MISUMI

Industrial Supply Commerce

MISUMI Group Inc. ANNUAL REPORT 2016

ANNUAL REPORT 2016

MiSUMi

MISUMI Group Inc.

It's all about TIME

PROFILE

Since the company was founded in 1963, MISUMI Group has operated in the background to support manufacturing activities. Initially a trading company, in 2005 MISUMI transformed itself into a manufacturer and has since evolved into a company with a unique business model encompassing both manufacturing and distribution operations.

Our manufacturing operations serve our FA (Factory Automation) Businesses and Die Components Businesses. We are capable of shipping within a standard 2 days in Japan even high-precision mechanical components with dimensions measured by the micron.

Our VONA (Variation & One-stop by New Alliance) Business sells third-party brands alongside MISUMI products under a new distribution business model. In addition to components for production equipment, we have expanded into materials for production activities and maintenance, repair and operations (MRO) consumables.

Together our manufacturing and distribution businesses offer 16 million products in 80 sextillion product variations to more than 220,000 customers worldwide. In this way, we support manufacturing operations globally by delivering the value of high quality (Quality), low cost (Cost) and reliably short delivery times (Time).

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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 of Financial Data (Consolidated)

MISUMI Group Inc. and Consolidated Subsidiaries
Years Ended March 31, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, and 2007(Millions of Yen)

For the Year:	2007	2008	2009	2010	2011	2012	2013	2014	2015	March31,2016
Net sales	118,139	126,665	110,041	89,180	121,203	130,213	134,844	173,904	208,563	**240,140**
Factory Automation (FA)Businesses[5,6]	60,510	69,205	62,030	51,445	74,831	80,724	84,299	98,843		
Die Components Businesses[5,6]	33,066	34,652	28,139	23,007	26,622	27,686	37,020	56,310		
Electronics Businesses[5,6]	12,449	12,313	10,262	8,081	11,376	12,401	12,381	13,801		
Other Businesses[5,6]	6,044	6,684	5,555	4,353	5,798	6,415	6,747	7,654		
Adjustments[5,6]	6,070	3,811	4,055	2,294	2,576	2,987	(5,603)	(2,704)		
FA Businesses[6]								82,377	99,094	**109,654**
Die Components Businesses[6]								56,309	64,737	**69,732**
VONA Business[6]								37,921	48,249	**60,474**
Adjustments[6]								(2,703)	(3,517)	**280**
Operating income	15,643	16,317	11,017	8,408	15,563	16,646	16,809	18,989	23,759	**25,691**
Earnings before amortization	15,643	16,317	11,017	8,408	15,563	16,646	17,109	21,093	25,999	**28,229**
Income before income taxes (and minority interests)	15,999	16,296	9,640	7,778	15,409	17,022	15,890	18,964	22,943	**25,004**
Net income	9,447	9,698	4,687	3,886	9,007	9,414	9,881	11,679	14,292	**16,908**
At Year-End:										
Total assets	84,244	92,596	86,080	92,941	107,552	115,721	136,303	163,202	184,785	**194,186**
Total equity[1]	63,751	71,302	71,696	75,667	83,815	90,824	103,014	115,966	132,138	**141,463**
Interest-bearing debt	1,717	2,164	1,862	1,200	900	1,000	1,000	900	-	**-**
CAPEX and Depreciation & Amortization:										
Capital expenditures (CAPEX)	4,383	4,898	3,493	3,863	5,362	4,231	3,451	6,989	8,487	**9,126**
Depreciation & Amortization	2,605	2,614	3,192	2,664	2,453	3,521	3,560	6,249	7,250	**8,113**
Major Indicators:										
Return on equity[3] (%)	16.0	14.4	6.6	5.3	11.3	10.8	10.2	10.7	11.5	**12.4**
Return on assets[3] (%)	19.7	18.4	10.8	8.7	15.4	15.2	12.6	12.7	13.2	**13.2**
Current ratio (%)	351.4	351.5	529.2	463.6	398.7	408.4	349.5	397.5	429.2	**445.8**
Interest coverage ratio[4] (times)	110.0	815.3	499.1	362.1	854.1	1,150.6	2,095.6	1,691.2	1,470.3	**5,179.8**
Per Share Data:										
Net income per share[2] (yen)	36.14	36.57	17.63	14.61	33.72	35.05	36.76	42.94	52.28	**61.65**
Cash dividends per share[2] (yen)	7.33	7.67	4.33	3.33	6.73	7.73	9.15	10.72	13.05	**15.42**
Equity per share[2] (yen)	241.81	268.44	269.63	284.57	312.27	339.04	379.98	425.06	482.17	**515.39**
Cash flow per share[2] (yen)	27.07	42.33	46.68	24.12	43.72	29.06	42.63	56.76	41.26	**60.89**
Stock Valuations:										
Price/Earnings ratio – PER (times)	19.5	16.1	22.4	43.7	20.4	19.1	23.5	22.2	30.9	**26.1**
Price/Cash flow ratio – PCFR (times)	26.0	13.9	8.5	26.5	15.7	23.1	20.3	16.8	39.2	**26.5**
Price/Book value ratio – PBR (times)	2.9	2.2	1.5	2.2	2.2	2.0	2.3	2.2	3.4	**3.1**
Number of Customers (Companies):										
In Japan (Machinery-related only)[7]	60,172	61,069	61,430	59,779	60,936	61,648	63,007	64,955	66,230	**79,571**
Overseas	33,057	41,230	47,990	52,375	61,993	67,608	91,817	100,481	108,849	**141,008**
Total number of customer companies	93,229	102,299	109,420	112,154	122,929	129,256	154,824	165,436	175,079	**220,579**
Number of Employees (Person):										
	3,382	3,813	4,049	3,581	4,831	5,615	7,238	8,038	8,876	**9,628**

Notes:
1. In accordance with enforcement of the Companies Act on May 1, 2006, Shareholders' Equity is listed instead of Equity.
2. After adjustment for the stock split dated July 1, 2015.
3. The ROE was calculated on the basis of net earnings for the relevant period, and the ROA was calculated on the basis of net earnings for the relevant period prior to adjustments such as taxes.
4. Interest coverage ratio = Net cash provided by operating activities / Interest payment
5. Figures for the past fiscal years were revised retroactively in accordance with changes in disclosure standards by segment.
6. Segments were changed in April 2014.
7. Stock for the Diversification Business was transferred, so the business was excluded from the report.

Top Message

The Business Environment Surrounding MISUMI Group Inc.

The business environment in FY2015 (April 1, 2015, through March 31, 2016) was somewhat weakened by the normalization of monetary policy in the United States and the slowdown in the emerging economies of Asia, namely China. However, the global economy showed a modest recovery trend through steady personal consumption and improvements in corporate revenues, as well as the job market.

By region, the US economy continued to recover with an increase in personal consumption and private capital investment. The European economies showed some modest recovery despite concerns such as unemployment, price fluctuations, and geopolitical risks. The Chinese economy moderately slowed down. The ASEAN economies continued to be weak overall; however, some displayed recovery.

Reflecting on Consolidated Results from FY2015

Amidst this economic environment, MISUMI Group Inc. continued to expand its performance while pursuing high quality, low cost, and short delivery time and maintaining outstanding on-time delivery rates. Furthermore, in order to satisfy the customers' latent needs of reducing design time and ordering efforts, MISUMI strengthened its competitive edge by driving a web strategy through the introduction of e-catalogs and web ordering systems both inside and outside Japan. As an initiative to expand our global operations, we have promoted local production and procurement efforts designed for optimal sourcing, and worked toward globally enhancing the reliable short delivery supply regime. Through these initiatives, our overall consolidated net sales grew. The growth was driven by a sales increase in the FA Business that included a rise in demand in the automotive industry and the electronics industry (mainly related to smartphones) and growth in the VONA Business that expanded its third-party brands and the number of customers.

As a result, consolidated net sales were ¥240.1 billion (up 15.1% year-on-year), achieving consecutive record highs for the past five years.

The operating income was ¥25.7 billion (up 8.1% year-on-year) and the current net income was ¥17.0 billion (up 18.3% year-on-year). Net income, like sales, marked a record high.

We have increased our dividend payout ratio from 20% to 25% starting from the FY2011 year-end dividend. We upheld this dividend payout ratio this fiscal year; therefore, the year-end dividend will be ¥8.05 per share. As a result, annual dividends were ¥15.42 (up ¥2.37 year-on-year) including the interim dividend of ¥7.37 per share.

* Since July 1, 2015, each share is calculated at a 1:3 split.

Future Initiatives

The key is to further develop our operational bases (platform), including production, distribution, IT, and customer service in order to maximize MISUMI's strength both as a manufacturer and a distributor. MISUMI Group Inc. is innovating on areas such as high quality (Q), low cost (C), and short delivery time (T) by evolving our global operations, such as pursuing the most optimal production and logistics methods, improving the highest quality data base, and providing customer service and time value specialized for the manufacturing industry.

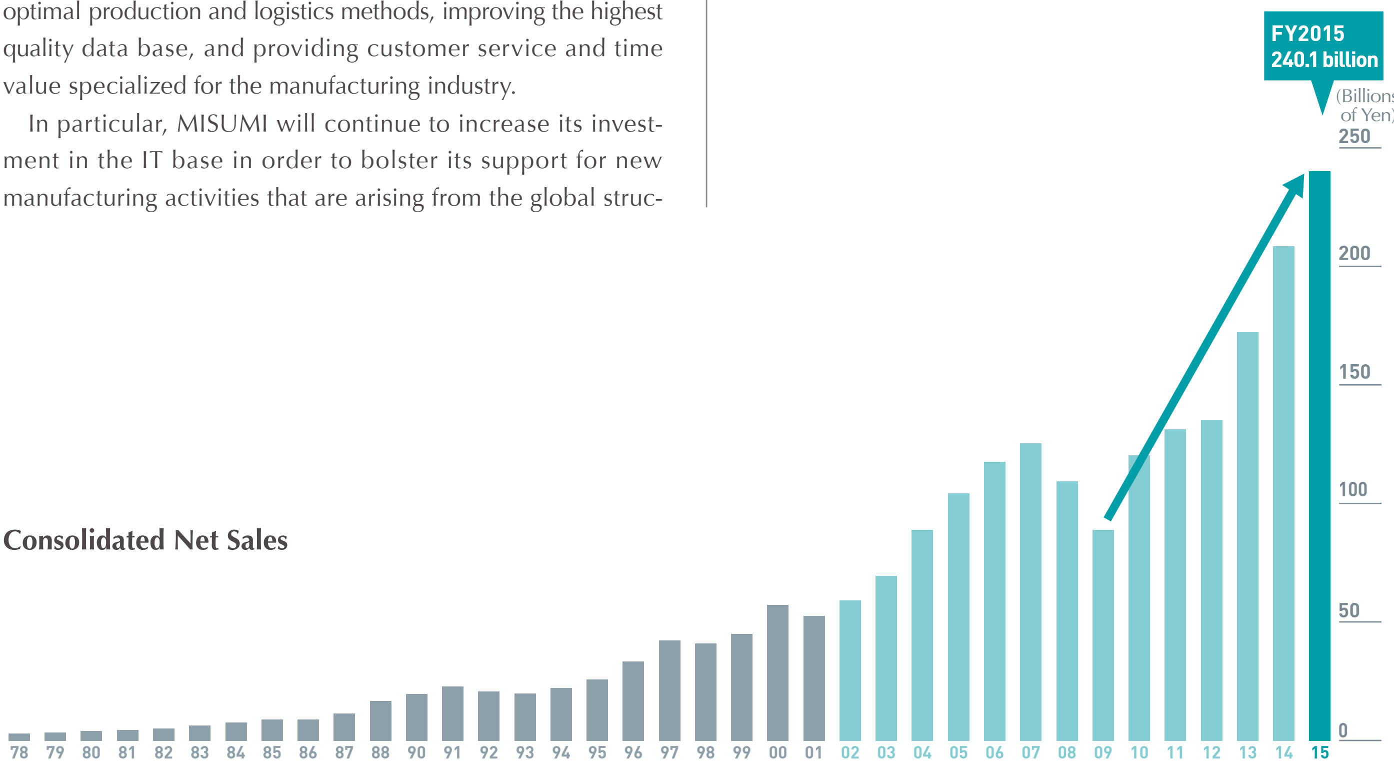
In particular, MISUMI will continue to increase its investment in the IT base in order to bolster its support for new manufacturing activities that are arising from the global structural changes in the manufacturing industry. A system base that can achieve a high level operation on par with Japan has already been introduced, and we will improve the front end systems that customers have to interact with.

Going forward, we aim to achieve record highs in consolidated net sales and profit by expanding our market share by further strengthening our product lineup, cost competitiveness, and global supply regime for reliable short delivery, and by expanding our businesses in the international market.

MISUMI Group Inc. would like to extend the utmost gratitude to our valued shareholders for their ongoing support.

June 2016
Representative Director,
President and CEO
Ryusei Ono

Consolidated Net Sales



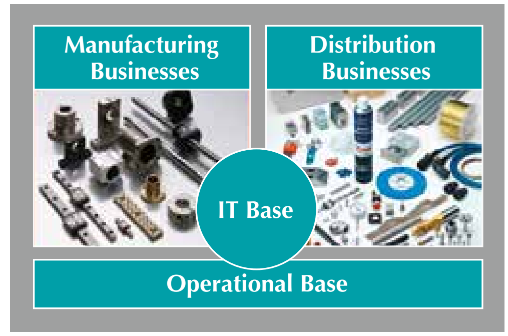
Note: FY89 has been omitted due to a change in the settlement term.

TOPICS

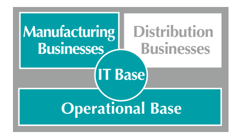
MISUMI Group Inc. is innovating the two key areas - the operational base and the IT base - that support the manufacturing and distribution businesses.

The manufacturing business focuses on the expansion of product domains and production regimes, while the distribution business focuses on the continued enhancement of product lineups as well as the acceleration of global expansion. The operational base (platform) that supports these two businesses focuses on the optimization of global manufacturing. By supporting these businesses with a powerful IT base, we are transforming our business structure into a manufacturing material platform.

The following are key examples of this transformation.



Shortened the Standard Delivery Lead Time for MTO* Items from Three Days to Two Days



On April 1, 2015, we introduced a new service that shortens the standard delivery lead time for ultra-precision components of 80 sextillion (80 billion times one trillion) items that can be accurately specified to the micron unit. The delivery lead time in Japan for these components has been shortened from a third day shipment to a second day shipment.

There are two reasons why we focused on shortening delivery lead times. First, a domestic labor shortage combined with a return of production activities to Japan has led to a growing demand for automation. This has led customers to demand short delivery lead times for FA standardized mechanical systems. Second, for the die components areas in particular, shortening the delivery lead time on our side has been crucial since our customers are constantly in need of short delivery lead times. Considering these factors, shortening the delivery lead time by even 24 hours for Make-to-Order (MTO) items will provide many advantages for our customers.

The MISUMI Production System (MPS) was established by: first, providing a stable supply that is backed by reliable short delivery even when the type of products, timing, or the quantity of the product the customer would order was unknown; and second, by repeatedly examining the concepts of manufacturing, methodology, cultivation of human resources, and the management system. Due to the improvements in the MPS, MISUMI Group was able to shorten the standard delivery lead time by one day, and achieved a model innovation for the first time in 25 years.

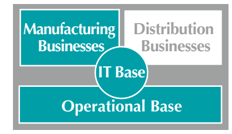
Examples of Make-to-Order items that qualify for second day shipment

MISUMI Group aims to provide new services to customers through the following initiatives.

- In April 2015, we issued new catalogs on die components that correspond to the new standard delivery lead time. Provided a complete short delivery time service that includes the design process to procurement by combining MISUMI Group's die component design assisting tool, Mold Ex-Press (MEX: design assisting software that covers all die component items and generates CAD data and part numbers), and the shortened standard delivery lead time.
- Die components and FA standardized mechanical components on the e-commerce site, MISUMI-VONA, now reflect the new standard delivery lead time.
- In August 2015, we issued new catalogs on FA standardized mechanical components that reflect the new standard delivery lead time.

*MTO: Make-to-Order

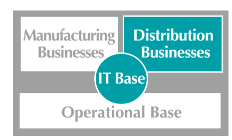
Started Production of MISUMI Brand Components at Dayton Lamina Corp.



MISUMI Group Inc. began production of MISUMI brand die components at our North America subsidiary, Dayton Lamina Corp. (DL Corp.), on June 1, 2015. The production of die components that previously took place at SURUGA USA (the North America base of the SURUGA Production Platform) was transferred to the DL Corp. Ohio Plant. The production of FA standardized mechanical components was transferred to China's Nantong Plant. We are strengthening the global production regime by achieving an aggregation effect in North America utilizing the production base of the DL Corp., which was acquired by MISUMI in 2012, and by employing the cost competitiveness and the reliably short delivery time of China's Nantong Plant.

Dayton Lamina Corp. Ohio Plant

MISUMI VONA* Product Lineup Exceeded 16 Million Items



The VONA business has expanded the product lineup to include not only the MISUMI brand, but also third-party brands. This allows us to provide all components, tools, and operation supplies that are necessary for work on manufacturing floors while maintaining high quality, low cost, reliable short delivery time with free delivery, even for just one item.

Along with the expansion of the number of third-party brands and items we carry, the number of customers has dramatically increased. As of July 2016, we offer 16 million items and over 2,600 brands.

As Japan's largest production material commerce solution, and with a motto of "delivering the best buying experience" like never before, MISUMI VONA answers the "want" of the work on manufacturing floors and strives to deliver a service that is satisfactory to all customers.

*VONA: Variation & One-Stop by New Alliance

TOPICS

Unit Library, a Tool for Assisting in Conceptual Designs for Automation Equipment, Awarded the FY2015 "Good Design for the Future Award"

– The Third Media Following Paper and Web Catalogs –

GOOD DESIGN AWARD 2015

DESIGN FOR THE FUTURE AWARD

MISUMI Group's library of mechanical application examples, Unit Library, was awarded the FY2015 Good Design Award (sponsored by the Japan Institute of Design Promotion). The Unit Library debuted on MISUMI's website in April 2014 as a tool for assisting customers preparing conceptual designs for automation equipment in manufacturing floors. It consists of application examples that can drastically reduce the time and effort from designing to procuring parts used in automation equipment units.

The Unit Library offers more than 700 application examples. The library was highly regarded for balancing the company's corporate strategy with its social goal of broadly disseminating information on automation equipment units essential to manufacturing settings, which resulted in its winning the Good Design for the Future Award.

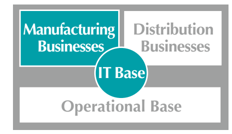
Evaluation Comment by the Good Design Award Committee

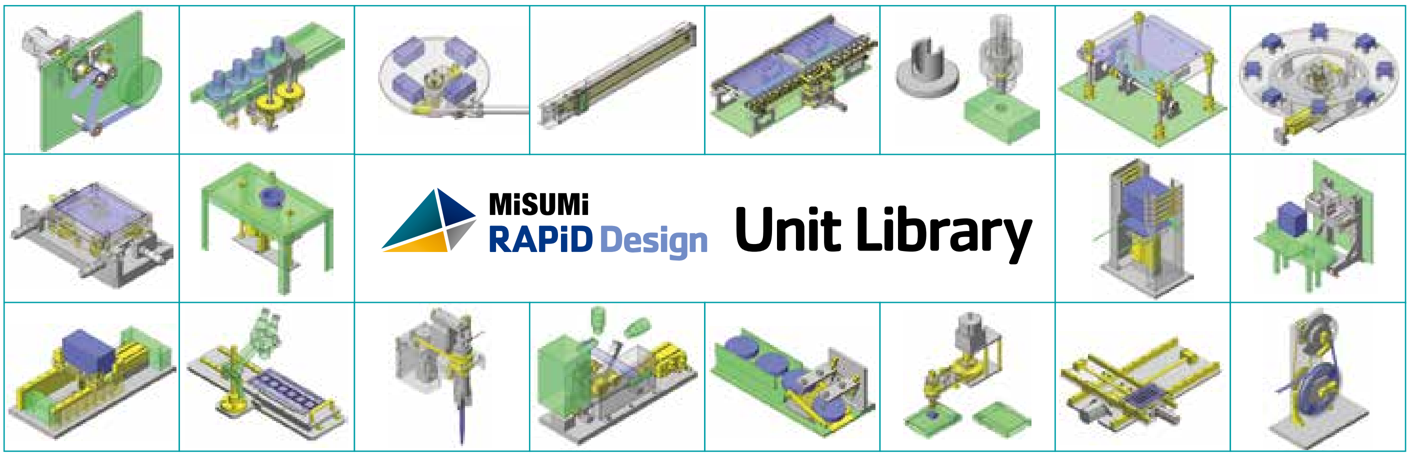
"While the environment surrounding the manufacturing industry becomes harsher, one of the information with the highest degree of secrecy is design information of the production line. It is a surprise that this core data is made public as a 'data library.' The Unit Library is superior in that rather than holding onto the information internally as the company's strength, it contributes to the handing of the technical tradition on to the next generation and the efficiency of the industry as a whole. Further, it simultaneously satisfies the corporate strategy of an 'open standard' of its design concepts. The Unit Library provides information that is truly needed via the internet, and helps in growing the base for new business opportunities and customers. This is a challenge that a company with confidence in quality can take and shows a new way of competing."

About the Good Design Award

The Good Design Award derives from the Good Design Product Selection System established in 1957 and is the only comprehensive movement in Japan that evaluates and recommends designs. For 59 years, it has aimed to enhance industry and lifestyle culture in Japan through design. To date, more than 40,000 awards have been granted. Today, it is a global design award in which companies and organizations from both inside and outside Japan participate. The G Mark symbol representing the Good Design Award is broadly recognized as a symbol of excellent design.

GOOD DESIGN





Service Features

The following functions make it possible to significantly reduce the time to design an automation equipment unit, as well as to determine and order parts.

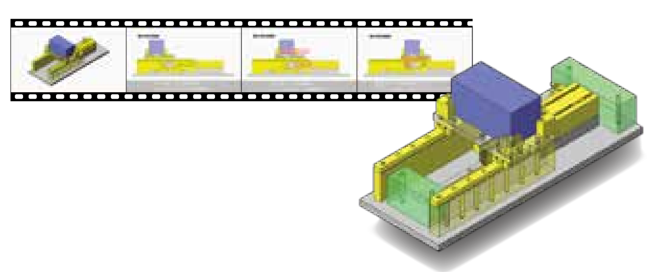
(1) Various design ideas of a wide range of units are available

Ideas for designing various automation equipment are available from over 700 application examples. These are categorized by the customer's intended manufacturing process and functional components. Keyword search is also available, making it possible for the user to access a specific design application example.

It can be used not only as a design reference, but also as a training tool for young designers who are not accustomed to designing automation equipment.

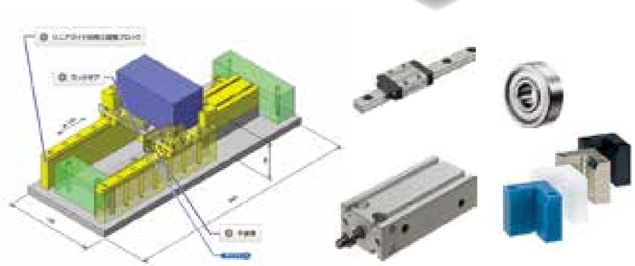
(2) Structures can be instinctively understood through schema, animation, and CAD data

The role and function of a unit can be easily understood through the detailed schema and explanation of a design application example. Animations are also available for showing the actual movement. All application examples come with 2D/3D CAD data that users can download for free using the format that is compatible with their CAD software. This allows them to check detailed design information.



(3) Component list of MISUMI products can be obtained in one click

In addition to the basic information such as the purpose and the operation of a unit, the Unit Library introduces a technical computing step relating to the selection of major components, and supports the embodiment of a concept. Since the component list of MISUMI products is only a click away, design time can also be reduced.



Global Network (As of July, 2016)

1 MISUMI Group Inc. / 2 MISUMI Corporation

6 SURUGA Production Platform Co., Ltd.
3 SURUGA SEIKI CO., LTD.

5 DAISEKI CO., LTD.

9 MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD.
10 MISUMI E.A. HK LTD.

11 MISUMI KOREA CORP.

12 MISUMI TAIWAN CORP.

18 MISUMI USA, Inc.

19 MISUMI Europa GmbH

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

21 28 Dayton Lamina Corporation

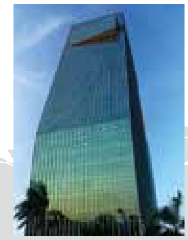
22 SAIGON PRECISION CO., LTD. Linh Trung Factory 1-4

⑬ MISUMI (THAILAND) CO., LTD.

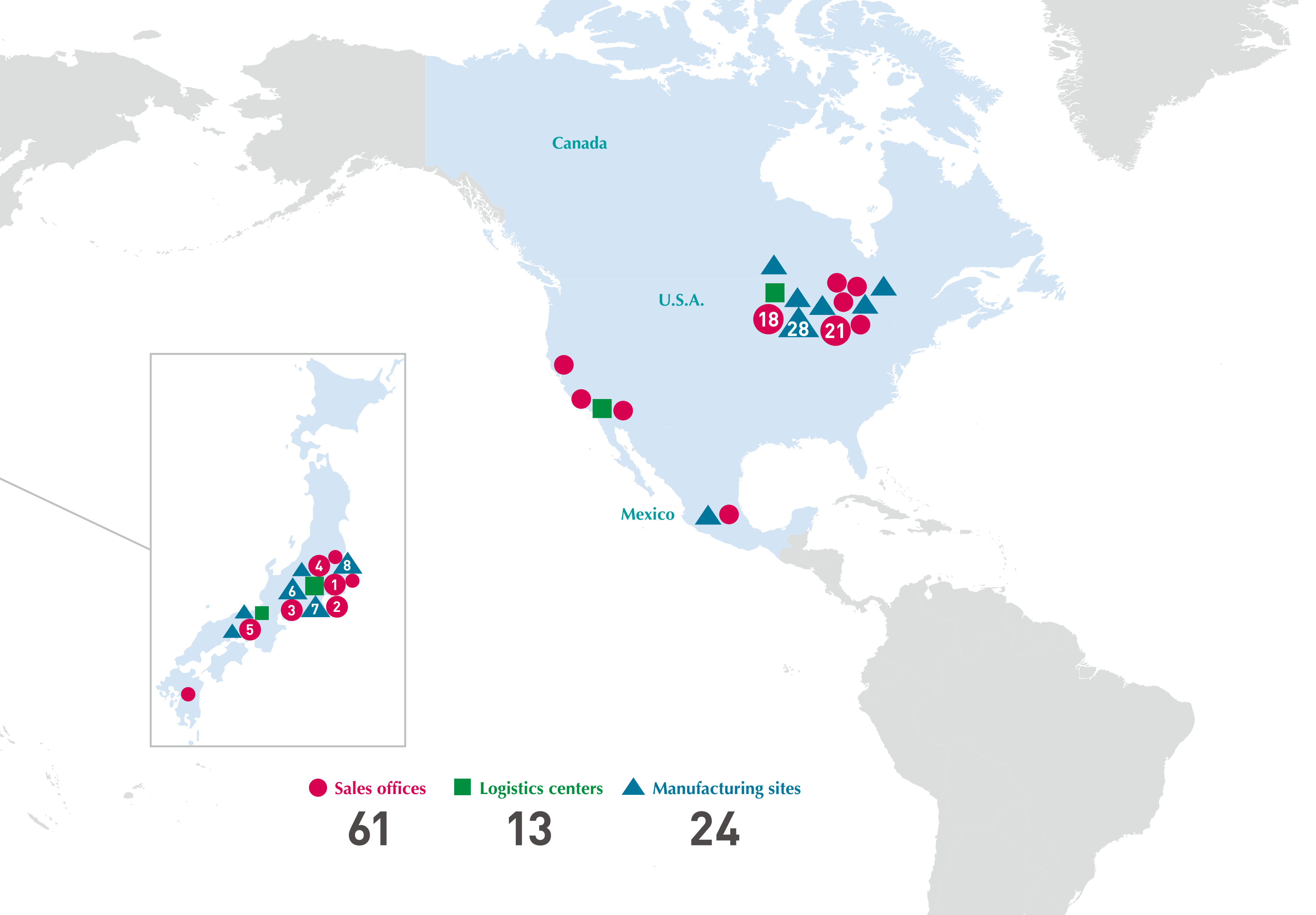
⑭ MISUMI INDIA Pvt. Ltd.

⑮ MISUMI SOUTH EAST ASIA PTE. LTD.

⑯ MISUMI MALAYSIA SDN. BHD.



⑰ PT. MISUMI INDONESIA



㉓ SURUGA SEIKI (NANTONG) CO., LTD.

㉔ SURUGA SEIKI (SHANGHAI) CO., LTD.

㉕ SURUGA KOREA CO., LTD.

㉖ SURUGA (THAILAND) CO., LTD.

㉗ SURUGA INDIA Pvt. Ltd.

*Pictures of ④⑧ DAYTON PROGRESS CORPORATION OF JAPAN and ⑦ MISHIMA SEIKI CO., LTD. are not included.

Contributions to Society and the Environment

The MISUMI Group has been involved in a variety of activities contributing to socioeconomic progress, including supporting students who will be shouldering the next generation of manufacturing.

Student Manufacturing Support

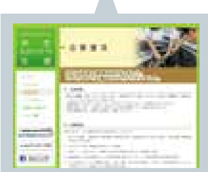
What is Student Manufacturing Support?

Since 2008, the MISUMI Group has been supporting student groups (approximately 1,099) that have participated in contests with self-made automobiles or robots. We cast a wide net for interested participants, from universities to community colleges, technical schools, vocational schools and high schools, and provide MISUMI FA mechanical components to select groups based on the motivation and interest expressed in manufacturing and contests.

In 2015, we provided support to more than 180 student groups. The students are able to actually flip through MISUMI's catalogs, with its abundant product lineup, and order components using MISUMI-VONA, the same website used by professional designers to order components from MISUMI. We look forward to continuing to be actively involved in helping students who will grow to be important talent working in the manufacturing industry.

The MISUMI Group's Support by Providing Components

We provide mechanical components, wiring components, control components and PC components for devices (vehicles, robots, etc.) that are to be produced.



Every year, we receive applications from many student groups. After a rigid screening process, MISUMI selects the groups that it will support.

Just as any customer would, students select parts from our paper or e-catalogs and order the needed sizes and quantities based on the designated price. Users can download CAD data from our e-catalogs, thereby leveraging our catalogs in the design process.

High quality parts are delivered reliably on short lead times, which helps the students in their activities.

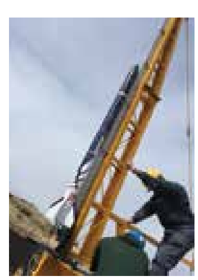
MISUMI components are used in robots and machines built for entry into competitions. Often, bolts, nuts and other consumables are also ordered.

Some of the Groups We Supported in FY2015

School and team name:	Competitions:	Sponsored MISUMI components:
Kanagawa University KURAFT	13th Student Formula Japan (EV Class)	Metal plates Sprockets

"Even minute size changes can be made, so it was extremely useful for manufacturing cars for the Student Formula, which cannot be completed with existing products alone. Also, images on how the products can be used are provided in the catalogs, making it easy for us to figure out how to use the products and smoothly engineer the car, even though we lack specific knowledge."

School and team name:	Competitions:	Sponsored MISUMI components:
Kyushu University PLANET-Q	Tanegashima Rocket Contest	Aluminum frame Ultra-low head bolts



"MISUMI was very helpful because it handles a wide variety of products from couplings used to produce jigs and components that transmit the power of the motor, such as bearings and shafts, to screws that fasten components and products that can be used in the framework to support the rocket. Thanks to the high-quality components, we were able to improve the quality of our end-product."

Environmental Management Activities

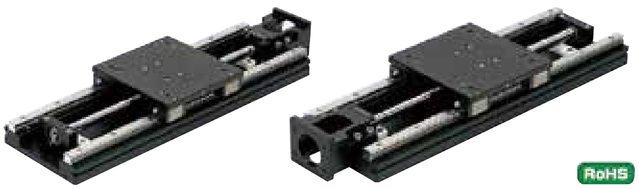
Environment-Conscious Products

Interest in reducing the environmental load is increasing globally, and the MISUMI Group is also experiencing a stronger interest on the part of our customers in environment-conscious products. One example of our response to such customer needs is our non-halogen-type cable (electrical wiring). Non-halogen-type cable does not produce harmful halogen gases even when the cable is incinerated upon disposal, and its use is expected to grow in the future. We currently carry not only the MISUMI brand product, but also VONA products, so our selection continues to expand.

The MISUMI Group will continue to make efforts to expand its product lineup as the use of environment-conscious products become more popular.

Managing Environmental Chemical Substances

Controls over environmental chemical substances are tightening each year under the Restriction of Hazardous Substances (RoHS) in Europe and similar directives in China, as well as REACH in Europe. The MISUMI Group recognizes that compliance with RoHS is an important factor in a customer's product selection and is responding accordingly in the marketplace. As such, the MISUMI Group has been testing product contents on the basis of RoHS and REACH, and discloses RoHS directive compliance in our catalogs and on our website.



Single Axis Unit (FA Businesses)

Green Procurement Guidelines

The MISUMI Group formulated its Green Procurement 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.

Supporting Exhibitions with the MISUMI Art Collection

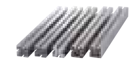
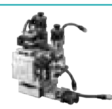
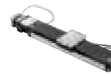
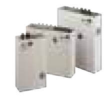
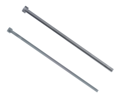
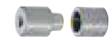
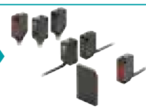
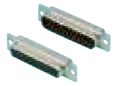
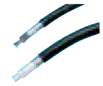
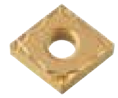
The MISUMI Group has lent works from the MISUMI Art Collection 22 times under special arrangements with galleries holding contemporary American art exhibitions. The MISUMI Art Collection focuses on contemporary American art, and is acclaimed as farsighted and distinctive corporate art. Proponents of American contemporary art eschewed European influences to freely pursue the potential of art. That spirit coincides with the MISUMI Group's corporate philosophy of constantly pursuing innovation. Moving forward, we plan to circulate artworks on loan in response to demand from museums in other areas as well.

Exhibit at Museum of Contemporary Art Tokyo (2002)

Operational Summary of the MISUMI Group

MISUMI Group business operations comprise: FA Businesses, which mainly carry standardized components for automated equipment used in factory automation and other applications; Die Components Businesses, which mainly carry die and mold parts used to make automobiles and electronics devices; and the VONA Business, which sells third-party brand products alongside MISUMI brand products under a new distribution business model. Products sold under the VONA Business include components for production equipment, materials for production activities and maintenance, repair and operations (MRO) consumables.

Major Products Carried by the MISUMI Group

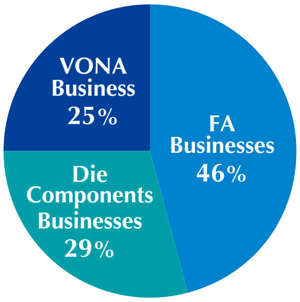
	Product Category	16 Million High-Precision Mechanical Components			
FA Businesses	FA Standardized Mechanical Components	 Shafts	 Timing pulleys	 Linear bushings	 Aluminum frames
FA Businesses	Locator Devices and Measurement Equipment (OST Business)	 Automatic stage units	 Actuators	 Optical measurement devices	 Optical waveguide alignment
Die Components Businesses	Standardized Metal Press Components	 Punches	 Button dies	 Precision guide pins	 Gas springs
Die Components Businesses	Standardized Plastic Mold Components	 Ejector pins	 Sprue bushings	 Parting lock sets	 Taper pins
VONA Business	Mechanical Components and Screws, Bolts, Washers and Nuts	 Sensors and switches	 Couplings	 Screws, bolts and nuts	 Castors
VONA Business	Wiring, Control and PC Components	 Connectors	 Switches	 Cables	 Transformers
VONA Business	Cutting Tools and Components for Production Machining	 End mills	 Cutting pliers	 Milling chips	 Wires
VONA Business	Packaging, Logistics & Storage Materials and Safety & Protection, Environmental & Sanitary and Office Supplies	 Carts	 Work gloves	 Parts cleaners	 Parts for R&D applications

＊FA：Factory Automation　＊OST：Optical & Scientific Technology　＊VONA：Variation & One-stop by New Alliance

Catalogs

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

Percentage of Consolidated Net Sales (March 31,2016)



Reinforcing Corporate Governance and Maintaining Transparency

The MISUMI Group is reinforcing its corporate governance in order to carry out its social mission and continually enhance its corporate value. To this end, it has positioned having a rich corporate governance as one of the most important tasks facing management.

Basic Thinking Regarding Corporate Governance

As of December 1, 2015, MISUMI Group Inc. has enacted and disclosed “MISUMI Group Corporate Governance Basic Policy” (http://www.misumi.co.jp/ir/library/pdf/corporate_governance.pdf) with the aim of contributing to the MISUMI Group’s continuous growth and medium-to long-term enhancement of its corporate value.

Said policies state that each principle provided in the Corporate Governance Code that has been implemented at the Tokyo Stock Exchange as of June 2015 will basically be implemented.

Corporate Management Body and Organization

The MISUMI Group directs and audits its business practices through its Board of Directors, Group Officers’ Committee and Auditor Committee.

Board of Directors

The Board of Directors determine the strategic direction of the MISUMI Group and determine important operational execution, and carry the responsibility for directing and instructing the Director of Operational Execution and the Executive Officers in charge of the corporate entities and headquarters as well as service platforms, and construct suitable internal control systems.

The Board of Directors also regularly review the operation of the MISUMI Group’s Internal Control System and actual Code of Conduct, as well as the internal reporting system, and will make changes as needed.

The Board of Directors comprises seven Directors, including two Outside Directors of the Board (as of this writing). As a general rule, they hold regular meetings once a month, as well as extraordinary meetings as needed, during which they make decisions regarding management and business, and direct operational execution.

Group Officers’ Committee

The Group Officers’ Committee comprises 17 members: five full-time directors, including the Chief Executive Officer, and 12 Representative Executive Officers from Corporate, Headquarters and Service Platforms (as of this writing). They hold regular meetings once a month to reinforce both direction and execution.

We have also established “Business Companies” and “Groups” for the MISUMI Group’s business, and “Service Platforms” for business support and services, and have delegated authority and responsibility to these entities. In doing so, we have attempted to realize integrated manufacturing and sales management between the business division, which comprises the sales organization, and the manufacturing division, which comprises the SURUGA production platform, thereby expediting the decision-making process. Meetings such as business company directors’ committee meetings, executive headquarters committee meetings and management meetings have been set up for each business company, group and service platform in an attempt to clarify the decision-making process.

Auditor Committee

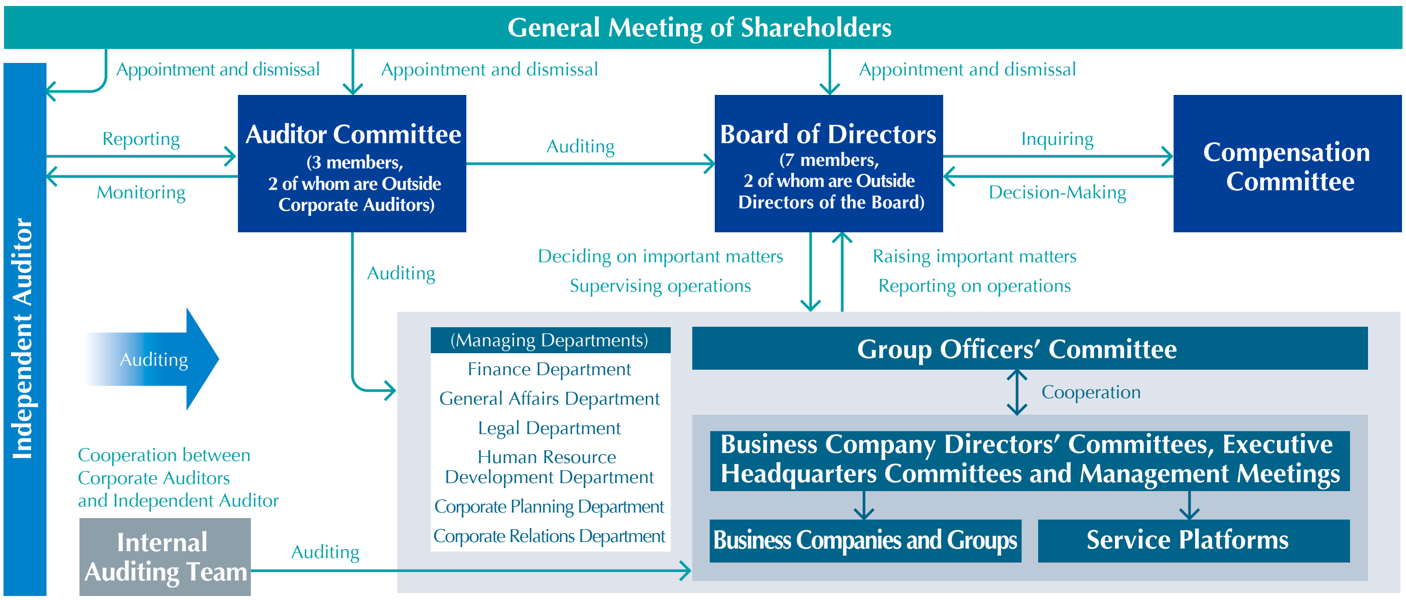
The Auditor Committee comprises three Corporate Auditors including two Outside Corporate Auditors (as of this writing). The Corporate Auditors audit the Directors’ carrying out of their duties and closely cooperate with the accounting auditors and the Internal Auditing Team to improve the effectiveness and efficiency of the auditing process.

Compensation Committee

A Compensation Committee, which includes Outside Directors of the Board, has been established as an advisory body to the Board of Directors to deliberate and make decisions regarding suitable compensation standards.

Reinforcing Corporate Governance and Maintaining Transparency

Corporate Governance System



Maintenance of the Internal Control System

The MISUMI Group Board of Directors has decided on "Basic Policy on the Internal Control System" at the Board of Directors meeting held on May 14, 2015, on the basis of the Companies Act Article 362, Paragraph 4(6) and the Ordinance for Enforcement of the Companies Act Article 100, Paragraphs 1 and 3. The decisions are as follows.

System for storing and managing information related to the execution of duties by MISUMI Group Inc.'s Directors	•Minutes of important meetings such as Board of Directors meetings and Group Officers' Committee meetings shall be prepared according to the law and regulations, and shall be stored in a suitable manner.
Regulations and other systems related to controlling risk of loss of MISUMI Group Inc. and its subsidiaries	•Regarding risks such as those related to compliance with the Act, the environment, information, export management and natural disasters by MISUMI Group Inc. and its subsidiaries (hereinafter collectively referred to as the "MISUMI Group"), the various regulations and company rules manuals shall be maintained to construct a risk management system. •In the event of unforeseen contingencies related to the MISUMI Group, a contingency countermeasures office headquarters shall be established to swiftly respond to the situation, and a progress report shall be made to the Board of Directors.
A system to ensure that the duties of the executives such as the Directors of MISUMI Group Inc. and its subsidiaries are being executed efficiently	•Management plans of the MISUMI Group are ultimately approved at the Board of Directors meetings, and their progress is checked at the Group Officers' Committee meeting held during the following month. •Important matters discovered through the progress check and the like are discussed at the Board of Directors meeting or the Group Officers' Committee meeting. •In the monthly Board of Directors meeting, business performance reports are made, and the Board monitors business performance and advises and conducts training on important matters.
A system to ensure that the execution of duties by the employees of MISUMI Group Inc. and its subsidiaries, such as its Directors, is in compliance with the law and the articles of the corporation	•Executives of the MISUMI Group shall abide by the MISUMI Group Code of Conduct, and ensure that they are in compliance with the law and the articles of the corporation. •Create a system wherein duties can be implemented appropriately by the MISUMI Group decision-making rules, such as the official regulations of administrative authority. •Establish an internal reporting system that covers the entire MISUMI Group for early discovery of violations against laws, regulations or company rules, as well as behaviors that suggest violations, and ensure prevention of detrimental treatment of whistle-blowers.
A system to ensure the suitability of reports by the Directors of subsidiaries related to the execution of duties and other work in the corporate group comprising MISUMI Group Inc. and its subsidiaries	•MISUMI Group Inc. shall have each of its subsidiaries report once a month on their business performance and state of implementation of duties. •MISUMI Group Inc. shall ensure the suitability of the duties of each of its subsidiaries through reports made by each subsidiary on its business performance and confirmation of progress on their management plan at the Group Officers' Committee. •The internal auditing division shall regularly audit the work of each subsidiary. •The MISUMI Group shall cut all ties with anti-social forces within its Code of Conduct and shall respond by facing them resolutely as a unified group.
Matters related to employees that are to assist the work of MISUMI Group Inc. Corporate Auditors	•Corporate Auditors shall be able to freely appoint auditing assistants, and the Corporate Auditor shall play a role in the relocation and evaluation of the auditing assistants. •Auditing assistants shall carry out their auditing duties under the direction of the Corporate Auditor.
System related to reporting to the MISUMI Group Inc. Corporate Auditor	•The Corporate Auditors shall attend important meetings such as the Group Officers' Committee, and the Directors and employees shall immediately report incidents or potential incidents that would have a serious impact on the MISUMI group to the Corporate Auditors. •Executives of the MISUMI Group shall submit suitable reports related to the execution of their duties as requested by the Corporate Auditors. •The Corporate Auditors shall hold regular meetings with the accounting auditors and Internal Auditing Division to exchange opinions and information, and shall request reports from the accounting auditors as needed. •The section in charge of the internal reporting system shall submit regular reports to the Corporate Auditors regarding the state of internal reporting within the MISUMI Group. •Ensure prevention of detrimental treatment of executives of the MISUMI Group who have submitted reports to the Corporate Auditors.

Operation of the Internal Control System

The aforementioned "Basic Policy on the Internal Control System" has been reviewed as needed, such as in response to changes in the environment outside of the company. As mentioned previously, a decision was made at the Board of Directors meeting on May 14, 2015 to adopt an amendment that reflects the revisions made in the Companies Act.

The MISUMI Group evaluated the state of operation of the "Basic Policy on the Internal Control System" for the fiscal year and verified that the Internal Control System is operating appropriately and that there are no significant deficiencies.

The major work accomplished related to the Internal Control System in this fiscal year is as follows.

- The MISUMI Group has held 14 Board of Directors meetings during this fiscal year. The Board of Directors meetings and Group Officers' Committee meetings play an important role in the important decision-making as a group, and are suitably achieving the role of verification as well as supervision and instruction of implementation by the Business Companies, Groups and Service Platforms.
- We have conducted a comprehensive risk evaluation related to operations execution, information, finance, human resources and labor, and legal at each major center of the MISUMI Group. We have taken the results of the evaluation and have maintained and improved the regulations and rules, and educated our personnel as needed, and the internal auditing division is auditing the important centers with a sharp focus.
- We have conducted compliance training of the MISUMI Group's executives both inside and outside of Japan in an attempt to impart thorough knowledge regarding the MISUMI Group Code of Conduct.
- We have established an Internal Reporting System for the MISUMI Group as a whole, and are operating it appropriately.
- Regarding system maintenance and cooperation of the Corporate Auditors and the Board of Corporate Auditors, the system has been expanded to include full-time Corporate Auditor Assistants, and the auditing environment has been enhanced through establishing opportunities to meet with members of the Board of Directors, including Outside Directors of the Board and reinforced cooperation with the MISUMI Group Managing Departments.

Maintenance of the Risk Management System

Enactment of the "MISUMI Group Code of Conduct"

The MISUMI Group has enacted the "MISUMI Group Code of Conduct" in April 2008 as a guideline shared by the entire Group with the aim of achieving its social mission and becoming a trusted corporate group. This Code of Conduct also includes strict adherence to the law, and along with a guideline, has been distributed to all MISUMI Group employees to ensure thorough knowledge thereof. Company regulations and rules, such as decision-making rules of company business, are reviewed as needed in order to conduct business both appropriately and efficiently, and a system is maintained wherein lines of authority are clarified and suitable restraint is functional.

Enactment of a "Basic Policy on Information Security"

A "Basic Policy on Information Security," which states the basic thinking on information and security by the MISUMI Group, and "Confidentiality Rules," which describe the basic rules, were enacted in April 2008, and were distributed to all MISUMI Group companies, along with "Information Security Guidelines," which set detailed procedures, in an attempt to ensure thorough knowledge thereof by all employees.

The Internal Auditing Team, which is a division directly under the CEO, reinforced internal control by responding to the internal control reporting system of the Financial Instruments and Exchange Act (J-SOX) and implemented internal auditing, which has a high management risk, across MISUMI Group Inc. and all its subsidiaries. In doing so, it confirmed all processes from the discovery of risks to improvement and preventive measures, in an attempt to reduce risk occurrence. Furthermore, a system for early discovery of misconduct through an internal reporting system has also been established.

The MISUMI Group also receives advice and support as suitable from outside experts such as corporate attorneys, certified public accountants and tax accountants regarding legal matters, compliance and other important management matters.

Reinforcing Corporate Governance and Maintaining Transparency

Internal Auditing and Auditing of Auditors

The MISUMI Group has an Internal Auditing Team that is directly under the CEO as its internal auditing division. The Internal Auditing Team conducts an internal audit of the Executive Division in a team comprising five members, prepares an Internal Audit Report containing the findings and a proposal to improve on them, and submits the report to the CEO, as well as the Corporate Auditors and the division being audited. In the event that the findings include a misconduct, a remediation plan is proposed and implemented, and the Internal Auditing Team audits the results of any improvement.

Furthermore, by the Corporate Auditor auditing from the position of being well-versed in accounting as well as laws and regulations, the transparency of the corporate conduct and the reliability of the financial numbers are enhanced. Each Corporate Auditor implements the auditing activity in accordance with the policies and implementation plan determined at the Auditor Committee meeting, and attends all important meetings related to management decision-making as a regular member, taking on the responsibility of one wing of corporate governance.

Internal Auditors and the Corporate Auditors' team share information at regular monthly meetings and in doing so, cooperate closely with the accounting auditors to improve the effectiveness and efficiency of the audits.

Outside Directors and Outside Corporate Auditors

Functions and roles met by Outside Directors and Outside Corporate Auditors in corporate governance

The MISUMI Group has a Board of Directors that has the function of managing and directing the management decision-making and operations execution by an Executive Director and Executive Officers. Of this Board of Directors comprising seven Directors, two are Outside Directors, and of the three Corporate Auditors, two are Outside Corporate Auditors. In corporate governance, the MISUMI Group believes that the function of management monitoring by an external objective and neutral party is important, and has determined that the current system of direction and checking of management by Outside Directors and independent auditing by Outside Corporate Auditors allows for sufficient functioning of management monitoring from the outside.

Standards or policies related to the autonomy for appointment as an Outside Director or Outside Corporate Auditor

The MISUMI Group's standards for appointment as an Outside Director or Outside Corporate Auditor are the same as those of an independent executive as determined by the Tokyo Stock Exchange rules.

The MISUMI Group's thinking related to the appointment of an Outside Director or Outside Corporate Auditor is as indicated in the table below. We determine that these people can carry out the role of directing and checking the MISUMI Group's management and the role of auditing fairly and objectively from an independent standpoint on the basis of their expert knowledge and experience.

Coordination and cooperation between the direction or auditing by an Outside Director and an Outside Corporate Auditor and internal auditing, auditing of auditors and accounting auditing, as well as their relationship with the Internal Control Division

An Outside Director attends the monthly Board of Directors meetings and primarily asks questions and provides advice regarding proposals and deliberations from an objective standpoint independent from the management team that is engaged in operations execution.

An Outside Corporate Auditor attends the monthly Board of Directors meetings and the Auditor Committee meetings and asks questions and provides advice regarding proposals and deliberations from the standpoint of a person having expert knowledge and experience.

The Corporate Auditors and the Internal Auditing Team, as well as accounting auditors cooperate closely by taking steps such as sharing information at regular monthly meetings in an attempt to improve the effectiveness and efficiency of the auditing activities.

Outside Director	Reason for appointment	Number of Board of Directors meetings attended in the FY ending March 2016
Tsuyoshi Numagami	Expert knowledge and experience as an experienced economist in corporate research	14 of 14 Board of Directors meetings held in the relevant fiscal year
Takehiko Ogi	Rich experience and broad knowledge base as a manager	11 of 11 Board of Directors meetings held after his appointment on June 12, 2015

Outside Corporate Auditor	Reason for appointment	Number of Board of Directors meetings attended in the FY ending March 2016	Number of Auditor Committee meetings attended in the FY ending March 2016
Juichi Nozue	Expert knowledge regarding the law as an attorney	13 of 14 Board of Directors meetings held in the relevant fiscal year	16 of 16 Auditor Committee meetings held in the relevant fiscal year
Hidetada Hirai	Expert knowledge related to financial accounting on the basis of abundant accounting operations work and experience as a Corporate Auditor	14 of 14 Board of Directors meetings held in the relevant fiscal year	16 of 16 Auditor Committee meetings held in the relevant fiscal year

The MISUMI Group's Top Management

Directors

Director, Chairman of the Board
Tadashi Saegusa

Representative Director, President and CEO
Ryusei Ono

Executive Vice President
Masahiko Eguchi

Senior Executive Director
Tokuya Ikeguchi

Executive Director and CFO
Ichiro Otokozawa

Outside Director of the Board
Tsuyoshi Numagami

Outside Director of the Board
Takehiko Ogi

Corporate Officers

MISUMI Group Inc.

Representative Director, President and CEO	Ryusei Ono	Director and Executive Vice President	Masahiko Eguchi	Senior Executive Director	Tokuya Ikeguchi
Executive Director and CFO	Ichiro Otokozawa	Senior Corporate Officer	Yosuke Uchida	Corporate Officer	Makoto Ariga

Business Companies, Products Groups and Service Platforms

CEO, China Business Company	Tomoki Kanatani	CEO, Asia Business Company	Shigetaka Shimizu	President, Die & Mold Business Company	Takaaki Wada
President, OST Business Company	Takeshi Marui	Representative Corporate Officer, FA Products Group	Rie Nakagawa	Representative Corporate Officer, VONA Products Group	Shigehito Nakamura
Deputy Representative Corporate Officer, VONA Products Group	Takao Kosaka	Representative Corporate Officer, Production Service Platform	Michiaki Okamoto	Deputy Representative Corporate Officer, MIG Service Platform	Naoki Shirao
Deputy Representative Corporate Officer, IT Service Platform	Takashi Mineshima				

Corporate Auditors

Corporate Auditor	Hiroshi Miyamoto	Outside Corporate Auditor	Juichi Nozue	Outside Corporate Auditor	Hidetada Hirai

Advisor

Special Advisor and Founder	Hiroshi Taguchi

Financial Analysis

The MISUMI Group comprises the MISUMI Group Inc., 45 consolidated subsidiaries, 1 non-consolidated subsidiary and 2 affiliates. We categorize our business into three segments: Factory Automation Businesses; Die Components Businesses; and VONA Business.

Results Overview

During the consolidated fiscal year under review, as economic indicators such as consumer spending, corporate earnings, and employment showed steady improvement, the Japanese economy continued to experience a gradual recovery despite taking a hit from factors such as the normalization of monetary policy in the United States and slowdowns in growth among China and other emerging economies. The United States economy continued to realize a solid recovery as personal consumption and capital investments increased. Europe experienced a gradual economic recovery despite concerns over the unemployment rate, geopolitical risks, and other issues. In China, the pace of economic expansion slowed. The ASEAN economies continued to show signs of weakening, although there were signs of improvements in some areas.

Under these circumstances, the MISUMI group of companies endeavored to grow earnings while we maintained high on-time delivery rates and pursued high quality, low prices and reliably short delivery times. In addition, we implemented our online strategy and bolstered competitiveness by leveraging the e-catalogs and Web Ordering Systems introduced inside and outside Japan to address customers' potential needs to reduce the time and effort required to design and order. Furthermore, as we expand overseas we have promoted local production and procurement aimed at achieving optimal sourcing and endeavored to strengthen our global supply chain capable of sure-and-quick delivery. As a result of these initiatives, our FA Businesses converted growing demand from the automotive and electronics (particularly smartphones) industries into brisk sales. Additionally, the VONA Business added more third party brands and customer accounts. These factors combined to drive growth in overall consolidated sales.

As a result, consolidated net sales increased ¥31,577 million (15.1%) from a year earlier to ¥240,140 million. Operating income was ¥25,691 million, up ¥1,932 million (8.1%), and ordinary income was ¥25,119 million, up ¥1,767 million (7.6%). Net income attributable to owners of parent hit a record ¥16,908 million, up ¥2,616 million (18.3%).

Net Sales

During the consolidated fiscal year under review, consolidated net sales increased ¥31,577 million (15.1%) year-on-year to ¥240,140 million, marking a record high for the company. This performance was due to continued year-on-year sales growth in all three segments—FA Businesses, Die Components Businesses and VONA Business.

Cost of Sales and Selling, General & Administrative Expenses

The cost of sales was ¥139,096 million (up ¥18,399 million or 15.2%). Gross profit hit a record ¥101,044 million, up ¥13,178 million (15.0%). Selling, general & administrative (SG&A) expenses were ¥75,353 million (up ¥11,246 million, or 17.5%). SG&A expenses amounted to 31.4% of sales, compared to 30.7% last year. As a result, operating income was ¥25,691 million (up ¥1,932 million, or 8.1%), a record high. Operating margin was 10.7%, compared to 11.4% in the previous year.

Other Profits and Losses

Non-operating losses exceeded profits by ¥572 million. As a result, ordinary income was ¥25,119 million (up ¥1,767 million, or 7.6%). Ordinary margin was 10.5%, compared to 11.2% marked last year. Extraordinary losses exceeded gains by ¥116 million. Pretax income was ¥25,004 million (up ¥2,061 million, or 9.0%).

Net Income Attributable to Owners of Parent

Net income attributable to owners of parent was ¥16,908 million (up ¥2,616 million, or 18.3%). Net income as a percentage of sales was 7.1%, compared to 6.9% marked last year. Earnings per share were ¥61.65, compared to ¥52.28 in the previous year.

Shareholder Return Policy

Dividend Policy

The MISUMI Group basic shareholder return policy is to increase the return to shareholders while maintaining sustainable high business growth, profitability and capital efficiency. Our specific shareholder return policy is to conduct a comprehensive review that takes into account the expansion of investments and operations, strengthening of our balance sheet, improving capital efficiency, and other factors for the purpose of company value growth. As for dividends, effective beginning with the FY2011 year-end dividend, we have applied a dividend payout ratio of 25%. We maintained the 25% payout ratio this year as well.

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 distributions at our Annual General Meeting of Shareholders.

In consideration of the policies described above, annual dividends were set to ¥15.42 per share. That comprises the sum of a year-end dividend of ¥8.05 per share and an interim dividend of ¥7.37 per share.

As a result, dividend distributions equaled 25.0% of consolidated net income and 3.1% of net assets.

*Effective July 1, 2015, we executed a 3-for-1 stock split.

Business Performance by Business Segment

FA Businesses

As demand for sure-and-quick delivery of FA parts is expanding globally, the MISUMI model continued to gradually penetrate international markets. We also realized growth in sales, mainly in Japan and China, as automotive and electronics industries actively pursued new automation in their operations. As a result of these factors, the net sales of our FA Businesses were ¥109,654 million (up 10.7% from a year earlier). Operating income was ¥18,757 million (up 11.5% from a year earlier).

Die Components Businesses

Reflecting an expansion in sales, mainly in China and Europe, brought about by rising sales in the automotive industry, in which this segment's major customers operate, net sales of our Die Components Businesses jumped to ¥69,732 million (up 7.7% from a year earlier). As a result of increased expenses incurred from expanding overseas operations, operating income was ¥3,464 million (down 19.0% from a year earlier).

VONA Business

Our VONA Business focuses on distributing products including both third-party brands and original MISUMI-branded parts related to production equipment, manufacturing sub-materials, and MRO (consumables). We have actively promoted an expansion in sales by continuing to increase the number of makers carried on VONA, allowing us to leverage the largest lineup of indirect production materials. Furthermore, we have greatly increased the number of customers who use our website by renovating our e-catalogs, commerce sites for production materials that supports manufacturing, to better meet customer needs. As a result of these initiatives, VONA sales were ¥60,474 million (up 25.3% from a year earlier). Operating incomes was ¥3,652 million, up ¥745 million (25.6%) from a year earlier.

Liquidity and Capital Reserves

Financial Policy

While pursuing strong growth, the MISUMI Group also strives to maintain ample liquidity and a sound balance sheet. To achieve steady growth over the medium- to long-term, it is essential we sustain efforts to raise the bar of MISUMI Excellence on both the front end (customer service) and the back end (supplier relations). 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

At the end of the fiscal year under review, consolidated cash and cash equivalents amount to ¥39,205 million, an increase of ¥1,938 million compared to the previous year-end.

Cash flows from operating activities were a positive ¥16,714 million, up ¥5,406 million compared to the previous year.

A breakdown of cash flows from operating activities is as follows. Pretax income was ¥25,004 million. Depreciation and amortization costs were ¥6,029 million. Goodwill amortization costs were ¥1,893 million. Provisions for bonuses increased ¥967 million. Trade accounts receivable increased ¥6,344 million. Inventories increased ¥1,916 million. Trade accounts payable increased ¥1,586 million. Corporate income tax payments were ¥10,524 million.

Cash flows from investing activities were a negative ¥9,470 million, as net outlays increased ¥2,021 million compared to the previous year. A breakdown of cash flows from investing activities is as follows. Income from the sale and redemption of securities was ¥1,600 million. Outlays from the acquisition of fixed assets were ¥9,126 million. Outlays for deposits into time deposit accounts were ¥24,597 million, and income from withdrawals from time deposit accounts was ¥24,349 million.

Cash flows from financing activities were a negative ¥3,582 million, as net outflows increased ¥128 million compared to the previous year. A breakdown of cash flows from financing activities is as follows. Income from the issuance of new shares of stock was ¥263 million. Payments of dividends amounted to ¥3,685 million.

Assets

Total assets as of the end of the fiscal year under review were ¥194,186 million (up ¥9,402 million, or 5.1% compared to the previous year-end). Current assets were ¥140,795 million (up ¥9,000 million or 6.8%). This is mainly due to an increase in cash and deposits of ¥1,287 million (up 2.5%), an increase in notes receivable and trade accounts receivable of ¥5,327 million (up 12.1%), and an increase in goods and products of ¥1,524 million (up 7.2%). Fixed assets were ¥53,391 million (up ¥401 million, or 0.8%). Tangible fixed assets were ¥29,181 million (up ¥1,242 million, or 4.4%). This is mainly due to an increase in capital equipment resulting from the launch of a new manufacturing plant. Intangible fixed assets were ¥19,715 million (down ¥888 million, or 4.3%). Investments and other assets were ¥4,496 million (up ¥48 million, or 1.1%).

Liabilities

Total liabilities were ¥51,853 million (down ¥47 million, or 0.1%, compared to the previous year-end). Current liabilities were ¥31,586 million (up ¥881 million, or 2.9%). This is mainly due to an increase in trade notes, trade accounts payable and accrued bonuses. Additionally, long-term liabilities were ¥20,267 million (down ¥928 million, or 4.4%).

As a result, the current ratio was 4.5 times, sustaining a high degree of stability.

Equity

Total net assets were ¥142,333 million (up ¥9,449 million, or 7.1%, compared to the previous year-end). Shareholders' equity increased ¥13,531 million (10.8%); this is mainly due to an increase in retained earnings of ¥13,223 million (13.1%). Meanwhile, foreign currency translation adjustments and other comprehensive income decreased ¥4,207 million (58.5%).

As a result of the above, the equity ratio was 72.8%, compared to the 71.5% marked at the end of the previous year.

Capital Investments

During the consolidated fiscal year under review, the MISUMI Group implemented capital investments amounting to ¥9,126 million. 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 segments 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 the fiscal year under review were ¥1,336 million. The relevant business units are responsible for their research and development activities.

The Factory Automation Businesses spent ¥1,119 million to develop new products and enhance productivity. The Die Components Business spent ¥218 million to expand the high-precision and high-value-added products business and to enhance productivity.

Business and Other Risks

Material risks that may significantly affect the business and financial situations of the MISUMI Group are as follows.

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

Effect of Trends in Certain Markets on Business Results: In the FA Businesses and Die Components Business, the MISUMI Group primarily manufactures and sells products and goods to customers in the automotive and electronics (including liquid crystal panels and semiconductors) industries. Furthermore, in the VONA Business, the MISUMI Group sells indirect production equipment, including third-party brands and original MISUMI-branded parts related to production equipment, to a wide range of customers in the manufacturing industry. Thus, production and capital investment trends in these industries, as well as in the manufacturing industry in general, may impact the business performance of the MISUMI Group.

Overseas Business: The MISUMI Group is actively pursuing business expansion overseas by strengthening regional business entities in China, Asia, Europe, and the Americas. Political and economic changes in these areas may have a significant impact on regional 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.

Quality Control: The MISUMI Group manufactures and sells a diverse range of products and goods used in a wide range of fields. As such, in the event of a product defect or a violation of a regulation (including regulations relating to the presence of hazardous constituents as well as restrictions on imports and exports), the MISUMI Group may potentially experience economic damages and/or losses of credibility, such as through product recalls, product discontinuations or various expenses and fees.

Customer Information Management: The MISUMI Group handles a considerable amount of customer information by conducting sales through both e-catalogs via the Internet and through paper catalogs. Any information leaks could greatly impair trust in and cause economic losses for the MISUMI Group.

Natural Disasters: Large earthquakes or other natural disasters could disrupt production or 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, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	**¥ 39,205**	¥ 37,267	**$ 347,930**
Time deposits (Note 14)	**13,687**	14,337	**121,465**
Marketable securities (Notes 4 and 14)		1,605	
Receivables:			
Trade notes (Note 14)	**8,545**	6,771	**75,838**
Trade accounts (Note 14)	**40,828**	37,275	**362,335**
Other	**1,019**	918	**9,044**
Allowance for doubtful receivables	**(257)**	(247)	**(2,281)**
Inventories (Note 5)	**30,059**	28,377	**266,770**
Deferred tax assets (Note 11)	**2,604**	2,341	**23,110**
Other	**5,105**	3,151	**45,302**
Total current assets	**140,795**	131,795	**1,249,513**
PROPERTY, PLANT AND EQUIPMENT (Note 21)**:**			
Land	**3,726**	3,811	**33,063**
Buildings and structures	**17,409**	17,816	**154,498**
Machinery and vehicles	**23,271**	21,999	**206,526**
Other	**8,197**	6,583	**72,749**
Total	**52,603**	50,209	**466,836**
Accumulated depreciation and impairment loss	**(23,422)**	(22,270)	**(207,864)**
Net property, plant and equipment	**29,181**	27,939	**258,972**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	**28**	6	**245**
Investments in unconsolidated subsidiaries and associated companies	**195**	151	**1,732**
Software	**6,160**	4,335	**54,665**
Goodwill (Notes 2.x and 21)	**3,457**	5,345	**30,685**
Deferred tax assets (Note 11)	**1,887**	1,940	**16,745**
Other assets	**12,483**	13,274	**110,787**
Total investments and other assets	**24,210**	25,051	**214,859**
TOTAL	**¥194,186**	¥184,785	**$1,723,344**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Payables:			
Trade notes and accounts (Note 14)	**¥ 14,414**	¥ 12,878	**$ 127,920**
Accounts payable—other	**5,951**	6,579	**52,817**
Income taxes payable (Note 11)	**3,848**	4,460	**34,146**
Accrued bonuses (Note 2.n)	**2,694**	1,775	**23,905**
Other	**4,679**	5,013	**41,526**
Total current liabilities	**31,586**	30,705	**280,314**
LONG-TERM LIABILITIES:			
Bonds with subscription rights to shares (Notes 7 and 14)	**11,268**	12,017	**100,000**
Liability for retirement benefits (Note 8)	**3,993**	3,539	**35,436**
Deferred tax liabilities (Note 11)	**3,462**	4,008	**30,727**
Other	**1,544**	1,632	**13,705**
Total long-term liabilities	**20,267**	21,196	**179,868**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Notes 9, 10, 17, 18 and 20)**:**			
Common stock—authorized, 1,020,000,000 shares in 2016 and 2015; issued, 274,606,752 shares in 2016 and 274,178,352 shares in 2015	**6,997**	6,841	**62,094**
Capital surplus	**17,385**	17,229	**154,291**
Stock acquisition rights	**342**	229	**3,041**
Retained earnings	**114,170**	100,947	**1,013,221**
Treasury stock—at cost, 128,812 shares in 2016 and 126,993 shares in 2015	**(76)**	(73)	**(676)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	**(6)**	8	**(54)**
Foreign currency translation adjustments	**3,065**	7,230	**27,201**
Defined retirement benefit plans	**(72)**	(44)	**(640)**
Non-controlling interests	**528**	517	**4,684**
Total equity	**142,333**	132,884	**1,263,162**
TOTAL	**¥194,186**	¥184,785	**$1,723,344**

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The number of shares of common stock is adjusted to reflect the stock split.

Consolidated Statement of Income

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	**2016**
NET SALES (Note 21)	**¥240,140**	¥208,563	¥173,904	**$2,131,167**
COST OF SALES	**139,096**	120,697	99,478	**1,234,436**
Gross profit	**101,044**	87,866	74,426	**896,731**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	**75,353**	64,107	55,437	**668,732**
Operating income (Note 21)	**25,691**	23,759	18,989	**227,999**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**253**	243	208	**2,246**
Interest expense	**(3)**	(8)	(9)	**(28)**
Exchange loss—net	**(912)**	(169)	(272)	**(8,090)**
Impairment loss (Notes 6 and 21)		(409)	(109)	
Gain on liquidation of subsidiaries and affiliates			105	
Gain on reversal of foreign currency translation adjustments resulting from liquidation of a foreign subsidiary	**110**			**972**
Relocation expenses			(201)	
Donation to promotion of management talent cultivation		(500)		
Loss on business restructuring	**(225)**			**(2,001)**
Other—net	**90**	27	253	**800**
Other expenses—net	**(687)**	(816)	(25)	**(6,101)**
INCOME BEFORE INCOME TAXES	**25,004**	22,943	18,964	**221,898**
INCOME TAXES (Note 11)**:**				
Current	**8,858**	8,507	7,689	**78,613**
Deferred	**(805)**	128	(412)	**(7,145)**
Total income taxes	**8,053**	8,635	7,277	**71,468**
NET INCOME	**16,951**	14,308	11,687	**150,430**
NET INCOME ATTRIBUTABLE TO: Non-controlling interests	**43**	16	8	**381**
Owners of parent	**¥ 16,908**	¥ 14,292	¥ 11,679	**$ 150,049**

	Yen			U.S. Dollars
	2016	2015	2014	**2016**
PER SHARE OF COMMON STOCK (Notes 2.v, 9, 17 and 20)**:**				
Net income	**¥61.65**	¥52.28	¥42.94	**$0.55**
Diluted net income	**57.94**	52.10	42.77	**0.51**
Cash dividends applicable to the year	**15.42**	13.05	10.72	**0.14**

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The amounts of net income per share and diluted net income per share are calculated on the assumption that the stock split had been conducted on April 1, 2013, and the amounts of cash dividends applicable to the year are adjusted to reflect the stock split.

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	**2016**
NET INCOME	**¥16,951**	¥14,308	¥11,687	**$150,430**
OTHER COMPREHENSIVE INCOME(LOSS) (Note 16):				
Unrealized gain (loss) on available-for-sale securities	**(14)**	(4)	(9)	**(124)**
Foreign currency translation adjustments	**(4,193)**	4,305	3,272	**(37,207)**
Defined retirement benefit plans	**(28)**	12		**(250)**
Share of other comprehensive income(loss) in associates	**(4)**	5	2	**(38)**
Total other comprehensive income(loss)	**(4,239)**	4,318	3,265	**(37,619)**
COMPREHENSIVE INCOME (Note 16)	**¥12,712**	¥18,626	¥14,952	**$112,811**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16)**:**				
Owners of the parent	**¥12,701**	¥18,592	¥14,932	**$112,712**
Non-controlling interests	**11**	34	20	**99**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2016

	Thousands	Millions of Yen									
								Accumulated other comprehensive income			
	Issued Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Non-controlling Interests	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2013	272,778	¥6,316	¥16,449	¥351	¥265	¥ 81,506	¥(943)	¥21	¥(334)		¥103,631
Net income attributable to owners of parent						11,679					11,679
Cash dividends, ¥10.96 per share						(2,976)					(2,976)
Changes in scope of consolidation						(204)					(204)
Increase in treasury stock (2,040 shares)							(2)				(2)
Disposal of treasury stock (1,547,802 shares)			256				873				1,129
Exercise of stock acquisition rights (Notes 10 and 18)	172	59	59								118
Net change in the year				(79)	75			(9)	3,272	¥(56)	3,203
BALANCE, MARCH 31, 2014	272,950	6,375	16,764	272	340	90,005	(72)	12	2,938	(56)	116,578
Cumulative effect of accounting change						(32)					(32)
RESTATED BALANCE, APRIL 1, 2014	272,950	6,375	16,764	272	340	89,973	(72)	12	2,938	(56)	116,546
Net income attributable to owners of parent						14,292					14,292
Cash dividends, ¥12.14 per share						(3,318)					(3,318)
Increase in treasury stock (1,158 shares)							(1)				(1)
Exercise of stock acquisition rights (Notes 10 and 18)	1,228	466	465								931
Net change in the year				(43)	177			(4)	4,292	12	4,434
BALANCE, MARCH 31, 2015	274,178	6,841	17,229	229	517	100,947	(73)	8	7,230	(44)	132,884
Cumulative effect of accounting change											
RESTATED BALANCE, APRIL 1, 2015	274,178	6,841	17,229	229	517	100,947	(73)	8	7,230	(44)	132,884
Net income attributable to owners of parent						**16,908**					**16,908**
Cash dividends, ¥13.44 per share						**(3,685)**					**(3,685)**
Increase in treasury stock (1,897 shares)							**(3)**				**(3)**
Disposal of treasury stock (78 shares)			**0**				**0**				**0**
Exercise of stock acquisition rights (Notes 10 and 18)	**429**	**156**	**156**								**312**
Net change in the year				**113**	**11**			**(14)**	**(4,165)**	**(28)**	**(4,083)**
BALANCE, MARCH 31, 2016	**274,607**	**¥6,997**	**¥17,385**	**¥342**	**¥528**	**¥114,170**	**¥ (76)**	**¥(6)**	**¥3,065**	**¥(72)**	**¥142,333**

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The number of shares of common stock and the amount of cash dividends per share are adjusted to reflect the stock split.

	Thousands of U.S. Dollars (Note 1)									
							Accumulated other comprehensive income			
	Common Stock	Capital Surplus	Stock Acquisition Rights	Non-controlling Interests	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2015	$60,710	$152,906	$2,030	$4,586	$ 895,875	$(648)	$70	$64,164	$(390)	$1,179,303
Cumulative effect of accounting change										
RESTATED BALANCE, April 1, 2015	60,710	152,906	2,030	4,586	895,875	(648)	70	64,164	(390)	1,179,303
Net income attributable to owners of parent					**150,049**					**150,049**
Cash dividends, $0.12 per share					**(32,703)**					**(32,703)**
Increase in treasury stock (1,897 shares)						**(28)**				**(28)**
Disposal of treasury stock (78 shares)		**1**				**0**				**1**
Exercise of stock acquisition rights (Notes 10 and 18)	**1,384**	**1,384**								**2,768**
Net change in the year			**1,011**	**98**			**(124)**	**(36,963)**	**(250)**	**(36,228)**
BALANCE, MARCH 31, 2016	**$62,094**	**$154,291**	**$3,041**	**$4,684**	**$1,013,221**	**$(676)**	**$(54)**	**$27,201**	**$(640)**	**$1,263,162**

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The number of shares of common stock and the amount of cash dividends per share are adjusted to reflect the stock split.

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MISUMI Group Inc. and Its Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	**2016**
OPERATING ACTIVITIES:				
Income before income taxes	**¥25,004**	¥22,943	¥18,964	**$221,898**
Adjustments for:				
Income taxes paid	**(10,525)**	(8,730)	(8,779)	**(93,401)**
Income taxes refund	**779**	525	602	**6,912**
Depreciation and amortization	**6,029**	5,426	4,648	**53,506**
Amortization of goodwill	**1,893**	1,673	1,528	**16,798**
Exchange (gain) loss	**(43)**	(514)	(821)	**(381)**
Impairment loss		409	109	
Gain on liquidation of subsidiaries and affiliates			(105)	
Gain on reversal of foreign currency translation adjustments resulting from liquidation of a foreign subsidiary	**(110)**			**(972)**
Loss on business restructuring	**225**			**2,001**
Changes in assets and liabilities:				
(Increase) decrease in receivables	**(6,344)**	(6,841)	(2,944)	**(56,304)**
(Increase) decrease in inventories	**(1,916)**	(4,044)	(1,757)	**(17,006)**
Increase (decrease) in payables	**1,586**	1,756	605	**14,079**
Increase (decrease) in other current liabilities	**(1,338)**	486	1,043	**(11,876)**
Other—net	**1,474**	(1,781)	2,391	**13,078**
Total adjustments	**(8,290)**	(11,635)	(3,480)	**(73,566)**
Net cash provided by operating activities	**16,714**	11,308	15,484	**148,332**
INVESTING ACTIVITIES:				
Proceeds from sales and redemption of marketable securities	**1,600**	2,300	2,600	**14,200**
Purchase of marketable and investment securities			(802)	
Purchase of fixed assets	**(9,126)**	(8,487)	(6,902)	**(80,992)**
Proceeds from sales of fixed assets	**497**			**4,410**
Proceeds from liquidation of subsidiaries and affiliates			282	
Purchase of stocks of subsidiaries and affiliates			(29)	
Refund from time deposits	**24,349**	25,341	5,027	**216,089**
Payment into time deposits	**(24,597)**	(24,439)	(13,586)	**(218,292)**
Payment of loans receivable		(100)		
Other—net (Note 19)	**(2,193)**	(2,064)	(5,690)	**(19,462)**
Net cash used in investing activities	**(9,470)**	(7,449)	(19,100)	**(84,047)**
FINANCING ACTIVITIES:				
Proceeds from issuance of bonds with subscription rights to shares			9,807	
Repayments of long-term loans payable	**(46)**			**(406)**
Increase (decrease) in short-term bank loans—net	**(111)**	(900)	(100)	**(984)**
Proceeds from issuance of stock	**263**	765	101	**2,331**
Acquisition of treasury stock	**(3)**	(1)	(2)	**(28)**
Proceeds from disposal of treasury stock	**0**		965	**1**
Dividends paid	**(3,685)**	(3,318)	(2,976)	**(32,703)**
Net cash provided by (used in) financing activities	**(3,582)**	(3,454)	7,795	**(31,789)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(1,724)**	2,609	2,049	**(15,300)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,938**	3,014	6,228	**17,196**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**37,267**	34,253	28,069	**330,734**
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION			(44)	
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥39,205**	¥37,267	¥34,253	**$347,930**

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.

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 2014 and 2015 financial statements to conform them to the classifications used in 2016.

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 translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.68 to $1, the rate of exchange at March 31, 2016. Such translations 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, 2016 include the accounts of the Company and its 45 (46 as of March 31, 2015) subsidiaries (together, the "Group").

Under the control and influence concepts, 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.

One subsidiary, WUXI PARTS SEIKO PRECISION IND CO., LTD., is not consolidated in 2016 because it would have an immaterial effect on the accompanying consolidated financial statements. Investments in two associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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 that (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 four 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; and (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.

c. *Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method*—In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; and (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.

d. *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.

e. ***Inventories***—Merchandise and material are principally stated at cost determined by moving average method (balance sheets amounts are written down on the basis of any decreased profitability). Finished goods, work in progress and supplies are principally stated at cost determined by the periodic average method (balance sheets amounts are written down on the basis of any decreased profitability), except catalogues that are stated at cost by the last purchase method.

f. ***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.

g. ***Allowance for Doubtful Accounts***—To provide for credit loss, provisions are made for doubtful accounts based on an estimate of the uncollectible amount calculated using historical default rate for normal loans or a reasonable estimate based on the financial condition of individual borrowers for doubtful and default loans.

h. ***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 and 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	2 to 45 years
Machineries and vehicles	2 to 12 years

i. ***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.

j. ***Other Assets***—Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method over 5 to 15 years for intangible assets and 5 years for goodwill.

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

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

m. ***Retirement Plan***—The Company and consolidated subsidiaries have funded/non-funded defined benefit plans for payments to terminated employees. In addition, the Company and certain consolidated subsidiaries have an employees' pension fund.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are charged to income as incurred, whereas they are amortized over ten years for those incurred in certain consolidated subsidiaries.

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," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above effective April 1, 2014.

With respect to (c) above, the Company changed the method of calculating retirement benefit obligations and current service cost, the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining discount rate to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. The effects of this change on liability for retirement benefits and retained earnings as of April 1, 2014 were immaterial. The effects on operating income and income before income taxes and non-controlling interests for the year ended March 31, 2015 were immaterial.

n. 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.

o. Asset Retirement Obligations—In March 2008, the ASBJ issued 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.

p. 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.

q. 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.

All leases are accounted for as operating leases.

r. 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.

s. 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.

t. 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.

u. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into yen at the average exchange rate.

v. 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, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if stock option rights were exercised.

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, retroactively adjusted for stock splits.

On July 1, 2015, the Company executed a three-for-one stock split by way of a free share distribution based on the resolution of the

Board of Directors meeting held on May 14, 2015. All prior year share and per share figures have been restated to reflect the impact of the stock split, and to provide data on a basis comparable to the year ended March 31, 2016. Such restatements include calculations regarding the Company's weighted-average number of common shares, basic net income per share, diluted net income per share, stock option data of the Company's common stock, and cash dividends per share.

w. *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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation
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.

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."

In December 2008, the ASBJ issued a revised 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 previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (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 Connell Industrial Tool Corporation, the holding company that wholly owns Dayton Progress Corporation and Anchor Lamina America, Inc. ("Dayton Lamina") on November 6, 2012 and accounted for the acquisition by the purchase method of accounting. The related goodwill is systematically amortized over 5 years.

3. CHANGE IN ACCOUNTING POLICY

In September 2013, the ASBJ issued ASBJ Statement No. 21, "Accounting Standard for Business Combinations" ("Business Combinations Standard"), ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements" ("Consolidation Accounting Standard"), and ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" ("Business Divestitures Standard") and other pronouncements.

The Group has applied these standards from the current fiscal year. Under these accounting standards, the Company records the difference caused by changes in the Company's equity shares in subsidiaries that it continues to control as capital surplus and records acquisition-related expenses as expense during the fiscal year in which the expenses were incurred. With regard to business combinations conducted from the beginning of the current fiscal year, the Company has changed its accounting method to reflect the revised allocation of acquisition costs arising from settlement of provisional accounting treatment in the consolidated financial statements for the year in which the business combination occurs. In addition, the Company has changed the presentation of net income and other related items, and the presentation of "minority interests" to "non-controlling interests." To reflect this change in presentation, a reclassification of accounts has been made to the consolidated financial statements for the year ended March 31, 2015 and 2014.

The Group has adopted the Business Combinations Standard and other standards from the beginning of the current fiscal year in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Business Combinations Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Standard.

These changes have no impact on the consolidated financial statements and per share information for the current fiscal year.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Current:			
Corporate and public bonds		¥1,605	
Total		¥1,605	
Non-current:			
Equity securities	**¥28**	¥ 6	**$245**
Total	**¥28**	¥ 6	**$245**

The costs and aggregate fair values of marketable and investment securities at March 31, 2016 and 2015 were as follows:

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:				
Equity securities	**¥ 38**		**¥ 16**	**¥ 22**
Debt securities				

	Millions of Yen			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:				
Equity securities				
Debt securities	¥1,600	¥5		¥1,605

	Thousands of U.S. Dollars			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:				
Equity securities	**$ 340**		**$150**	**$190**
Debt securities				

5. INVENTORIES

Inventories at March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Merchandise	**¥22,312**	¥20,782	**$198,013**
Finished goods	**394**	400	**3,497**
Materials	**3,932**	3,960	**34,896**
Supplies	**1,527**	1,289	**13,550**
Work in process	**1,894**	1,946	**16,814**
Total	**¥30,059**	¥28,377	**$266,770**

6. LONG-LIVED ASSETS

For the year ended March 31, 2016, there was no impairment loss recognized.

For the year ended March 31, 2015, the Group recognized an impairment loss of ¥409 million as other expense for the idle assets of Ho Chi Minh city, Vietnam, Iwaki city, Fukushima prefecture, and Tokyo. As a result of consideration of future collectability, the carrying amounts for the relevant assets were written down to the recoverable values and the decreased amounts were recorded as an impairment loss. The details are ¥259 million for machinery and vehicles, ¥58 million for land, and ¥92 million for software. The recoverable values of the assets were measured by their net sales values. The net sales value is measured based on the contract sales price for assets to be sold and disposal price for assets to be disposed.

For the year ended March 31, 2014, the Group recognized an impairment loss of ¥109 million as other expense for the business assets of Thane, India. As a result of consideration of future collectability, the carrying amount for the assets group was recorded as an impairment loss. The details are ¥87 million for machinery and vehicles, ¥15 million for tools, furniture and fixtures, ¥6 million for buildings and structures, and ¥1 million for software.

7. LONG-TERM DEBT

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
USD100,000,000 zero-coupon convertible bonds due 2018	**¥11,268**	¥12,017	**$100,000**
Total	**11,268**	12,017	**100,000**
Less current portion			
Long-term debt, less current portion	**¥11,268**	¥12,017	**$100,000**

Annual maturities of long-term debt as of March 31, 2016, for the next five years and thereafter were as follows:

	2016	
Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017		
2018		
2019	**¥11,268**	**$100,000**
2020		
2021 and thereafter		
Total	**¥11,268**	**$100,000**

Under specific conditions, the convertible debentures outstanding at March 31, 2016, are convertible into 8,157 thousand shares of common stock of the Company through October 8, 2018 at $12.26 per share. The conversion prices of the convertible debentures are subject to adjustments in certain circumstances.

8. RETIREMENT PLANS

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 funded/non-funded defined benefit plans for payments to terminated employees. In addition, the Company and certain consolidated subsidiaries have an employees' pension fund.

The Company and some subsidiaries participate in a multi-employer plan (including the contracted-out portion) for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Company. Therefore, it is accounted for using the same method as a defined contribution plan.

The Social Welfare Pension Fund of Nippon Sheet Metal Presswork (the "Fund") that the Company and certain consolidated domestic subsidiaries have joined would request an increased burden on members, such as through increased member contributions, for its survival following recent changes in Employees' Pension Insurance Act. Based on the conclusion that it is difficult to continue its operation, ordinary dissolution of the fund was resolved at a meeting of the board members of the fund on August 4, 2014. Procedures for the dissolution will proceed in the near future.

a. Defined benefit plan

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year	**¥4,670**	¥4,072	**$41,447**
Cumulative effect of accounting change		46	
Restated balance at beginning of year	**4,670**	4,118	**41,447**
Current service cost	**712**	645	**6,322**
Interest cost	**29**	27	**260**
Actuarial losses	**109**	69	**966**
Benefits paid	**(233)**	(220)	**(2,074)**
Others	**(25)**	31	**(227)**
Balance at end of year	**¥5,262**	¥4,670	**$46,694**

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year	**¥1,131**	¥ 976	**$10,044**
Expected return on plan assets	**18**	16	**164**
Actuarial losses	**(4)**	(0)	**(40)**
Contributions from the employer	**200**	179	**1,772**
Benefits paid	**(57)**	(57)	**(507)**
Others	**(19)**	17	**(175)**
Balance at end of year	**¥1,269**	¥1,131	**$11,258**

(3) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Funded defined benefit obligation	**¥1,553**	¥1,413	**$13,780**
Plan assets	**(1,269)**	(1,131)	**(11,258)**
	284	282	**2,522**
Unfunded defined benefit obligation	**3,709**	3,257	**32,914**
Net liability for defined benefit obligation	**¥3,993**	¥3,539	**$35,436**

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Liability for retirement benefits	**¥3,993**	¥3,539	**$35,436**
Asset for retirement benefits			
Net liability for defined benefit obligation	**¥3,993**	¥3,539	**$35,436**

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Service cost	**¥712**	¥645	**$6,322**
Interest cost	**29**	27	**260**
Expected return on plan assets	**(18)**	(16)	**(164)**
Recognized actuarial losses	**70**	91	**622**
Others	**(6)**	13	**(53)**
Net periodic benefit costs	**¥787**	¥760	**$6,987**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Actuarial differences	**¥(43)**	¥22	**$(385)**
Total	**¥(43)**	¥22	**$(385)**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrecognized actuarial differences	**¥111**	¥68	**$985**
Total	**¥111**	¥68	**$985**

(7) Plan assets as of March 31, 2016 and 2015
(a) Components of plan assets
Plan assets consisted of the following:

	2016	2015
Cash and cash equivalents	**21%**	18%
General accounts	**76**	78
Others	**3**	4
Total	**100%**	100%

(b) Method of determining the expected rate of return on plan assets
The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the year ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	**0.33% — 0.50%**	0.50% — 1.10%
Expected rate of return on plan assets	**2.11%**	1.64%

b. Multiple employers plan

The amounts required to be contributed to the Social Welfare Pension Fund, which is accounted for in the same way as the defined contribution plan for the years ended March 31, 2016 and 2015, are ¥292 million ($2,590 thousand) and ¥251 million, respectively.

Funding status of the Social Welfare Pension Fund of Nippon Sheet Metal Presswork as of March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Plan assets	¥76,331	¥ 69,619	$677,413
Total of actuarial obligation and minimum actuarial reserve	85,613	82,795	759,792
Difference	¥ (9,282)	¥(13,176)	$ (82,379)

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

	2015	2014
Percentage of the Group's contributions to the total plan	11.34%	10.19%

As of March 31, 2015 and 2014, 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 of ¥10,581 million ($93,906 thousand) and carryforward surplus of ¥1,299 million ($11,527 thousand); and a past service liability from the pension benefit calculation of ¥10,993 million and carry forward deficit of ¥2,183 million, respectively. The past service liability is amortized on a straight-line basis over a period of 14 years and 15 years, respectively.

9. EQUITY

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 a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation.

The Companies Act permits companies to distribute dividends-in-kind (non cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

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 aggregate amount of the earned legal reserve and additional paid-in capital equals 25% of the common stock. The Companies Act also provides that common stock, an 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.

On July 1, 2015, the Company executed a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on May 14, 2015.

10. STOCK OPTIONS

Information related to the stock options for the year ended March 31, 2016 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option (1)	8 directors	1,320,000 shares	2008.7.11	¥691 ($6.13)	From August 1, 2010 to July 31, 2015
2008 Stock Option (2)	21 employees of the Group	312,000 shares	2008.12.8	¥526 ($4.67)	From January 1, 2011 to December 31, 2016
2009 Stock Option (1)	7 directors	1,458,000 shares	2009.7.10	¥478 ($4.24)	From August 1, 2011 to July 31, 2016
2010 Stock Option (1)	6 directors	1,560,000 shares	2010.7.2	¥609 ($5.40)	From August 1, 2012 to July 31, 2018
2010 Stock Option (2)	38 employees of the Group	465,000 shares	2010.7.2	¥609 ($5.40)	From August 1, 2012 to July 31, 2018
2012 Stock Option (1)	6 directors	1,440,000 shares	2012.7.3	¥631 ($5.60)	From August 1, 2014 to July 31, 2021
2012 Stock Option (2)	33 employees of the Group	375,000 shares	2012.7.3	¥631 ($5.60)	From August 1, 2014 to July 31, 2021
2014 Stock Option (1)	5 directors	39,000 shares	2014.11.7	¥1 ($0.01)	From November 8, 2014 to November 7, 2044
2014 Stock Option (2)	4 directors	133,800 shares	2014.11.7	¥1 ($0.01)	From November 7, 2017 to November 6, 2024
2014 Stock Option (3)	58 employees of the Group	117,300 shares	2014.11.7	¥1 ($0.01)	From November 7, 2017 to November 6, 2024
2016 Stock Option (1)	5 directors	31,400 shares	2016.2.25	¥1 ($0.01)	From February 26, 2016 to February 25, 2046
2016 Stock Option (2)	5 directors	170,500 shares	2016.2.25	¥1 ($0.01)	From February 25, 2019 to February 24, 2026
2016 Stock Option (3)	69 employees the Group	135,400 shares	2016.2.25	¥1 ($0.01)	From February 25 2019 to February 24, 2026

(Note) The number of shares is adjusted to reflect a three-for-one stock split executed effective July 1, 2015.

The stock option activity is as follows:

	2008 Stock Option (1)	2008 Stock Option (2)	2009 Stock Option (1)	2010 Stock Option (1)	2010 Stock Option (2)	2012 Stock Option (1)	2012 Stock Option (2)
				(Shares)			
For the Year Ended March 31, 2015							
Non-vested:							
March 31, 2014—outstanding						1,320,000	291,000
Granted							
Canceled							
Vested						1,320,000	291,000
March 31, 2015—outstanding							
Vested:							
March 31, 2014—outstanding	90,000	2,400	156,600	337,500	83,400		
Vested						1,320,000	291,000
Exercised	15,000		95,100	19,500	38,400	822,000	138,000
Canceled							9,000
March 31, 2015—outstanding	75,000	2,400	61,500	318,000	45,000	498,000	144,000
For the Year Ended March 31, 2016							
Non-vested:							
March 31, 2015—outstanding							
Granted							
Canceled							
Vested							
March 31, 2016—outstanding							
Vested:							
March 31, 2015—outstanding	**75,000**	**2,400**	**61,500**	**318,000**	**45,000**	**498,000**	**144,000**
Vested							
Exercised	**75,000**	**2,400**	**49,800**	**153,900**	**21,000**	**74,400**	**51,900**
Canceled							
March 31, 2016—outstanding			**11,700**	**164,100**	**24,000**	**423,600**	**92,100**

				Yen (U.S. Dollars)			
Exercise price	**¥691 ($6.13)**	**¥526 ($4.67)**	**¥478 ($4.24)**	**¥609 ($5.40)**	**¥609 ($5.40)**	**¥631 ($5.60)**	**¥631 ($5.60)**
Fair value price at grant date	**¥ 95 ($0.84)**	**¥ 29 ($0.26)**	**¥ 90 ($0.80)**	**¥110 ($0.98)**	**¥110 ($0.98)**	**¥141 ($1.25)**	**¥141 ($1.25)**

	2014 Stock Option (1)	2014 Stock Option (2)	2014 Stock Option (3)	2016 Stock Option (1)	2016 Stock Option (2)	2016 Stock Option (3)
	(Shares)					
For the Year Ended March 31, 2015						
Non-vested:						
March 31, 2014—outstanding						
Granted	39,000	133,800	117,300			
Canceled						
Vested	39,000					
March 31, 2015—outstanding		133,800	117,300			
Vested:						
March 31, 2014—outstanding						
Vested	39,000					
Exercised						
Canceled						
March 31, 2015—outstanding	39,000					
For the Year Ended March 31, 2016						
Non-vested:						
March 31, 2015—outstanding		**133,800**	**117,300**			
Granted				**31,400**	**170,500**	**135,400**
Canceled			**5,700**			
Vested				**31,400**		
March 31, 2016—outstanding		**133,800**	**111,600**		**170,500**	**135,400**
Vested:						
March 31, 2015—outstanding	**39,000**					
Vested				**31,400**		
Exercised						
Canceled						
March 31, 2016—outstanding	**39,000**			**31,400**		

	Yen (U.S. Dollars)					
Exercise price	**¥ 1** **($ 0.01)**	**¥ 1** **($ 0.01)**	**¥ 1** **($ 0.01)**	**¥ 1** **($ 0.01)**	**¥ 1** **($ 0.01)**	**¥ 1** **($ 0.01)**
Fair value price at grant date	**¥1,172** **($10.40)**	**¥1,136** **($10.08)**	**¥1,136** **($10.08)**	**¥1,483** **($13.16)**	**¥1,428** **($12.67)**	**¥1,428** **($12.67)**

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The number of shares, exercise price and fair value price at grant date are adjusted to reflect the stock split.

The Assumptions Used to Measure Fair Value of Stock Options Granted for the Year Ended March 31, 2016

Resolved on February 10, 2016 (Granted on February 25, 2016)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	36.25%
Estimated remaining outstanding period:	2.3 years
Estimated dividend:	¥13.44 per share
Interest rate with risk free:	(0.22)%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from November 2013 to February 2016.
2. Estimated remaining outstanding period is a weighted average of the standard amount of stock option compensation corresponding to each position of the employees and directors, which are specified in the Stock Option Compensation Rule.
3. Estimated dividend is determined based on the actual dividend paid for the last one year.
4. For the risk free interest rate, the Company uses the average compound yield of long-term Japanese government bonds that are due within three months before and after the last day of the estimated remaining outstanding period.

Resolved on February 10, 2016 (Granted on February 25, 2016)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	30.67%
Estimated remaining outstanding period:	6.5 years
Estimated dividend:	¥13.44 per share
Interest rate with risk free:	(0.20)%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from August 2009 to February 2016.
2. Estimated remaining outstanding period is the period from the start of estimation to the middle date of the exercise period.
3. Estimated dividend is determined based on the actual dividend paid for the last one year.
4. For the risk free interest rate, the Company uses the average compound yield of long-term Japanese government bonds that are due within three months before and after the last day of the estimated remaining outstanding period.

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 for measuring the number of future cancellations.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which in the aggregate, resulted in a normal effective statutory tax rate of approximately 33.1% for the year ended March 31, 2016 and approximately 35.6% for the year ended March 31, 2015. However, due to the tax reform as described below, the normal effective statutory tax rate varies in accordance with the years in which the temporary differences will be realized.

For the fiscal years ended March 31, 2017 and 2018: 30.9%
For the fiscal years ended March 31, 2019 and after: 30.6%

Following the enactment at the Diet on March 29, 2016 of the "Act for Partial Revision of the Income Tax Act, etc." and "Act for Partial Revision, etc. of the Local Tax Act, etc.," the statutory effective tax rate used for the calculation of the current fiscal year's deferred tax assets and deferred tax liabilities that will be released from April 1, 2016 and after is revised from the 32.3% rate used for the previous fiscal year to 30.9% for those for which the expected recovery or payment period is April 1, 2016 to March 31, 2018; and 30.6% for those for which the expected recovery or payment period is April 1, 2018 and after.
The effects of this change on the tax rate are immaterial.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Current deferred tax assets:			
Devaluation of inventories	**¥ 859**	¥ 784	**$ 7,624**
Accrued enterprise tax	**206**	213	**1,830**
Accrued bonuses	**622**	352	**5,520**
Unrealized income	**282**	319	**2,499**
Other—net	**667**	727	**5,919**
Subtotal	**2,636**	2,395	**23,392**
Valuation allowance	**(22)**	(45)	**(194)**
Current deferred tax assets	**2,614**	2,350	**23,198**
Current deferred tax liabilities:			
Other—net	**(10)**	(9)	**(88)**
Current deferred tax liabilities	**(10)**	(9)	**(88)**
Net current deferred tax assets	**¥ 2,604**	¥ 2,341	**$ 23,110**
Non-current deferred tax assets:			
Liabilities for retirement benefits	**¥ 1,183**	¥ 1,111	**$ 10,495**
Depreciation	**245**	464	**2,174**
Tax losses carried forward	**1,967**	1,946	**17,456**
Other—net	**704**	827	**6,252**
Subtotal	**4,099**	4,348	**36,377**
Valuation allowance	**(1,838)**	(2,287)	**(16,310)**
Non-current deferred tax assets	**2,261**	2,061	**20,067**
Non-current deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	**(94)**	(106)	**(840)**
Valuation of intangible assets	**(3,009)**	(3,268)	**(26,704)**
Other—net	**(733)**	(755)	**(6,505)**
Non-current deferred tax liabilities	**(3,836)**	(4,129)	**(34,049)**
Net non-current deferred tax assets	**¥(1,575)**	¥(2,068)	**$(13,982)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2016 is not presented because the differences in amounts between them were less than 5% of the statutory tax rate.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2015 is as follows:

	2015
Normal effective statutory tax rate	35.6%
Non-deductible bonuses to directors and corporate auditors	0.5
Expenses not deductible for income tax purposes	0.4
Inhabitant taxes on per capita and other	0.2
Increase in temporary differences not scheduled for income tax purposes	1.4
Amortization of goodwill	2.9
Difference in consolidated subsidiaries' applicable tax rate	(3.3)
Changes in tax rate for income and other taxes	1.3
Special deduction due to tax credits for salary growth	(1.2)
Other – net	(0.2)
Actual effective tax rates	37.6%

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,336 million ($11,858 thousand), ¥782 million and ¥508 million for the years ended March 31, 2016, 2015 and 2014, respectively.

13. LEASES

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

Total rental expense for the years ended March 31, 2016, 2015 and 2014 was ¥3,494 million ($31,006 thousand), ¥3,169 million and ¥2,337 million, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2016 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2016	**2016**
Due within one year	**¥340**	**$3,021**
Due after one year	**433**	**3,839**
Total	**¥773**	**$6,860**

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group conducts planning and selling in its parts business, which consists of "FA," "Die Components," and "VONA." The capital investment plan for ongoing business is principally financed by our own funds. Temporary excess funds are operated by highly rated financial assets and it is our policy not to enter into derivative transactions for speculative purposes. 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

(a) Credit risk (risk of default by the counter parties) management

The Group follows sales management rules and the sales management department monitors customers' credit conditions periodically and manages the due date and balance of 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, 2016 is represented by financial assets, which are exposed to credit risk on the balance sheet.

(b) 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 in foreign currency forward contracts only. The purpose of derivative transactions is limited to hedging actual demand of receivables and payables denominated in foreign currencies. The Group manages derivative risk by mutual supervision and review within the finance department.

(c) Liquidity risk (risk of default in payment at the due dates) management
The finance department prepares and updates its 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) 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 the differences between them for financial instruments as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		
	2016		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**¥ 39,205**	**¥ 39,205**	
Time deposits	**13,687**	**13,687**	
Marketable securities			
Trade notes receivable	**8,545**	**8,545**	
Trade accounts receivable	**40,828**	**40,828**	
Investment securities	**22**	**22**	
Trade notes payable and accounts payable	**(14,414)**	**(14,414)**	
Bonds with subscription rights to shares	**(11,268)**	**(14,065)**	**¥ 2,797**
Derivatives, net	**1,776**	**1,776**	

	Millions of Yen		
	2015		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 37,267	¥ 37,267	
Time deposits	14,337	14,337	
Marketable securities	1,605	1,605	
Trade notes receivable	6,771	6,771	
Trade accounts receivable	37,275	37,275	
Investment securities			
Trade notes payable and accounts payable	(12,878)	(12,878)	
Bonds with subscription rights to shares	(12,017)	(14,408)	¥ 2,391
Derivatives, net	(2,557)	(2,557)	

	Thousands of U.S. Dollars		
	2016		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**$347,930**	**$347,930**	
Time deposits	**121,465**	**121,465**	
Marketable securities			
Trade notes receivable	**75,838**	**75,838**	
Trade accounts receivable	**362,335**	**362,335**	
Investment securities	**190**	**190**	
Trade notes payable and accounts payable	**(127,920)**	**(127,920)**	
Bonds with subscription rights to shares	**(100,000)**	**(124,826)**	**$24,826**
Derivatives, net	**15,766**	**15,766**	

Financial instruments for which fair value is extremely difficult to determine are excluded from the table 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, and time deposits 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 bonds is based on the price at bond markets, or the price presented by counterparty 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.

Bonds with subscription rights to shares
Fair value is based on the price presented by counterparty financial institutions.

Derivatives
Please refer to Note 15. DERIVATIVES.

(b) Financial instruments whose fair value cannot be reliably determined as of March 31, 2016 and 2015

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unlisted stocks	**¥6**	¥6	**$55**

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2016 and 2015

	Millions of yen			
	2016			
	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	**¥ 39,205**			
Time deposits	**13,687**			
Trade notes receivable	**8,545**			
Trade accounts receivable	**40,828**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds				
Corporate bonds				
Total	**¥102,265**			

	Millions of yen			
	2015			
	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	¥ 37,267			
Time deposits	14,337			
Trade notes receivable	6,771			
Trade accounts receivable	37,275			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds	100			
Corporate bonds	1,500			
Total	¥ 97,250			

	Thousands of U.S. Dollars			
	2016			
	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	**$347,930**			
Time deposits	**121,465**			
Trade notes receivable	**75,838**			
Trade accounts receivable	**362,335**			
Marketable and investment securities:				
Available-for-sale securities:				
Bonds:				
Government bonds				
Corporate bonds				
Total	**$907,568**			

(6) The redemption amounts of bonds, long-term debt, lease obligations and other interest bearing liabilities with contractual maturities subsequent to March 31, 2016 and 2015

	Millions of yen			
	2016			
	Due in One Year or Less	Due after One Year Through Five Years	Due after Five Years Through Ten Years	Due after Ten Years
Bonds with subscription rights to shares		**¥11,268**		

	Millions of yen			
	2015			
	Due in One Year or Less	Due after One Year Through Five Years	Due after Five Years Through Ten Years	Due after Ten Years
Bonds with subscription rights to shares		¥12,017		

	Thousands of U.S. Dollars			
	2016			
	Due in One Year or Less	Due after One Year Through Five Years	Due after Five Years Through Ten Years	Due after Ten Years
Bonds with subscription rights to shares		**$100,000**		

15. DERIVATIVES

Derivative transactions to which hedge accounting is not applied at March 31, 2016 and 2015 are as follows:

	2016			
	Millions of Yen			
	Contract Amount	Contract amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	**¥6,492**		**¥(4)**	**¥(4)**
Selling	**¥ 26,653**		**¥1,780**	**¥1,780**

	2015			
	Millions of Yen			
	Contract Amount	Contract amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	¥7,016		¥(124)	¥(124)
Selling	¥ 25,759		¥(2,433)	¥(2,433)

	2016			
	Thousands of U.S. Dollars			
	Contract Amount	Contract amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	**$ 57,613**		**$(32)**	**$(32)**
Selling	**$236,534**		**$15,798**	**$15,798**

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, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	**2016**
Unrealized gain (loss) on available-for-sale securities:				
Gains (losses) arising during the year	**¥ (22)**	¥ (5)	¥ (14)	**$ (193)**
Reclassification adjustments to profit or loss				
Amount before income tax effect	**(22)**	(5)	(14)	**(193)**
Income tax effect	**8**	1	5	**69**
Total	**(14)**	(4)	(9)	**(124)**
Foreign currency translation adjustments:				
Adjustments arising during the year	**(4,083)**	4,305	3,370	**(36,235)**
Reclassification adjustments to profit or loss	**(110)**		(98)	**(972)**
Amount before income tax effect	**(4,193)**	4,305	3,272	**(37,207)**
Income tax effect				
Total	**(4,193)**	4,305	3,272	**(37,207)**
Defined retirement benefit plans:				
Adjustments arising during the year	**(68)**	3		**(609)**
Reclassification adjustments to profit and loss	**25**	19		**224**
Amount before income tax effect	**(43)**	22		**(385)**
Income tax effect	**15**	(10)		**135**
Total	**(28)**	12		**(250)**
Share of other comprehensive income in associates				
Adjustments arising during the year	**(4)**	5	2	**(38)**
Total other comprehensive income	**¥(4,239)**	¥4,318	¥ 3,265	**$(37,619)**

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the years ended March 31, 2016, 2015 and 2014 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2016	Net Income Attributable to Owners of the Parent	Weighted-average Shares	EPS	
Basic EPS— Net income available to common shareholders	**¥16,908**	**274,250**	**¥61.65**	**$0.55**
Effect of dilutive securities—				
Stock options		**781**		
Bonds with subscription rights to shares	**(501)**	**8,157**		
Diluted EPS— Net income for computation	**¥16,407**	**283,188**	**¥57.94**	**$0.51**
Year ended March 31, 2015				
Basic EPS— Net income available to common shareholders	¥14,292	273,390	¥52.28	
Effect of dilutive securities— Stock options		899		
Diluted EPS— Net income for computation	¥14,292	274,289	¥52.10	
Year ended March 31, 2014				
Basic EPS— Net income available to common shareholders	¥11,679	271,982	¥42.94	
Effect of dilutive securities— Stock options		1,100		
Diluted EPS— Net income for computation	¥11,679	273,082	¥42.77	

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The amounts of basic net income per share and diluted net income per share are calculated on the assumption that the stock split had been conducted on April 1, 2013.

18. RELATED PARTY TRANSACTIONS

Related party transactions between the Company and related parties for the years ended March 31, 2016 and 2015 were as follows:

2016

Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount: Millions of Yen	Amount: Thousands of U.S. Dollars
Board member	Ryusei Ono	Director of the Company	(Owned) Direct 0.06	Exercise of stock option (Note)	**¥ 53**	**$473**
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.05	Exercise of stock option (Note)	**¥ 24**	**211**
Board member	Tokuya Ikeguchi	Director of the Company	(Owned) Direct 0.03	Exercise of stock option (Note)	**¥ 47**	**416**

(Note) Decision policy on terms and conditions: Exercise of stock option is based on the contracts when vested.

2015

Category	Name	Occupation	Ownership (Owned) Percentage (%)	Details of Transaction	Amount: Millions of Yen
Board member	Tadashi Saegusa	Director of the Company	(Owned) Direct 0.01	Exercise of stock option (Note 3)	¥303
Board member	Ryusei Ono	Director of the Company	(Owned) Direct 0.05	Exercise of stock option (Note 3)	29
Board member	Masahiko Eguchi	Director of the Company	(Owned) Direct 0.05	Exercise of stock option (Note 3)	68
Board member	Tokuya Ikeguchi	Director of the Company	(Owned) Direct 0.01	Exercise of stock option (Note 3)	40
Board member	Masayuki Takaya (Note 1)	—	—	Exercise of stock option (Note 3)	132
Board member	Hiroshi Fukino (Note 2)	—	—	Exercise of stock option (Note 3)	22

(Notes) 1. Mr. Masayuki Takaya retired on October 31, 2014, and transactions noted above occurred during his term of duty in the year ended March 31, 2015.
2. Mr. Hiroshi Fukino retired on June 13, 2014, and transactions noted above occurred during his term of duty in the year ended March 31, 2015.
3. Decision policy on terms and conditions: Exercise of stock option is based on the contracts when vested.

19. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2016, 2015 and 2014, the difference between exchange receipts and payments from loans to foreign subsidiaries of ¥(2,250) million ($(19,964) thousand), ¥(1,798) million and ¥(5,438) million, respectively, are included in “Other-net” of INVESTING ACTIVITIES.

20. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2016 were approved at the shareholders meeting held on June 16, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8.05 ($0.07) per share	**¥2,210**	**$19,609**

21. SEGMENT INFORMATION

(1) Description of reportable segments

Reportable segments are parts 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 for each product or service in MISUMI Corporation. Each operational headquarters plans overall strategies for both domestic and overseas markets and conducts business related to its own products or services. Accordingly, the Group comprises segments by product or service based on the operational headquarters, and there are 3 reportable segments: “FA Business,” “Die Components Business” and “VONA Business.”

“FA 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 change 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.

“VONA Business” provides third-party brands alongside original MISUMI-branded products mainly through online sales. It provides indirect materials or MRO (consumables) as well as production equipment.

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

Accounting policies of the reportable segments are substantially the same as those described in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES except for the adjustments due to different closing dates. Income by reportable segment is based on operating income.

(3) Net sales and Segment profit by reportable segment

	Millions of Yen					
	2016					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers	**¥109,654**	**¥69,732**	**¥60,474**	**¥239,860**	**¥ 280**	**¥240,140**
Total	**109,654**	**69,732**	**60,474**	**239,860**	**280**	**240,140**
Segment profit	**18,757**	**3,464**	**3,652**	**25,873**	**(182)**	**25,691**
Segment profit before amortization of goodwill*	**¥ 18,757**	**¥ 6,002**	**¥ 3,652**	**¥ 28,411**	**¥(182)**	**¥ 28,229**

*Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment profit.

	Millions of Yen					
	2015					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers	¥99,094	¥64,737	¥48,249	¥212,080	¥(3,517)	¥208,563
Total	99,094	64,737	48,249	212,080	(3,517)	208,563
Segment profit	16,815	4,279	2,907	24,001	(242)	23,759
Segment profit before amortization of goodwill*	¥16,815	¥ 6,519	¥ 2,907	¥ 26,241	¥ (242)	¥ 25,999

*Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment profit.

	Millions of Yen					
	2014					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers	¥82,377	¥56,309	¥37,922	¥176,608	¥(2,704)	¥173,904
Total	82,377	56,309	37,922	176,608	(2,704)	173,904
Segment profit	13,806	3,289	2,453	19,548	(559)	18,989
Segment profit before amortization of goodwill*	¥13,806	¥ 5,393	¥ 2,453	¥ 21,652	¥ (559)	¥ 21,093

*Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment profit.

	Thousands of U.S. Dollars					
	2016					
	Reportable Segments					
	FA Business	Die Components Business	VONA Business	Total	Adjustments	Consolidated
Net sales:						
Sales to customers	**$973,142**	**$618,851**	**$536,689**	**$2,128,682**	**$ 2,485**	**$2,131,167**
Total	**973,142**	**618,851**	**536,689**	**2,128,682**	**2,485**	**2,131,167**
Segment profit	**166,462**	**30,743**	**32,412**	**229,617**	**(1,618)**	**227,999**
Segment profit before amortization of goodwill*	**$166,462**	**$ 53,262**	**$ 32,412**	**$ 252,136**	**$(1,618)**	**$ 250,518**

*Amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina Corporation was added back to Segment profit.

(4) Details of adjustments

	Net sales			
	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	**2016**
Total of reportable segment	**¥239,860**	¥212,080	¥176,608	**$2,128,682**
Adjustments due to the different closing date of consolidated subsidiaries	**(709)**	(3,512)	(2,560)	**(6,292)**
Other	**989**	(5)	(144)	**8,777**
Net sales in consolidated statement of income	**¥240,140**	¥208,563	¥173,904	**$2,131,167**

	Operating income			
	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	**2016**
Total of reportable segment	**¥ 25,873**	¥ 24,001	¥ 19,548	**$ 229,617**
Adjustments due to the different closing date of consolidated subsidiaries	**(257)**	(334)	(243)	**(2,286)**
Other	**75**	92	(316)	**668**
Operating income in consolidated statement of income	**¥ 25,691**	¥ 23,759	¥ 18,989	**$ 227,999**

(5) Change in reportable segment

Following changes in the Group's organizational management structure, from the year ended March 31, 2015, a portion of "Factory Automation Business" was integrated with "Electronics and Other Business" and reported under "VONA Business." In addition, "Factory Automation Business" was renamed as "FA Business."

Net sales and segment profit by reportable segment for the year ended March 31, 2014 have been re-categorized under the new classification.

(6) Information by region

	Millions of Yen						
	2016						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales	**¥ 128,939**	**¥ 38,567**	**¥ 28,825**	**¥ 27,129**	**¥ 12,116**	**¥ 4,564**	**¥ 240,140**

	Millions of Yen						
	2015						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales	¥ 112,334	¥ 30,759	¥ 26,766	¥ 23,975	¥ 10,835	¥ 3,894	¥ 208,563

	Thousands of U.S. Dollars						
	2016						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales	**$1,144,293**	**$342,274**	**$255,811**	**$240,764**	**$107,523**	**$40,502**	**$2,131,167**

	Millions of Yen					
	2016					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment	**¥10,058**	**¥ 8,040**	**¥ 6,700**	**¥ 2,973**	**¥ 1,410**	**¥ 29,181**

	Millions of Yen					
	2015					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment	¥10,408	¥ 8,272	¥ 4,798	¥ 2,795	¥ 1,666	¥ 27,939

	Thousands of U.S. Dollars					
	2016					
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment	**$89,262**	**$71,350**	**$59,459**	**$26,384**	**$12,517**	**$258,972**

(7) Impairment losses by reportable segment

There are no applicable matters for the year ended March 31, 2016.

	Millions of Yen		
	2015		
	Reportable Segment		
	FA Business	Company-wide	Total
Impairment loss	¥259	¥150	¥409

	Millions of Yen	
	2014	
	Reportable Segment	
	Die Components Business	Total
Impairment loss	¥109	¥109

(8) Goodwill by reportable segment

	Millions of Yen		Thousands of U.S. Dollars	
	2016		**2016**	
	Reportable Segment		Reportable Segment	
	Die Components Business	Total	Die Components Business	Total
Amortization for the year ended March 31, 2016	**¥1,893**	**¥1,893**	**$16,798**	**$16,798**
Balance as of March 31, 2016	**¥3,457**	**¥3,457**	**$30,685**	**$30,685**

	Millions of Yen	
	2015	
	Reportable Segment	
	Die Components Business	Total
Amortization for the year ended March 31, 2015	¥1,673	¥1,673
Balance as of March 31, 2015	¥5,345	¥5,345

Independent Auditors' Report

Deloitte.

INDEPENDENT AUDITOR'S REPORT

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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, 2016, 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, 2016, 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 15, 2016

Company Profile and Stock Information (As of March 31, 2016)

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, Japan
Common stock	6,997 Million 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/english/index.html

Stock Information

Authorized Number of Shares	1,020,000,000 shares
Issued Number of Shares	274,606,752 shares
Number of Shareholders	4,430

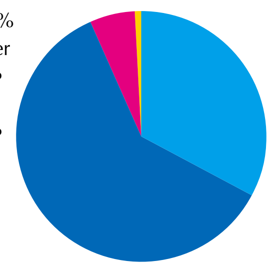
Major Shareholders

Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Shares Outstanding (%)
Japan Trustee Services Bank, Ltd.	39,948	14.55
The Master Trust Bank of Japan, Ltd.	23,061	8.40
Trust & Custody Services Bank, Ltd.(as trustee for Mizuho Bank Ltd. Retirement Benefit Trusts Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	10,678	3.89
CREDIT SUISSE SECURITIES (USA) LLC SPCL. FOR EXCL. BEN	8,790	3.20
Hiroshi Taguchi	7,321	2.67
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS	6,954	2.53
Trust & Custody Services Bank, Ltd.	6,801	2.48
GOLDMAN, SACHS&CO.REG	6,640	2.42
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM	5,905	2.15
THE CHASE MANHATTAN BANK 385036	5,265	1.92

*Percentages of shares owned are rounded off after the second decimal place.

Composition of Shareholders

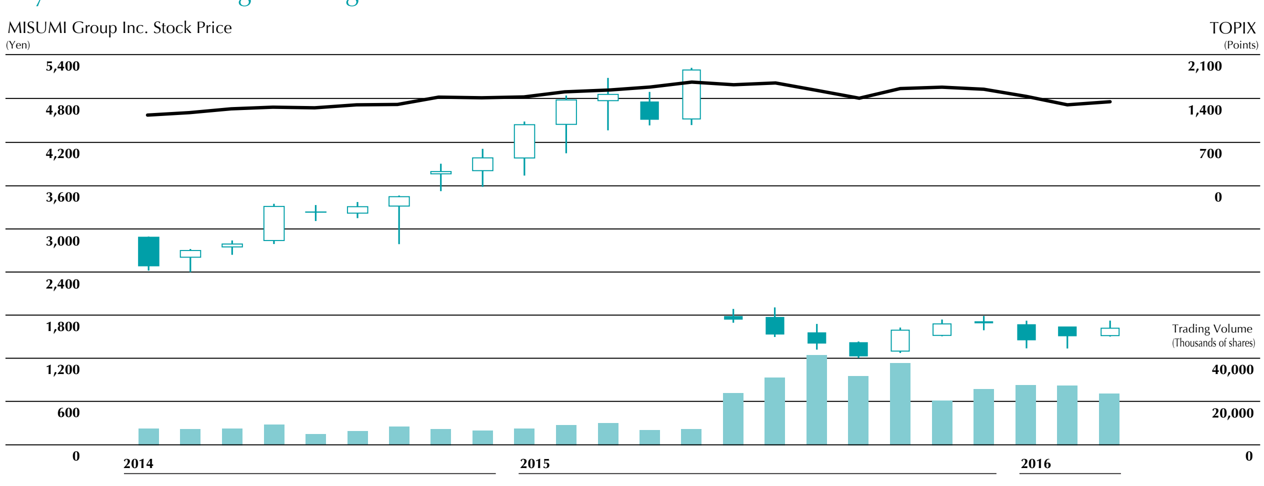
Banks and other financial institutions 32.95%
Foreign investors, etc. 60.49%
Individuals and other investors 5.78%
Other corporate investors 0.78%



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
July	2015	1	➡	3.0

Monthly Share Price Range/Trading Volume



Please direct any inquiries to : MISUMI Group Inc. Corporate Relation Department Tel: +81-3-5805-7037 email: cc@misumi.co.jp