year	**¥209**	**$2,227**
Due after one year	**170**	**1,804**
Total	**¥379**	**$4,031**

13.RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥604 million ($6,424 thousand), ¥461 million and ¥322 million for the years ended March 31, 2013, 2012 and 2011, respectively.

14.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 "Other." The capital investment plan for the ongoing business is principally financed by our own funds. Temporary excess funds are operated by 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 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 net amount of receivables and 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 any adverse financial conditions of our customers at an early stage to mitigate risk from 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 credit risk and the Company evaluated that there is no material credit risk. The maximum credit risk as of March 31, 2013 is represented by financial assets, which are exposed to credit risk on the balance sheet.

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

Regarding the operating receivables and operating payables denominated in foreign currencies, the Group principally utilizes foreign currency forward contracts to hedge foreign currency fluctuation risk, which are monitored by each currency. Regarding 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 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 15. 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 differences of financial instruments as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		
	2013		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**¥28,069**	**¥28,069**	
Time deposits	**5,813**	**5,813**	
Marketable securities	**2,603**	**2,603**	
Trade notes receivable	**5,264**	**5,264**	
Trade accounts receivable	**25,289**	**25,289**	
Investment securities	**3,129**	**3,129**	
Trade notes payable and accounts payable	**(8,704)**	**(8,704)**	
Derivatives, net	**(5,074)**	**(5,074)**	

	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)	

	Thousands of U.S. Dollars		
	2013		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**$298,443**	**$298,443**	
Time deposits	**61,808**	**61,808**	
Marketable securities	**27,673**	**27,673**	
Trade notes receivable	**55,970**	**55,970**	
Trade accounts receivable	**268,894**	**268,894**	
Investment securities	**33,274**	**33,274**	
Trade notes payable and accounts payable	**(92,549)**	**(92,549)**	
Derivatives, net	**(53,952)**	**(53,952)**	

The financial instruments that are extremely difficult to determine the fair value are excluded from the chart above.

Valuation methods of the fair value of financial instruments and information on marketable securities and derivatives 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 counter party financial institutions. Please see Note 4. MARKETABLE AND INVESTMENT SECURITIES for information on 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 15. DERIVATIVES.

(b)Financial instruments whose fair value cannot be reliably determined as of March 31, 2013 and 2012

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Unlisted securities	**¥169**	¥176	**$1,801**

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2013 and 2012

	Millions of Yen			
	2013			
	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	**¥28,069**			
Time deposits	**5,813**			
Trade notes receivable	**5,264**			
Trade accounts receivable	**25,289**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds		**¥100**		
Corporate bonds	**2,600**	**3,000**		
Other				
Total	**¥67,035**	**¥3,100**		

	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

	Thousands of U.S. Dollars			
	2013			
	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	**$298,443**			
Time deposits	**61,808**			
Trade notes receivable	**55,970**			
Trade accounts receivable	**268,894**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds		**$1,063**		
Corporate bonds	**27,645**	**31,898**		
Other				
Total	**$712,760**	**$32,961**		

15.DERIVATIVES

Derivative transactions to which hedge accounting is not applied at March 31, 2013 and 2012 are as follows:

	2013							
	Millions of Yen				Thousands of U.S. Dollars			
	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	**¥4,550**		**¥(125)**	**¥(125)**	**$48,380**		**$(1,327)**	**$(1,327)**
Selling	**28,849**		**(4,949)**	**(4,949)**	**306,742**		**(52,625)**	**(52,625)**

	2012			
	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	¥1,721		¥(48)	¥(48)
Selling	9,731		(169)	(169)

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

16.COMPREHENSIVE INCOME

Reclassifications and income from tax effects attributable to other comprehensive income for the years ended March 31, 2013 and 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥111**	**¥(34)**	**$1,179**
Reclassification adjustments to profit or loss	**(96)**		**(1,021)**
Amount before income tax effect	**15**	**(34)**	**158**
Income tax effect	**(6)**	**15**	**(63)**
Total	**9**	**(19)**	**95**
Foreign currency translation adjustments:			
Adjustments arising during the year	**2,152**	**(285)**	**22,880**
Reclassification adjustments to profit or loss	**51**		**545**
Amount before income tax effect	**2,203**		**23,425**
Income tax effect			
Total	**2,203**	**(285)**	**23,425**
Total other comprehensive income	**¥2,212**	**¥(304)**	**$23,520**

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.

17.BUSINESS COMBINATIONS

Business combination through acquisition

At the Board of Directors' meeting held on October 17, 2012, the Company resolved to acquire, through Misumi Investment USA Corporation, its subsidiary, all the outstanding shares of Connell Industrial Tool Corporation, a holding company, which held all the shares of Dayton and Anchor Lamina. Based on the stock transfer agreement executed on that date, the Company consequently made Dayton and Anchor Lamina its subsidiaries on November 6, 2012.

(1) Outline of business combination:

(a) Name and description of the business of the acquired company
Acquired company name: Connell Industrial Tool Corporation
Description of the business: Holding company

(b) Principal reasons for the business combination
The Group has already established "Misumi QCT model" and built a short-time delivery system around Japan, China and other Asian regions. Furthermore, the Group expects to establish a short-time delivery system globally and accelerate its international business development, by acquiring Dayton and Anchor Lamina, which realize the short-time delivery system in Europe and the United States.
In addition, Dayton and Anchor Lamina, as die component manufacturers, have solid customer bases, including the Big Three automakers in the United States and European automakers. The Group aims to expand the awareness of its brand in these markets to boost its factory automation business as well as its die components business.

It will enable the Group which maintains a large market share in Asia, including Japan, for the die components business to strengthen its "number one global supplier" reputation, by acquiring Dayton and Anchor Lamina, which already have high market shares in Europe and the United States. Furthermore, the Company will realize synergies by selling substitutable products through respective sales channels and increasing its cost competitiveness through achievement of economics of scale.

(c) Date of the business combination : November 6, 2012
(d) Legal form of the business combination : Stock acquisition in exchange for cash consideration
(e) Company name after the business combination : Unchanged
(f) Percentage of voting rights acquired : 100%
(g) Reasons for determining the acquired company :
Misumi Investment USA Corporation, which is the Company's consolidated subsidiary acquired the interests by cash consideration.

(2) The period of results of operations of the acquired company, which is included in the consolidated financial statements:
From November 6, 2012 to December 31, 2012

(3) The acquisition cost of the acquired company and its details:

		2013	
		Millions of Yen	Thousands of U.S. Dollars
Consideration for the acquisition	Fair value of the shares of the acquired company as of the business combination	¥16,035	$170,498
Expenses directly required for the acquisition	Advisory fees	384	4,082
Acquisition cost..		¥16,419	$174,580

Consideration consists of the business value of 15,313 million yen ($162,822thousand) and adjustments for cash and operating capital based on the agreement

(4) Amount of goodwill, reason that goodwill arose, and method and period of amortization

(a) Amount of goodwill : 6,262 million ($66,578 thousand)
(b) Reason that the goodwill arose :
Any excess of the acquisition cost over the net amount assigned to the assets acquired and liabilities assumed was recognized as goodwill.
(c) Method and period of amortization : Systematically over 5 years

(5) Amounts and details of the assets acquired and liabilities assumed at the date of the business combination

	2013	
	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥5,708	$60,695
Non-current assets..	15,777	167,751
Total assets	¥21,485	$228,446
Current liabilities	¥1,795	$19,092
Non-current liabilities..	3,084	32,790
Total liabilities	¥4,879	$51,882

(6) Estimated impact on the consolidated statement of income for the year ended March 31, 2013 assuming that the business combination had been completed at the beginning of the year ended March 31, 2013 and the calculation method are as follows:

	2013	
	Millions of Yen	Thousands of U.S. Dollars
Net sales	**¥13,559**	**$144,164**
Operating loss	**(292)**	**(3,109)**
Loss before income taxes	**(292)**	**(3,109)**
Net loss	**(558)**	**(5,934)**

	Yen	U.S. Dollars
Net loss per share	**¥(6.23)**	**$(0.07)**

(Calculation method of the estimated impact)
The estimated impact amounts were calculated as the difference between sales and other profits or losses assuming that the business combination had been completed at the beginning of the fiscal year and the acquirer's sales and other profits or losses on the consolidated statement of income. These amounts do not represent actual operating results in the case that the business combination had been completed at the beginning of the fiscal year.
These are the amounts before the business combination and this note has not been audited.

18.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, 2013, 2012 and 2011 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2013	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥9,881**	**89,600**	**¥110.28**	**$1.17**
Effect of dilutive securities—Stock options		**188**		
Diluted EPS—Net income for computation	**¥9,881**	**89,788**	**¥110.04**	**$1.17**
Year Ended March 31, 2012				
Basic EPS—Net income available to common shareholders	¥9,414	89,546	¥105.14	
Effect of dilutive securities—Stock options		174		
Diluted EPS—Net income for computation	¥9,414	89,720	¥104.93	
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	

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the year ended March 31, 2011, 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

19.RELATED PARTY TRANSACTIONS

Related party transactions between the Company and related parties for the years ended March 31, 2013 and 2012 are as follows:

2013

Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount	
					Millions of Yen	Thousands of U.S. Dollars
Board member	Tadashi Saegusa	Director of the Company	(Owned) Direct 0.26	Exercise of stock option	**¥1,435**	**$15,254**
Board member	Masayuki Takaya	Director of the Company	(Owned) Direct 0.02	Exercise of stock option	**159**	**1,695**
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.04	Exercise of stock option	**145**	**1,540**
Board member	Ryusei Ohno	Director of the Company	(Owned) Direct 0.01	Exercise of stock option	**12**	**126**
Board member	Tokuya Ikeguchi	Director of the Company	(Owned) Direct 0.01	Exercise of stock option	**45**	**478**

2012

Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount
					Millions of Yen
Board member	Tadashi Saegusa	Director of the Company	(Owned) Direct 0.57	Exercise of stock option	¥662
Board member	Masayuki Takaya	Director of the Company	(Owned) Direct 0.02	Exercise of stock option	123
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.05	Exercise of stock option	98
Board member	Ryusei Ohno	Director of the Company	(Owned) Direct 0.01	Exercise of stock option	12
Board member	Hiroshi Fukino	Director of the Company	(Owned) Direct 0.11	Exercise of stock option	54
Board member	Teiichi Aruga	Director of the Company		Exercise of stock option	83

20.CONSOLIDATED STATEMENTS OF CASH FLOWS

The Company acquired Connell Industrial Tool Corporation and newly consolidated Dayton Progress Corporation, Anchor Lamina America Inc. and 16 companies for the year ended March 31, 2013. The details of assets and liabilities of these companies at the date of consolidation and reconciliation for acquisition cost of the shares and net payment for the acquisition are as follows:

	2013	
	Millions of Yen	Thousands of U.S. Dollars
Current assets	**¥5,708**	**$60,695**
Non-current assets	**9,515**	**101,173**
Goodwill	**6,262**	**66,578**
Current liabilities	**(1,795)**	**(19,092)**
Non-current liabilities	**(3,084)**	**(32,790)**
Minority interests	**(187)**	**(1,984)**
Acquisition cost	**16,419**	**174,580**
Cash and cash equivalents	**608**	**6,471**
Net payment for acquisition	**¥15,811**	**$168,109**

None is applicable for the years ended March 31, 2012 and 2011.

21.SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2013 were approved at the shareholders meeting held on June 14, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year end cash dividends, ¥16.20 ($0.17) per share	**¥1,464**	**$15,566**

22.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.

(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 "Other 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.

"Other business" develops and provides business handling tools and consumables for maintenance, repair and overhaul supplies (MRO).

(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						
	2013						
	Reportable Segments						
	Factory Automation Business	Die Components Business	Electronics Business	Other Business	Total	Adjustments	Consolidated
Net sales:							
Sales to customers	**¥84,299**	**¥37,020**	**¥12,381**	**¥6,747**	**¥140,447**	**¥(5,603)**	**¥134,844**
Total	**84,299**	**37,020**	**12,381**	**6,747**	**140,447**	**(5,603)**	**134,844**
Segment profit	**13,007**	**2,501**	**1,079**	**576**	**17,163**	**(354)**	**16,809**
Segment profit before amortization of goodwill*	**¥13,007**	**¥3,295**	**¥1,079**	**¥576**	**¥17,957**	**¥(848)**	**¥17,109**

* Amortization of goodwill and other intangible assets related to the acquisition of Dayton and Anchor Lamina were added to Segment profit.

	Millions of Yen								
	2012								
	Reportable Segments								
	Factory Automation Business	Die Components Business	Electronics Business	Other Business	SubTotal	Other	Total	Adjustments	Consolidated
Net sales:									
Sales to customers	¥80,724	¥27,686	¥12,401	¥6,415	¥127,226	¥3,360	¥130,586	¥(373)	¥130,213
Total	80,724	27,686	12,401	6,415	127,226	3,360	130,586	(373)	130,213
Segment profit	¥11,825	¥2,195	¥1,486	¥577	¥16,083	¥(8)	¥16,075	¥571	¥16,646

	Millions of Yen								
	2011								
	Reportable Segments								
	Factory Automation Business	Die Components Business	Electronics Business	Other Business	SubTotal	Other	Total	Adjustments	Consolidated
Net sales:									
Sales to customers	¥74,831	¥26,622	¥11,376	¥5,798	¥118,627	¥3,316	¥121,943	¥(740)	¥121,203
Total	74,831	26,622	11,376	5,798	118,627	3,316	121,943	(740)	121,203
Segment profit	¥11,278	¥1,911	¥1,673	¥473	¥15,335	¥(41)	¥15,294	¥269	¥15,563

	Thousands of U.S. Dollars						
	2013						
	Reportable Segments						
	Factory Automation Business	Die Components Business	Electronics Business	Other Business	Total	Adjustments	Consolidated
Net sales:							
Sales to customers	**$896,318**	**$393,623**	**$131,640**	**$71,743**	**$1,493,324**	**$(59,572)**	**$1,433,752**
Total	**896,318**	**393,623**	**131,640**	**71,743**	**1,493,324**	**(59,572)**	**1,433,752**
Segment profit	**138,297**	**26,601**	**11,468**	**6,126**	**182,492**	**(3,764)**	**178,728**
Segment profit before amortization of goodwill*..	**$138,297**	**$35,044**	**$11,468**	**$6,126**	**$190,935**	**$(9,019)**	**$181,916**

* Amortization of goodwill and other intangible assets related to the acquisition of Dayton and Anchor Lamina were added to Segment profit.

(4)Details of adjustments

	Net sales		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Total of reportable segment	**¥140,447**	¥130,586	**$1,493,324**
Adjustments due to the different closing date of consolidated subsidiary	**(5,605)**	(368)	**(59,595)**
Other..	**2**	(5)	**23**
Net sales in consolidated statements of income	**¥134,844**	¥130,213	**$1,433,752**

	Operating income		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Total of reportable segment	**¥17,163**	¥16,075	**$182,492**
Adjustments due to the different closing date of consolidated subsidiary	**(426)**	652	**(4,532)**
Other..	**72**	(81)	**768**
Operating income in consolidated statements of income	**¥16,809**	¥16,646	**$178,728**

(5)Change in reportable segment

The Group changed the segment name from "Diversified Business" to "Other Business". This business consists of business handling tools and consumables for maintenance, repair and overhaul supplies (MRO).

Following the sales of businesses relating to veterinary and medical supplies, the results of operations for the businesses were not consolidated for the year ended March, 31, 2013. Considering the effects of the sales, the corresponding results were also excluded from the segment information of "Other business" and recorded as "Other" for the years ended March 31, 2012 and 2011 in order to ensure comparability.

(6)Information by region

	Millions of Yen					
	2013					
	Japan	Asia	China	North and South America	Europe	Total
Net sales.................................	**¥89,557**	**¥16,813**	**¥15,400**	**¥8,450**	**¥4,624**	**¥134,844**

	Millions of Yen					
	2012					
	Japan	Asia	China	North and South America	Europe	Total
Net sales	¥94,389	¥14,229	¥12,538	¥5,360	¥3,697	¥130,213

	Thousands of U.S. Dollars					
	2013					
	Japan	Asia	China	North and South America	Europe	Total
Net sales	**$952,235**	**$178,771**	**$163,744**	**$89,841**	**$49,161**	**$1,433,752**

	Millions of Yen			
	2013			
	Japan	Vietnam	Others	Total
Property, plant and equipment	**¥10,750**	**¥3,785**	**¥4,881**	**¥19,416**

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

	Thousands of U.S. Dollars			
	2013			
	Japan	Vietnam	Others	Total
Property, plant and equipment	**$114,302**	**$40,240**	**$51,901**	**$206,443**

(7)Information of Impairment losses by reportable segment

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

Note: Adjustments are related to the unused assets.
None is applicable for the years ended March 31, 2013 and 2012.

(8)Information of Goodwill by reportable segment

	Millions of Yen		
	2013		
	Reportable Segment		
	Factory Automation Business	Die Components Business	Total
Amortization for the year ended March 31, 2013	**¥245**	**¥220**	**¥465**
Balance as of March 31, 2013		**¥6,653**	**¥6,653**

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

	Thousands of U.S. Dollars		
	2013		
	Reportable Segment		
	Factory Automation Business	Die Components Business	Total
Amortization for the year ended March 31, 2013	**$2,611**	**$2,338**	**$4,949**
Balance as of March 31, 2013		**$70,742**	**$70,742**

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 its consolidated subsidiaries as of March 31, 2013, 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 accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 13, 2013

Company Profile and Stock Information

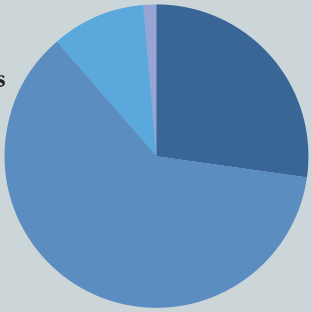
Corporate Profile

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	6,316 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	90,925,984
Number of Shareholders	4,067

Composition of Shareholders



- Banks and Other Financial Institutions — 27.43%
- Foreign Corporations and Other Foreign Investors — 61.32%
- Individuals and Other — 9.95%
- Other Companies — 1.30%

Major Shareholders

Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Shares Outstanding (%)
State Street Bank and Trust Company	15,166	16.68
The Master Trust Bank of Japan, Ltd.	9,004	9.90
Japan Trustee Services Bank, Ltd.	6,446	7.09
Goldman Sachs and Company Regular Account	4,367	4.80
Hiroshi Taguchi	4,228	4.65
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	3.91
Northern Trust Company (AVFC) Sub-account American Clients	3,556	3.91
RBC IST LONDON-LENDING ACCOUNT	2,928	3.22
Mellon Bank NA as agent for its client, Mellon Omnibus US Pension	2,269	2.50
Trust & Custody Services Bank, Ltd.	1,867	2.05

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

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