



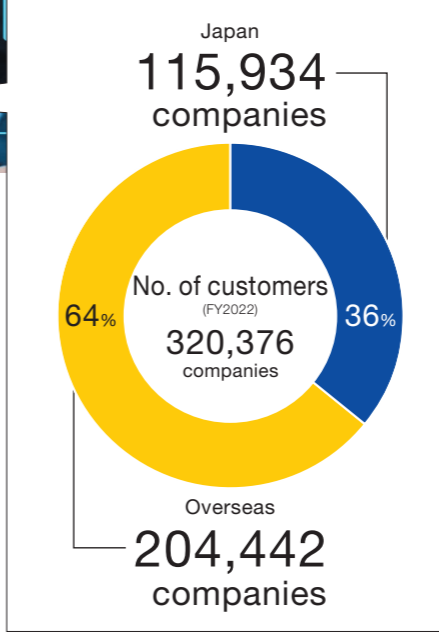
It's all about TIME

# ANNUAL REPORT 2023

MISUMI Group Inc.

# MISUMI Group's Value Creation Process

MISUMI, a company that provides "time value" to customers. Under the banner of 'Digital MODEL Shift', we are working to innovate the MISUMI MODEL to create new "time value" to address the global megatrends behind business innovation. In our pursuit of "reliable, quick delivery" and reduction of customer's wasted work and tasks, we are contributing to the sustainable development and the elimination of inefficiencies in the industrial automation industry.



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**Forward-looking statements:**

This Annual Report contains forward-looking statements regarding MISUMI Group's business performance forecast and business environment projections. All forward-looking statements are based on judgments from information available to MISUMI Group at the time of publication, and these forecasts and projections may include uncertainties. Specific risks and uncertainties could cause MISUMI's actual results to differ materially from any projections presented in this report. Accordingly, please be advised that actual future business performance and business environment may differ from the forecasts and projections indicated in this document.



**Kosuke Nishimoto**  
Representative Director and Chairman

**Ryusei Ono**  
Representative Director and President

Accelerate the development of region-specific Business MODEL and strive for growth that meets different types of demand

**Competitive advantages that allow us to offer reliable and quick delivery in the global market**

MISUMI Group has developed a unique Business MODEL as both a “manufacturing business” with functions for manufacturing and selling components for FA equipment required for industrial automation as well as die sets and automation-related production auxiliary materials and a “distribution business” that sells a wide range of third-party manufactured products from automation related auxiliary production materials to consumables.

At industrial automation sites, failure to supply even a single mechanical part can delay the start-up and operation of automation lines and significantly affect business plans. Moreover, as the demand for automation in the global industrial world accelerates, very few suppliers can provide customers with “reliable and quick delivery” of made-to-order machined parts that meet micron-level dimensional specifications and a wide selection of third-party brand products through a global network.

Our greatest mission is to provide our customers with “reliable and quick delivery,” or “time value,” by eliminating inefficient procurement processes for parts used in automation facilities and equipment and by providing them with “predictable delivery dates” when they place an order with MISUMI. Therefore, we believe that our most extraordinary mission is to provide our customers with “time value”. To realize this social mission on a global scale, we are pursuing a “time-based strategy” to become a Company with a competitive advantage in terms of Business MODEL, organization, business strategy, and operations.

## Results for FY2022

During FY2022, the global economy was affected by COVID-19 infections and demand remained sluggish in China. In other overseas regions, demand gradually slowed down in the second half of the fiscal year due to inflation and other factors, but growth was maintained in Europe and the US. In Japan, however, demand remained generally weak due to the impact of the slowdown in China and low factory utilization rates, particularly for automotive-related products.

In this economic environment, MISUMI Group is leveraging its unique Business MODEL, which encompasses manufacturing and distribution businesses. By advancing the business foundation that supports these businesses globally, we are contributing to industries related to automation demand, particularly the manufacturing industry, by responding to customers' needs for reliable and quick delivery. Despite our efforts to accurately anticipate customer demand by leveraging our solid business foundation in IT, production, and logistics, and our global network of locations, the business was severely affected by the lockdown in China at the beginning of the period and weak global demand for capital investment in the second half of the year. As a result, despite the slowdown in demand, consolidated

net sales for FY2022 were ¥373,151 million (1.9% increase year-on-year) due partly to the impact of foreign exchange rate effects.

By segment, the FA business continued to grow in Europe and the US, but demand in China and Japan was weak, with net sales of ¥121,932 million (2.2% increase year-on-year). The Die Components business experienced sluggish growth particularly in China and Asia, due to delays in investment in automotive-related equipment and reduced factory operations worldwide. Net sales were ¥79,125 million (5.3% increase year-on-year). In the VONA business, in Europe and the US, strong demand for EV-related products continued to drive growth, while in China and Japan, the impact of low factory utilization rates and other factors led to a significant decline in demand. As a result, net sales were ¥172,093 million (0.2% increase year-on-year).

In terms of profit, operating income was 46,615 million yen (10.7% decrease year-on-year) and ordinary income was ¥47,838 million yen (8.9% decrease year-on-year) due to a decrease in sales volume and an increase in expenses related to the introduction of a new core system. Net income attributable to owners of parent totaled ¥34,282 million yen (8.7% decrease year-on-year).

## Forecast for FY2023

In FY2023,<sup>\*1</sup> sales are forecast at ¥396.0 billion, operating income at ¥51.0 billion, and net income attributable to owners of the parent at ¥37.8 billion.

As for dividends, we have set the dividend payout ratio at 25%, considering the expansion of our management

base, the strengthening of our financial position, and the improvement of capital efficiency. For FY2023,<sup>\*2</sup> we anticipate an annual dividend of ¥33.22 per share. This will be an increase of ¥3.08 (+10.2%) year on year and represents a record high.

<sup>\*1</sup> Subsequently, we revised the results forecast on July 28, 2023 (sales of ¥377.0 billion, operating income of ¥42.8 billion, and net income attributable to owners of the parent of ¥30.5 billion)  
<sup>\*2</sup> Subsequently, we revised the dividend forecast on July 28, 2023 (annual dividend of ¥27.10 per share)

At a meeting held on April 27, 2023, the Board of Directors resolved matters relating to a share repurchase in accordance with the provisions of Article 156 of the Companies Act, applied pursuant to Article 165, Paragraph 3 of the same Act. The relevant share repurchase was completed on July 11, 2023.

### Share repurchases

With respect to share repurchases, we intend to have the flexibility to repurchase shares depending on our cash reserves, growth investment opportunities, stock market trends and other conditions. The purpose of this share repurchase is to enhance shareholder returns and implement a flexible capital policy. A total of 3,180,300 shares were repurchased for ¥9,999,551,677 during the period from May 1, 2023 to July 11, 2023.

### Details of matters relating to the repurchase (resolved on April 27)

Maximum total amount of repurchase: ¥10.0 billion  
 Maximum number of shares to be repurchased: 4,000,000  
 Repurchase period: From May 1, 2023 to July 31, 2023

## Aiming for sustainable growth by further refining “globally reliable, quick delivery”

In FY2023, the global economy and the Japanese economy are expected to continue to face an uncertain business environment amid structural changes in the post-Corona market and shifts toward regional blocs in the global supply chain. However, in the industrial sector, there are high expectations that demand for automation will continue to increase globally, as various social issues are addressed.

To meet these customer needs, we will continue to advance our IT, production, and logistics business

foundations and further refine our “globally reliable, quick delivery.” In addition, we will focus on regions, businesses and services with higher growth potential and profitability, and strive to innovate MISUMI’s Business MODEL in anticipation of the changes in the competitive environment and geopolitical risks, among others.

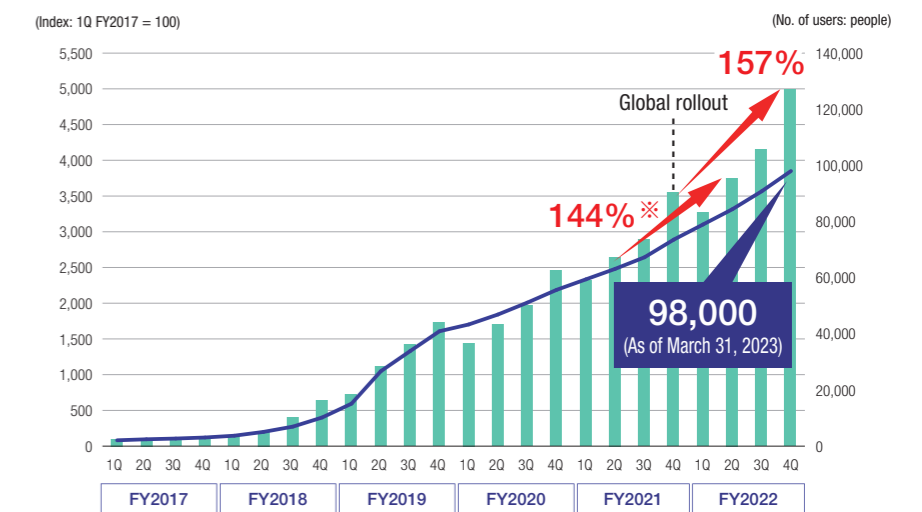
Principal initiatives for FY2023 are shown below.

## Accelerating the global rollout of meviy

The global rollout of “meviy,” a service that enables immediate quotation and as fast as 1-day shipment by simply uploading product design data (3D-CAD data), is progressing smoothly. This development, which began in Europe at the end of FY2021, moved on to the U.S. in FY2022, with a full-scale rollout in China and South Korea planned in FY2023. Both sales and the number of users continue to grow, expanding to 98,000 users globally as of March 31, 2023. The sales per customer is also steadily increasing. We are working on enhanced functionality and have started supporting 2D drawings, which account for approximately 40% of the market needs. We will continue striving to further improve “customers’ time

value” through expansion and overseas reinforcement of our product areas.

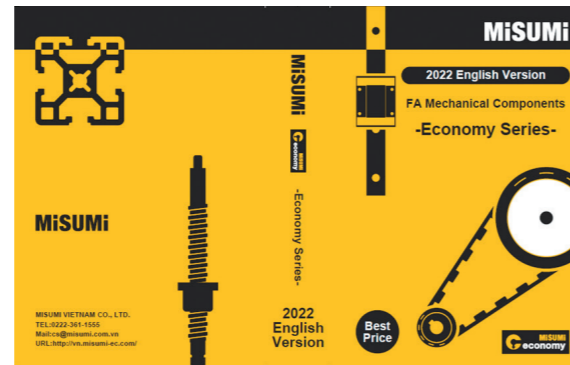
### Scale of global meviy sales / cumulative number of users



\*Services ended in FY2020 for die components and in April 2023 for rapid prototyping

## Responding to diverse needs by boosting our unique product strength

Based on the further expansion of demand for mid-range products, anticipated primarily in regions such as China and Asia, we are strengthening our offerings of highly competitive “Economy Series” originating in China. In FY2023, we aim to continue to enhance our product lineup, providing a wider range of choices to meet the diverse needs of our customers. We plan to follow market penetration in China, Asia, and Japan with expansion into the Americas and Europe.



## New logistics and production sites launched in China to further expand our customer base

We are making efforts to heighten our competitive advantages in China, a market of utmost importance, given its expanding demand for automation. We will set up new logistics and production sites in East and South China, which have large concentrations of customers, and reinforce our response capabilities in each of those regions. We will construct a new logistics site in Shanghai with a land area of approximately 40,000 m<sup>2</sup> and a warehousing capacity equivalent to approximately 2.5 times our current capacity, with construction scheduled to begin in the second half of FY2023. A new production site with a total floor area of approximately 30,000 m<sup>2</sup> will be established in Foshan, Guangdong Province, with operation planned to commence in the first half of FY2025.

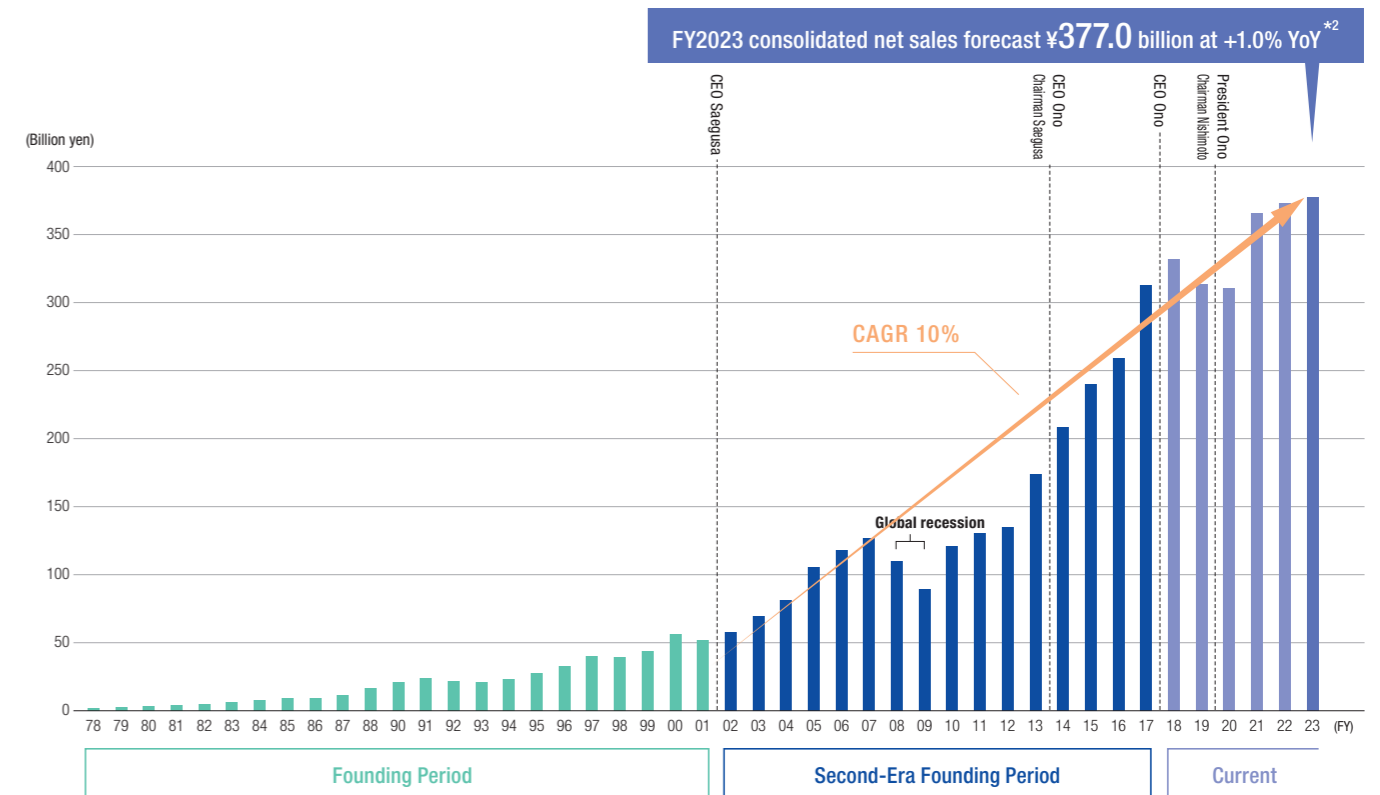
Region	Site Type	Details
East China	New logistics site	<ul style="list-style-type: none"> <li>Location: Shanghai</li> <li>Land area: Approx. 40,000 m<sup>2</sup> (including office space)</li> <li>Operational start: Second half of FY2023</li> </ul>
South China	New production site	<ul style="list-style-type: none"> <li>Location: Foshan, Guangdong Province</li> <li>Total floor area: Approx. 30,000 m<sup>2</sup></li> <li>Operational start: First half of FY2025</li> </ul>

## Draw up region-specific growth strategies and aim for the next high growth leveraging our strength of globally reliable, quick delivery

The Group is continually strengthening and enhancing its products and services while innovating our business foundation in the pursuit of thorough revenue management. In addition to aiming for our next high-growth stage through

our strengths in globally reliable and quick delivery, we will accelerate “MODEL innovation in each region” to meet each region’s unique requirements. We look forward to your continued support.

Sales of MISUMI Group (Consolidated)\*1



\*1 FY1989 is omitted due to a change in the fiscal year end.  
\*2 The results forecast was revised on July 28, 2023

**Kosuke Nishimoto**, Representative Director and Chairman  
**Ryusei Ono**, Representative Director and President

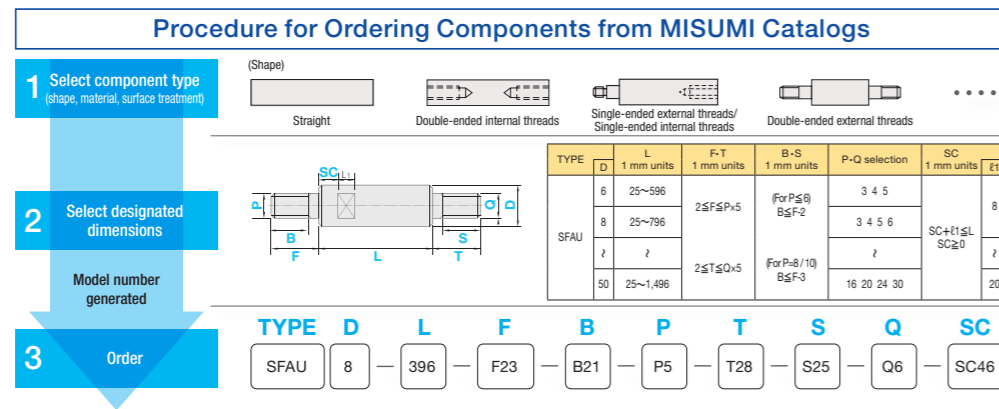
## MTO Advantages

MISUMI's catalog allows customers to specify the size of parts in microns, and including this variation, MISUMI oversees 800 sextillion (80 billion times 1 trillion) product items. Regardless of when, where, and in what quantity, MISUMI can deliver them via reliable and quick delivery.

### Fundamental Reform through Product Standardization

### Realizing Considerable Time Savings through MTO (Make To Order)

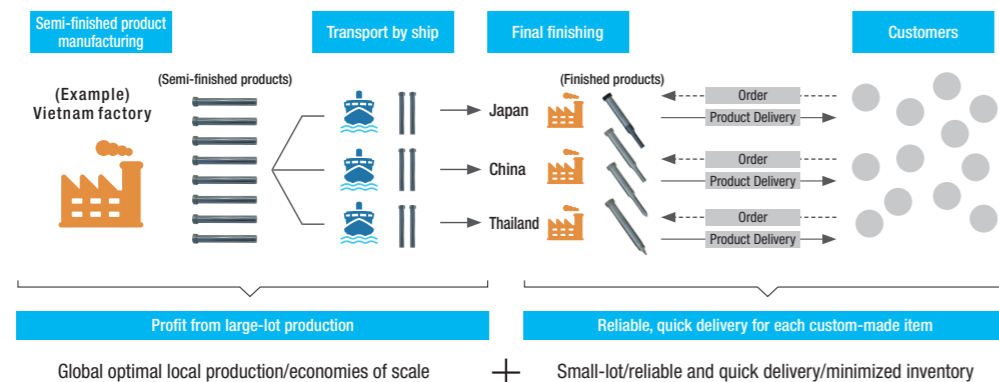
Each machine part is designed differently, and the designer must draw a diagram for each part. For each part, a quotation must be made and orders must be placed with multiple parts processing manufacturers. MISUMI's catalog "standardizes" parts that normally need to be custom-made, and orders can be placed simply by selecting the dimensions and specifications of the parts from a list.



### Harmonizing Two Conflicting Competitive Advantages

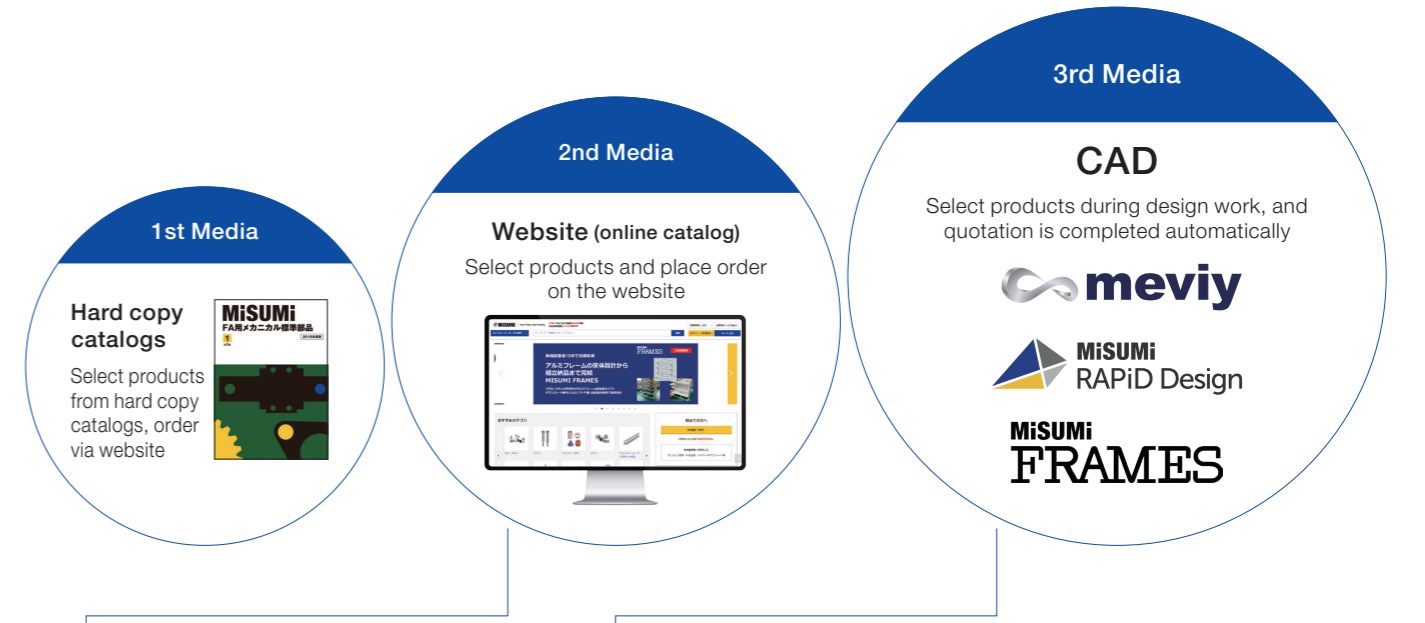
### Abundant Product Variation, Low Cost, and Reliable, Quick Delivery while Minimizing Inventory

Semi-finished products are mass-produced at factories in Vietnam and other countries and finalized at the place of consumption by way of "reliable, quick delivery for each custom-made item" according to the customer's specified order.



## Advanced Response to Digital Manufacturing

As use of digital manufacturing becomes increasingly pervasive at manufacturing and automation sites around the world, MISUMI is transforming the way it approaches digital manufacturing to aid customers' efforts in eliminating inefficiencies, such as, by offering a proprietary 3D-CAD linkage (software) tool that provides superior time value that goes beyond the traditional hard copy and online catalogs.



### From 2010 Strengthening the Online Strategy

We have been enhancing our website (online catalog) as the second media after hard copy catalogs. Online catalogs enable an overwhelming advantage in product search and selection by securing full and instantaneous search responses for approximately 80 sextillion part configurations.

### From 2016 Enhancing Our Approach to Digital Manufacturing

By positioning CAD, which is used by facility designers, as a third medium after the website, we have promoted the expansion of our 3D-CAD linkage services, including "meivy," "RAPiD Design," and "MISUMI FRAMES" services. Going forward, we will promote digital transformation (DX) in manufacturing in the area of parts procurement, and work to dramatically reduce the time required for procurement by strengthening our approach to digital manufacturing. By enabling customers to use the time they save to their higher value-added core operations, we are helping to improve the quality and productivity of the manufacturing industry as a whole.

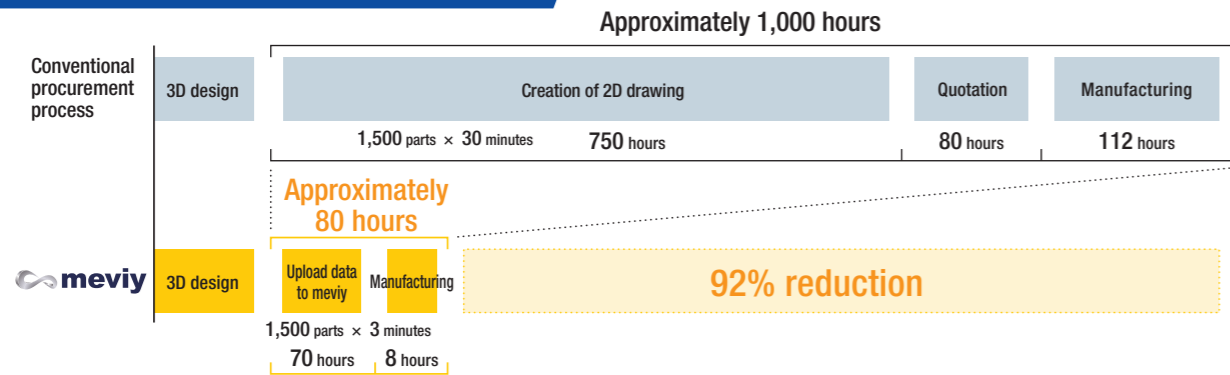


## Procurement Reforms Realized by “meviy” Digital Parts Procurement Service

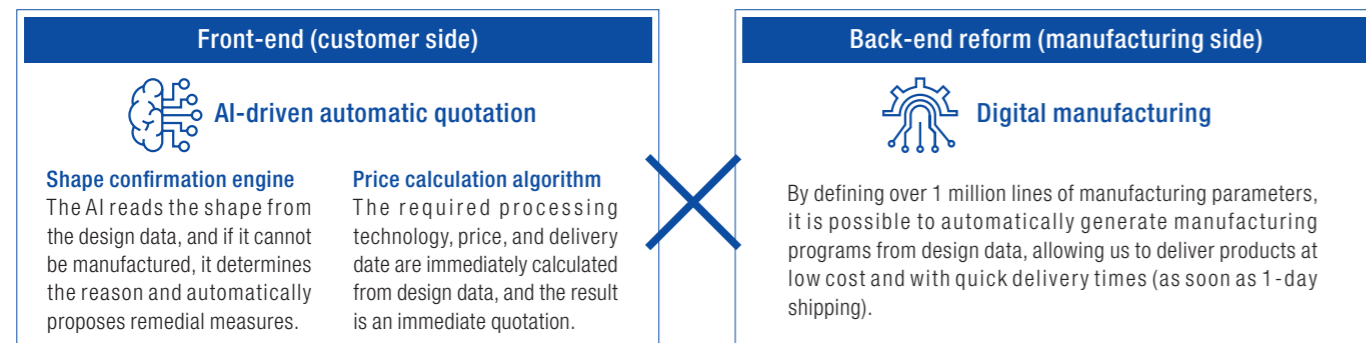
meviy digitalizes the process of providing quotation and manufacturing of mechanical parts, reducing the process from completing the 3D-CAD design to creating 2D drawings and obtaining quotes from them from dozens of hours to one minute. Furthermore, once the part's design data (3D-CAD data) is uploaded, the AI immediately responds with the price and delivery date, and the automatic generation of manufacturing programs has made it possible to ship the part in as little as one day.

Even complex parts that are difficult to list in catalogs can now be procured easily using only data without human intervention.

Example: Parts procurement for equipment with 1,500 components



## meviy, Supported by Two In-house Innovations, “Front-end Innovation×Back-end Innovation”



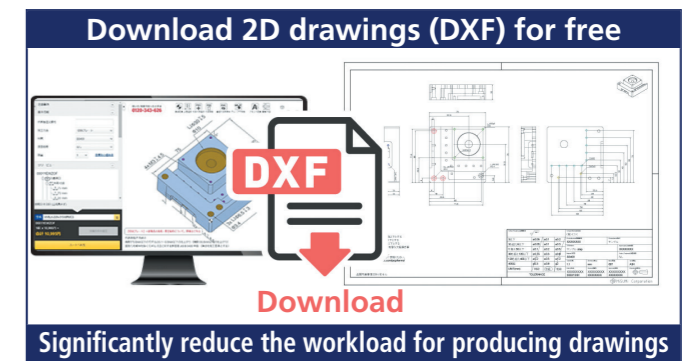
## Expanding Our Product Range to Boost Customers' Time Value

For meviy, we collect the voice of customers from a range of sources and swiftly apply it in service development.

### Achieving the Automated Production of 2D Drawings (DXF) from 3D-CAD Data

We launched the “automated 2D drawing creation and download function” in April 2023. This function enables users to automatically create, download, and edit 2D drawings (DXF format) from 3D data uploaded to meviy.

Even today, when design work is progressively shifting to 3D, there still remain operations where 2D drawings are needed in areas other than procurement, such as drawing checks and internal drawings management, and many customers have requested that we work on the development of functions. This new function eliminates approximately 90% of the workload involved in producing the 2D drawings required by customers for drawing checks and internal drawings management, thus boosting productivity across the whole manufacturing industry.

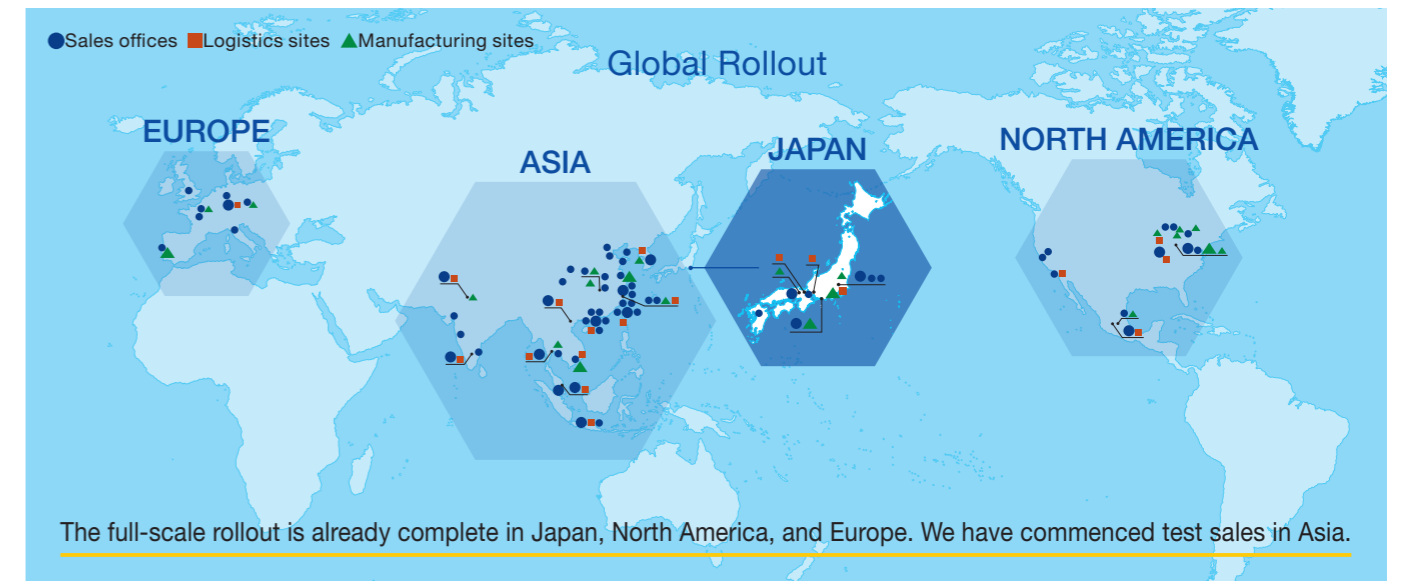


### The Global Rollout of meviy

Since launching the meviy service in 2016, we have progressively expanded our product areas and updated our service functions to meet the needs of customers.

We commenced the global rollout of meviy in FY2021, aiming for further business expansion in regions experiencing a high demand for automation equipment design.

Through meviy, we will develop a platform that allows customers to easily procure parts from anywhere in the world and provide them with even more extraordinary “time value.”



▶ Manufacturing Business

Received the Prime Minister's Prize of the Monodzukuri Nippon Grand Award



"meviy" has received high acclaim in many fields for its innovation and contribution to the development of industrial society. It had previously received ten prestigious awards. The meviy business group received the 11th award for the service in FY2022: the Prime Minister's Prize at the 9th Monodzukuri Nippon Grand Award.

These Awards recognize people of each generation active on the front line of manufacturing, supporting Japan's industry and culture, who are considered especially outstanding. The Prime Minister's Prize is awarded to those recognized as the most exceptional among them.

meviy's unique functions are enormously effective in eliminating inefficiencies in the design and procurement processes. The aspirations that gave rise to meviy — to resolve social issues such as labor and time shortages — precisely reflect MISUMI's goal of increasing "customers' time value."



The award recipients pose for a commemorative photograph with Prime Minister Fumio Kishida (third from left)

meviy Awards

- 2015 ● GOOD DESIGN AWARD
- 2019 ● CEATEC AWARD 2019 Smart X Category Grand Prix  
"Award for Individuals Contributing to the Promotion of Information Technology"  
The Minister of Economy, Trade and Industry Award
- 2020 ● "62nd Best 10 New Products Award" Main Award  
"49th Japan Industrial Technology Awards"  
The Minister of Education, Culture, Sports, Science and Technology Award  
"Impress DX Awards 2019" Application Category Grand Prix  
"The 3rd Nihon Service Award" JETRO Chairman's Award  
"36th Sokeizai Industry Technology Award" Director-General's Award of the Manufacturing Industries Bureau, METI
- 2021 ● "9th Technology Management and Innovation Awards" Award of the Society for Science, Technology and Economics Chairman's Award  
"The 9th Robot Award" Japan Machinery Federation President's Award
- 2022 ● "9th Monodzukuri Nippon Grand Award"  
Prime Minister's Prize

Becoming a DX Driver in the Parts Procurement Domain

Working to find solutions to the issues of parts procurement by putting digital technology to use, "meviy," has received 11 prestigious awards. The Company has also grown to become a leader in DX in the industrial automation field, winning the No. 1 share\* in Japan for three consecutive years for its online machine parts procurement service.

\*Surveyed by Techno Systems Research Co., Ltd.

**CHECK!** **No. 1 share in Japan for three consecutive years**

According to a 2022 survey of the Japanese online machine parts procurement service market,\* meviy had the No. 1 share with 57.0% of the market (up 1.5pt year on year) in terms of the number of users. This was the third consecutive year since 2020 it achieved the top market position.

▶ Distribution Business

Distribution Innovation Driven by the VONA Business

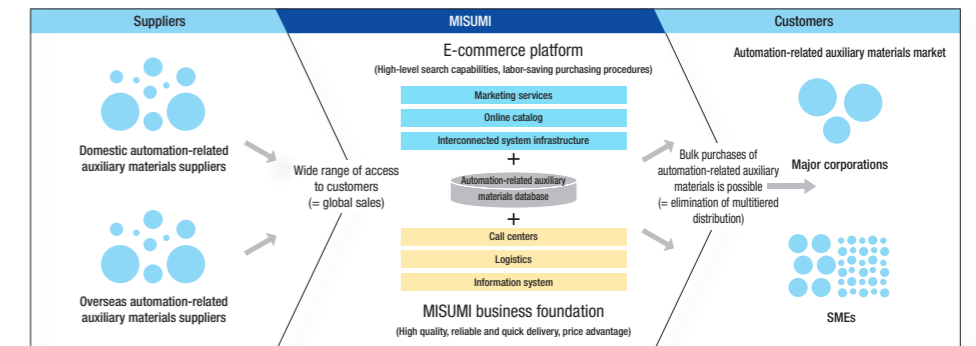
VONA, MISUMI's distribution business, was launched in 2010 as a platform to handle not only MISUMI brand products, but also third-party brand products, including tools, gloves, and other production auxiliary materials and consumables used in production and automation sites. We will continue to strengthen the brands and product lineups we handle to realize our vision embodied in the brand name VONA, or Variation & One-stop by New Alliance, and aim for global business expansion by continuously evolving our e-commerce website.

Enabling One-Stop Purchasing of Automation-Related Auxiliary Materials

Having started the VONA Business, it has become possible to globally connect the needs of customers who want to efficiently procure various products used at manufacturing and automation sites on a one-stop basis, with the needs of manufacturers of automation-related auxiliary materials who seek expanded sales channels beyond their own sales network as suppliers.

Domestic manufacturers we do business with  
**Over 3,000 companies**

We do business with more than 3,000 manufacturers in Japan, and boast the largest scale of product lineups for the manufacturing and automation industries.



An Abundant Product Lineup

We are reinforcing our product lineup to promptly respond to customer needs, which vary by region.

In addition, we have built e-commerce websites that are rooted in each region around the world. Today, we have e-commerce websites available in 16 countries and in 12 languages, handling more than 30 million products with 80 sextillion part configurations, making it possible to easily search, make quotations and order from a rich product lineup.

		Products Handled				
Manufacturing Business	FA standardized mechanical components	Shafts	Timing pulleys	Linear bushings	Flat belt conveyors	
	Locator devices and measurement equipment (OST* Business)	Set collars	Locating pins	Gears	Couplings	
Distribution Business	Standardized metal press/plastic mold components	Punches	Button dies	Ejector pins	Sprue bushings	
	Mechanical components and screws, bolts, washers and nuts	Sensors and switches	Pipe fittings	Screws, bolts and nuts	Castors	
VONA Business	Wiring, control and PC components	Connectors	Switches	Cables	Transformers	
	Cutting tools and components for production machining	End mills	Hexagonal wrenches	Milling chips	Calipers	
	Packaging, logistics & storage materials and safety & protection, environmental & sanitary and office supplies	Carts	Work gloves	Parts cleaners	Laboratory equipment & supplies	

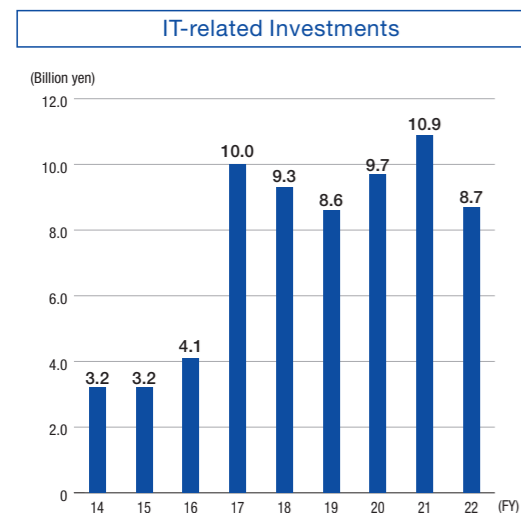
\* Optical & Scientific Technology



## A Solid IT Infrastructure Supporting MISUMI's Business MODEL

Whether it be for made-to-order or in-stock items, we have the capability to instantly provide our customers with prices and delivery dates for a product variation of 80 sextillion part configurations via our e-commerce platform. Indispensable to achieving this is digital innovation, both on the customer-facing front end and Company-side back end, which at its core consists of the automation-related production materials database accumulated since the Company's founding. In accelerating a shift toward a Digitalized MODEL, we have built a robust IT infrastructure that supports manufacturing and distribution businesses.

### Accelerate IT Infrastructure Reinforcement through Proactive Investments that Support Further Business Growth



We have positioned “fortification of the IT infrastructure” as an essential assertive measure for sustainable growth and are actively working on IT-related investments.

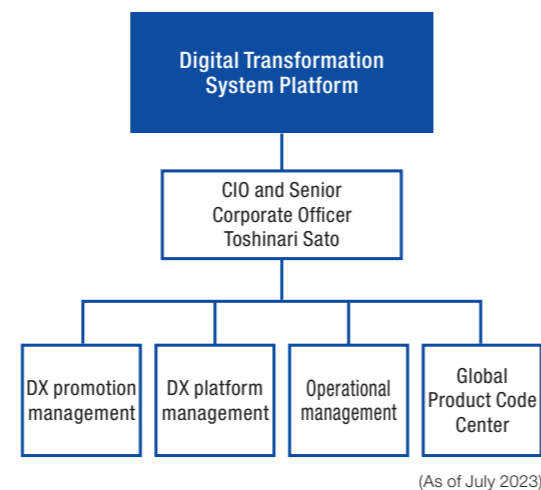
In FY2017, we globally developed e-commerce websites optimized for customer needs in each region, customized screen designs and functions according to the business practices of each country, and improved searchability to enhance convenience. In FY2019, we moved the system entirely to the cloud. In addition to reducing costs, this further improved the reliability and flexibility of core systems and networks.

In addition, by utilizing this stable network, from FY2021, we began the full-scale renovation of the core system at all subsidiaries. We aim to improve the development efficiency of more innovative services that realize the thorough elimination of inefficiencies for industrial automation customers. We will continue our efforts to further fortify our IT infrastructure by incorporating the most appropriate cutting-edge technologies.

### Digital Transformation System Platform

In October 2020, the Digital Transformation System Platform was established, where CIO and Senior Corporate Officer Toshinari Sato serves as Representative Corporate Officer, fortifying our IT organizational structure in pursuit of digital innovation. This platform is tasked to develop the core system, at the heart of MISUMI's Business MODEL and takes the lead in promoting DX throughout the Company. We are also working to build a stable IT infrastructure common to all regions, including an IT organization of cross-divisional collaboration that spans the globe.

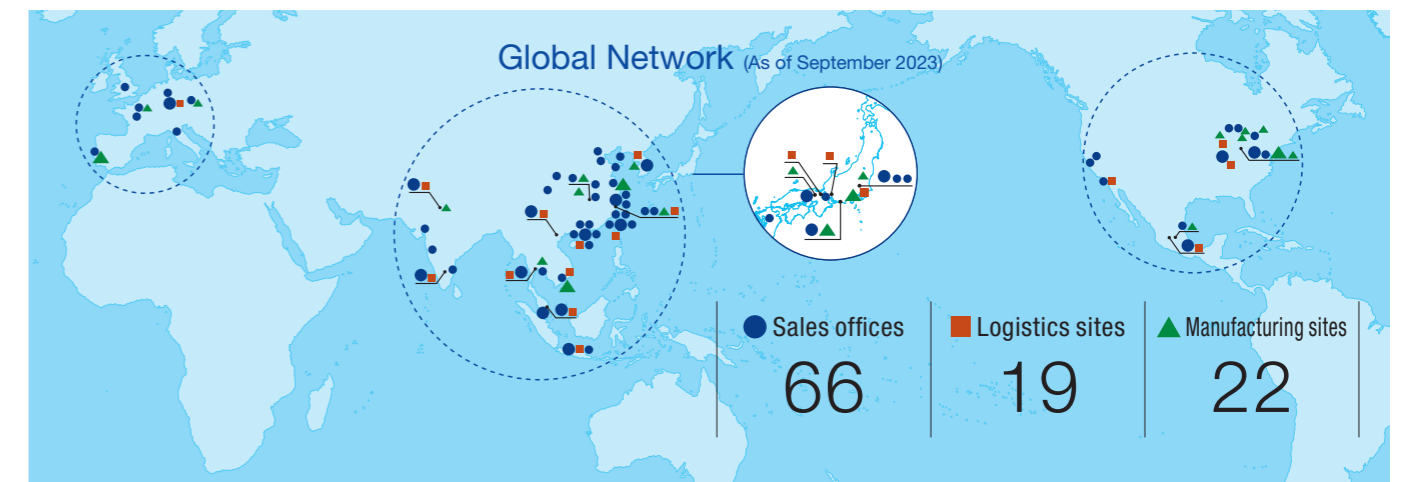
In addition, the organization supports MISUMI's mission of “globally reliable, quick delivery” through a wide range of initiatives, such as ramping up development cycle speed and enhancing security. We will continue to proactively bolster our organizational structure and secure IT talent in line with building the IT infrastructure that will support further growth.



(As of July 2023)

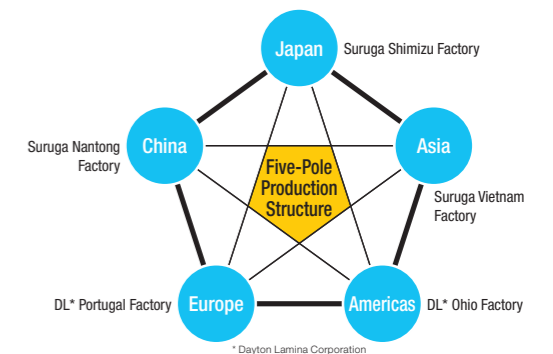
## Enhancing Our “Globally Reliable, Quick Delivery”

To further bolster competitiveness and ensure a stable supply of products, it is essential to establish a reliable and quick system on a global basis. Therefore, to stay ahead of the curve in responding to strong demand for automation, we will enhance our five-pole production capacity in the five regions of Japan, China, Asia, the Americas, and Europe, as well our global logistics system to capture demand for quick delivery.



### Five-Pole Global Production Structure

MISUMI Production System (MPS), developed in Japan, has been horizontally expanded overseas, transforming into a global five-pole production system. This system ensures reliable and quick delivery of products by manufacturing at the factory closest to the customer, which allows us to switch production factories immediately in case of emergency, raising the level of supply assurance to our customers. At present, we are planning to establish new production and logistics sites in China to further strengthen this structure.



### Thorough Pursuit of “Time Value” with In-house Developed Machinery

MISUMI has constantly innovated its proprietary technologies to reduce lead times in its unique “variable mix and quantity” production system. It has been accelerating process improvements through in-house development. After introducing the machinery developed in-house, we significantly reduced the required equipment and human resources, dramatically reducing lead time.

### Logistics: Leveraging Automation to Dramatically Improve Productivity

We are working to innovate our logistics operations on a global scale to build a more stable supply system.

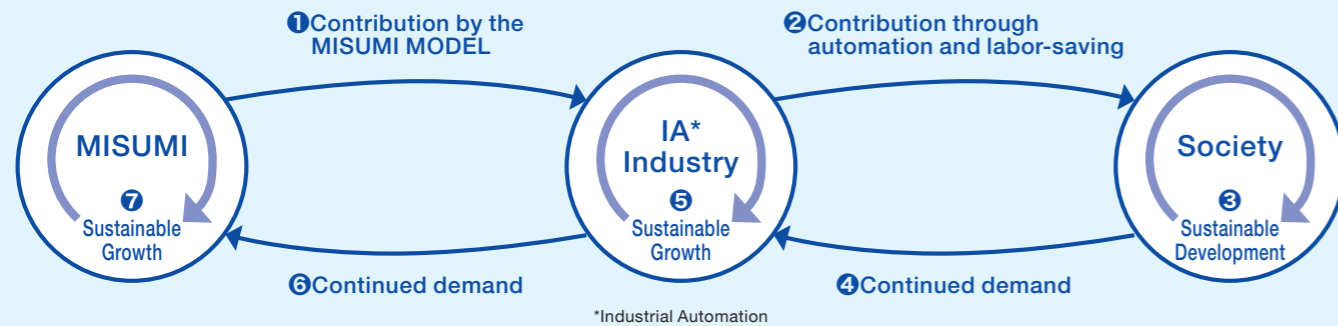
In 2017, with the opening of the Central Japan Distribution Center, we introduced state-of-the-art automated operations to create a new logistics MODEL for global expansion. By introducing automation and operational innovation, we will achieve a higher level of reliable, quick delivery to win further customer trust. We will expand our MODEL to Europe, the Americas, East Japan, and China, aiming to strengthen our logistics infrastructure globally.

## Basic Policy of Sustainability

MISUMI Group has developed a unique Business MODEL which encompasses businesses like “FA” and “Die components” with business like “VONA” which distributes a wide range of products from production auxiliary materials to consumables.

Our business is focused on the industrial automation industry. We contribute to eliminating inefficiencies in this industry by helping customers and suppliers eliminate waste of all kinds. In addition, the industrial automation industry has realized automation and labor-saving of various economic activities and is indispensable in contributing to the sustainable development of society. The sustainable development of society creates demand in the industrial sector, creating new opportunities for MISUMI.

By contributing to the establishment of this cycle, the MISUMI Group aims to support the sustainable development of society and industry and achieve sustainable growth for the company itself.



### Our approach to sustainability

We contribute to the development of the industrial automation industry by eliminating inefficiencies in the entire supply chain and business processes from the “time” perspective. We have built a supply chain that serves more than 300,000 customers globally. We provide “time value” that reduces various wastes and man-hours in the industrial world by realizing “reliable and quick delivery”. To continuously improve the value of time, we are constantly innovating and developing our Business MODEL, including businesses, products, and services. At the same time, we are working to strengthen our business infrastructure, including production, logistics, and IT, and the establishment of human resources infrastructure to support this Business MODEL.

### Initiatives to support the sustainable growth of the industrial automation industry

The parts for automation equipment and devices are unique. Creating drawings, quotations, processing, and procuring parts are complicated and require extended delivery times, resulting in highly inefficient work. By standardizing the parts to be manufactured to order for automation equipment and devices, we eliminate the need to create drawings and significantly reduce the time spent on inefficient work for our customers. In addition, by realizing reliable, quick delivery on a global scale, even for a single part, we can reduce unnecessary inventory and eliminate production and operation opportunity losses. Furthermore, by providing digital services linked to 3D CAD, we have reduced the amount of waste and man-hours involved in the procurement process by approximately 90%, reducing energy consumption. We have also contributed to promoting the effective use of resources by eliminating paper drawings.

We will continue to contribute to the sustainable development of society through “time innovation” in the industrial automation industry.

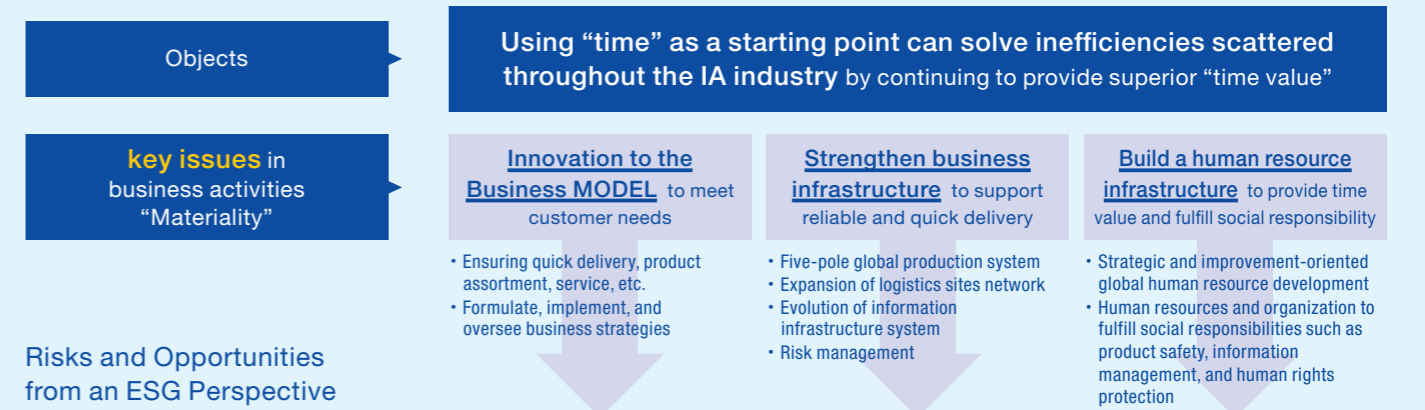
### Contributing to the Sustainable Development of Society

Our business development provides added value that reduces resource input and consumption in the industrial automation industry. By fundamentally eliminating all kinds of “waste” for our customers and suppliers, we contribute to accelerating the transition from conventional mass production, mass consumption, and mass disposal to a circular economy.

In addition, we are actively adapting to ESG promotion, which is a social demand, and we strive to prevent global warming and other climate changes through our business activities. In addition to our own company, we respect the diversity of cultures, histories, human rights, and human resources in the countries where our customers and suppliers are involved. We will continue to contribute to developing a sustainable society in cooperation with our stakeholders.

## Our Key Issues in Sustainability

- In determining the key issues, we identify the most important issues for the sustainable growth of our business activities. We set out the issues for our business as well as the issues for fulfilling our social responsibilities for each issue.
- In addition, risks and opportunities associated with key issues are extracted from the many issues from an ESG perspective.
- Based on the process described above, the key issues decided through discussions at the Board of Directors meeting.



### Risks and Opportunities from an ESG Perspective

ESG Category	Key Issues	Risks	Opportunities
Environment	Climate change Resource depletion Air pollution, etc.	Impact on IA industrial activities and execution of MISUMI's business strategy Impact on MISUMI's supply chain (Threat to the continuity of reliable and quick delivery)	Increasing demand for automation Labor productivity reform and efficiency demands
Society	Product quality and safety A decline in the working population Human rights protection Data security	Restrictions on supplier transactions, product assortment Increased production costs, product assortment Under-utilization of human resources Supplier human rights protection	Diversification of automated equipment components due to globalization and blocking Interest in products and services to solve social issues Importance of human capital such as specific knowledge
Governance	Corporate governance Ethical behavior Stakeholder engagement	Execution and oversight of MISUMI's business strategy Technology threats to information assets Technology threats to information assets	Increased need for BCP measures

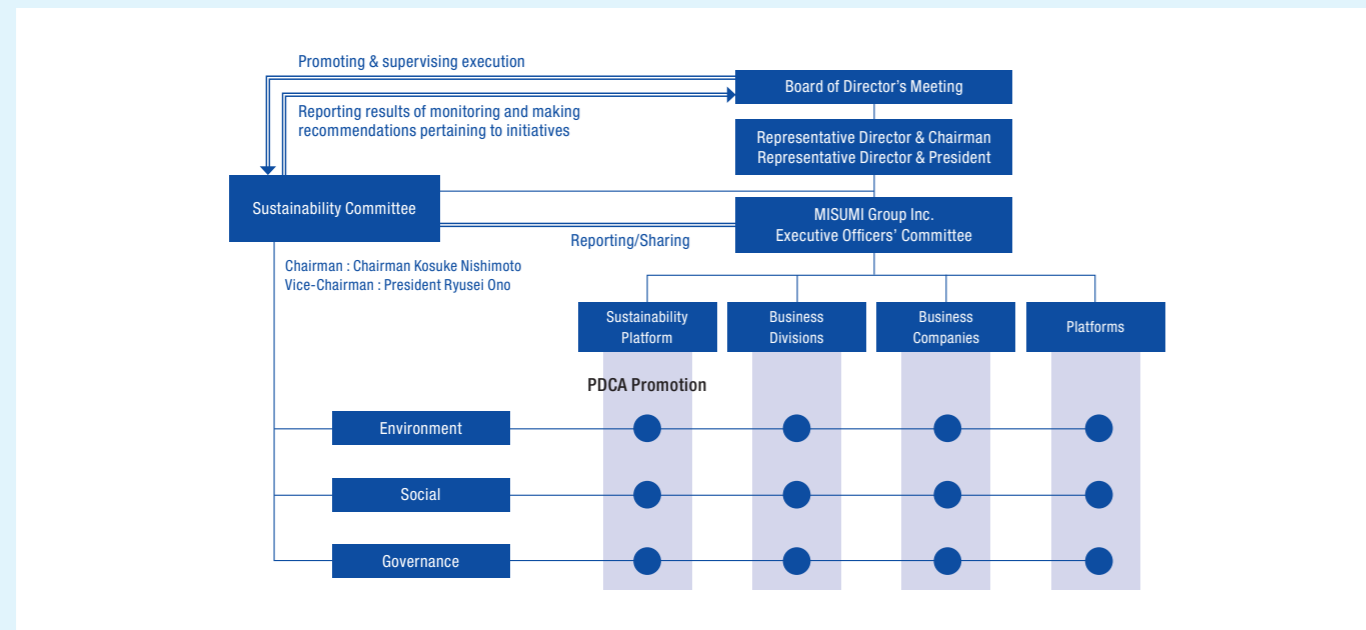
## Establishment of the Sustainability Committee

MISUMI Group Inc. has resolved at the Board of Directors meeting to establish a “Sustainability Committee” from October 1, 2021, chaired by the Representative Director and Chairman, the Representative Director and President as Vice-Chairman, to further strengthen its sustainability initiatives.

This Committee formulates the basic sustainability policy of the Company, verifies the management plan and management policy, reports and makes recommendations regarding initiatives that address social issues to the Board of Directors.

To promote ESG management horizontally across the entire Group, the Sustainability Committee, under the supervision of the Board of Directors, has appointed an officer in charge of sustainability promotion, cooperates with Business Divisions, Business Companies, and Platforms which are the Group’s executive organizations to monitor ESG-related goal setting, progress, and evaluations, etc. and continue to develop sustainability initiatives.

### Sustainability Management System



### Status of Sustainability Committee Meetings

<As of May 2023>

	Dates	Topics		Dates	Topics
1st	March 16, 2022	• Evaluation and improvement from external rating agencies Discussion 1st	7th	August 1, 2022	• Procurement Guidelines and Code of Conduct update
2nd	April 20, 2022	• Evaluation and improvement from external rating agencies Discussion 2nd	8th	August 18, 2022	• Procurement Guidelines and Code of Conduct discussion
3rd	May 18, 2022	• Scope 3 Initiative Policy Discussion 1st	9th	October 20, 2022	• Code of Conduct • Establishment of Procurement Guidelines and supply chain management system • Disclosures about human capital indicators
4th	June 14, 2022	• Report on progress on GHG emission reduction • Scope 3 Initiative Policy Discussion 2nd	10th	December 22, 2022	• Report of climate change countermeasures • Disclosures about human capital indicators • Future initiatives
5th	June 23, 2022	• Report on improvement measures in the evaluation of the Sustainability Committee and rating agencies • Countermeasures on climate change	11th	February 15, 2023	• Review of activities and future direction
6th	July 28, 2022	• Sustainability training for executives	12th	May 18, 2023	• Status Report <GHG/Supply Chain Management/Human Capital/Update of Rating Agencies>



## Environmental Initiatives

### MISUMI Group's Basic Environmental Policy

Our business development provides added value that reduces resource input and consumption in the industrial automation industry. By fundamentally eliminating all forms of “waste” for our customers and suppliers, we contribute to accelerating the transition from conventional mass production, mass consumption, and mass disposal to a circular economy.

We will work to prevent global warming and other climate change measures through our business activities, manage and implement environmental measures in the total supply chain, including suppliers, and promote environmental management that includes product quality and safety.

1. Reduce social/environmental impact and prevent pollution in business activities
2. Comply with environmental laws, regulations, and other requirements
3. Regularly review environmental goals and continuously improve on them

\*Our activities comply with ISO 14001: 2015

### Environmental Promotion Structure

Efforts to address environmental issues focus on environmental policy formulation, GHG emissions, toxic substances, water resources, waste, and environmentally conscious products. The Sustainability Committee cooperates with Business Divisions, Business Companies, and Platforms, which are the Group’s executive organizations, to monitor progress and evaluations and develop sustainability initiatives.

### Climate Change Initiatives (Align with TCFD, Greenhouse Gas (GHG) Emissions)

#### Approach to Climate Change Initiatives

MISUMI Group Inc. announced its support for the TCFD recommendations in September 2021. That same month, the Company made an announcement to join the TCFD Consortium of companies that support the TCFD recommendations. MISUMI then began formulating strategies for climate change initiatives focusing on the Manufacturing Businesses, which have significant environmental impact. These initiatives include conducting an analysis based on the two scenarios of temperatures rising 1.5 to 2 degrees Celsius or temperatures rising 4 degrees Celsius, identifying transition risks, physical risks, and opportunities under each scenario and addressing the impacts on the businesses of each scenario.

MISUMI has disclosed information according to the TCFD recommendations under its management policy, based on the details approved by the MISUMI Board of Directors on March 17, 2022. This information includes the establishment of risk management processes for risk identification, assessment, and mitigation, quantified risk and opportunity assessments, and action to establish a progress assessment mechanism.

Going forward, MISUMI will fully disclose information related to climate change, in line with the TCFD framework, and through our business activities, we will act to counter climate change by mitigating global warming and contribute to the development of a sustainable society.

Climate Change Initiatives (Align with TCFD) <https://www.misumi.co.jp/english/esg/environment/climate.html>

## Identifying Risks and Opportunities

### Transition Risks

MISUMI views major risks as including increased sales prices and transportation expenses due to power consumption constraints and rate hikes; a reputational damage from insufficient disclosure of information on GHG emission reductions.

Category	Subcategory	Specific Potential Business Impact	Severity
Policy, regulations	Introduction of carbon pricing	Increased costs of introducing carbon taxes and emissions trading schemes for production auxiliary materials	Small
		Suspended power supply due to Chinese government energy consumption regulations	Large
	Strong regulations on power conservation and GHG/emissions	Requests by EU companies to disclose GHG emissions to non-EU companies	Large
		Degraded performance of existing products and lower market competitiveness	Production auxiliary materials and services become less competitive due to lower environmental performance compared to rivals
Technology	Delayed product development investments and lower market competitiveness	Lower market competitiveness and lower revenue due to delayed technology development investments to make production auxiliary materials and services more sustainable	Large
	Market	Changes in customer behavior	Decline in customers due to environmental consciousness impacting purchasing decisions
Decline in customers due to insufficient disclosure of climate change information			Large
Decline in customers from higher product sales prices accompanying rising costs caused by soaring metal prices			Large
Increased cost of enhancing environmental performance of own products		Higher costs associated with calculating GHG emissions from production auxiliary materials and services	Small
Reputation	Higher raw material costs	Higher transportation costs from higher gasoline prices and the introduction of fuel-efficient vehicles	Large
		Reputational damage among investors and other stakeholders due to insufficient responses	Damaged reputation among stakeholders due to insufficient disclosure of climate change information

### Physical Risks

Although enormous damage to business locations is projected, we are hedging risks by dispersing production between multiple locations. On the other hand, some suppliers of externally procured products have not taken measures against anticipated harm, so we believe there are still risks from disaster damage.

Category	Subcategory	Specific Potential Business Impact	Severity
Sudden	Suspended business from violent storm and flood damage	Delayed procurement and suspended production from disaster damage to our production sites at risk from typhoons, tsunamis, flooding, etc.	Large
		Suspended functions from disaster damage to our non-factory locations at risk from typhoons, tsunamis, flooding, etc.	Large
		Delayed procurement and suspended production for suppliers from disaster damage caused by typhoons, tsunamis, flooding, etc.	Large
	Damage at our business locations from violent storm and flood damage	MISUMI assets lost from typhoons, tsunamis, flooding, etc.	Medium
		Increased recovery costs accompanying damage to facilities caused by typhoons, tsunamis, flooding, etc.	Medium
Chronic	Higher costs from revising procurement networks due to rising sea levels	Costs from relocation and other responses to reorganizing current business locations due to rising sea levels	Small
	Higher energy costs from rising average temperatures	Higher energy costs from increased air-conditioning use that accompanies rising temperatures	Small
	Altered long-term weather patterns due to climate change	Suspended factory operations due to intensified water and raw material shortages accompanying the effects of climate change	Medium
		Costs arising when we expand our global network to cope with frequent natural disasters	Medium

### Opportunities

MISUMI views changes to products and production processes for customers' decarbonization as a future opportunity to expand sales. Furthermore, the Business MODEL MISUMI has built can contribute to strengthening social resilience against natural disasters.

Category	Subcategory	Specific Potential Business Impact	Severity
Resource efficiency	Lower costs from MISUMI implementing energy and resource conservation	Receipt of tax exemptions, subsidies, and grants for reusing and conserving energy at our business locations that use our technology	Small
		Installation of equipment to reduce power consumption in the production phase	Small
		Improved processes at our factories and logistics facilities from data analysis that utilizes equipment diagnostic systems to reduce CO <sub>2</sub> emission	Medium
Energy sources	Renewable energy sources	Lower costs and expenses by using affordable renewable energy sources	Large
Products and services	Higher demand for our products that contribute to conserving energy and reducing GHGs for customers	Higher demand for products and services that contribute to conserving energy and reducing CO <sub>2</sub> for customers	Large
		Promoting value from our products' improved environmental friendliness	Development and sale of products that reduce GHG emissions, such as by recycling our products
	Higher demand for our products that contribute to improving disaster resilience	Increased demand for products that use carbon-free metals	Medium
		Increased demand for highly corrosion-resistant and durable products that don't age easily, even under higher temperature from global warming	Medium
Market	Expanded market for environmentally friendly products	Expanded sales by establishing globally optimal production and reliable quick delivery that contribute to prompt recoveries for customers suffering disaster damage	Large
		Efficiencies gained by a modal shift from a focus on quick delivery and its costly shipments (i.e., from shipping by air to highly efficient rail and ships)	Small
Resilience	Efficiency gains and process design	Sustained delivery functions through logistics sites that are resilient against storms and flooding	Small

## Scenario

### Scenario: Temperatures 1.5-2 Degrees

An analysis of a scenario in which temperatures rise 1.5 to 2 degrees Celsius shows that our industry would also be affected by national decarbonization policies in response to the rising temperatures.

First of all, a zero-carbon society would likely impose a greater burden. Although our main products would incur some degree of carbon taxation, we believe this would be limited due to the nature of the products.

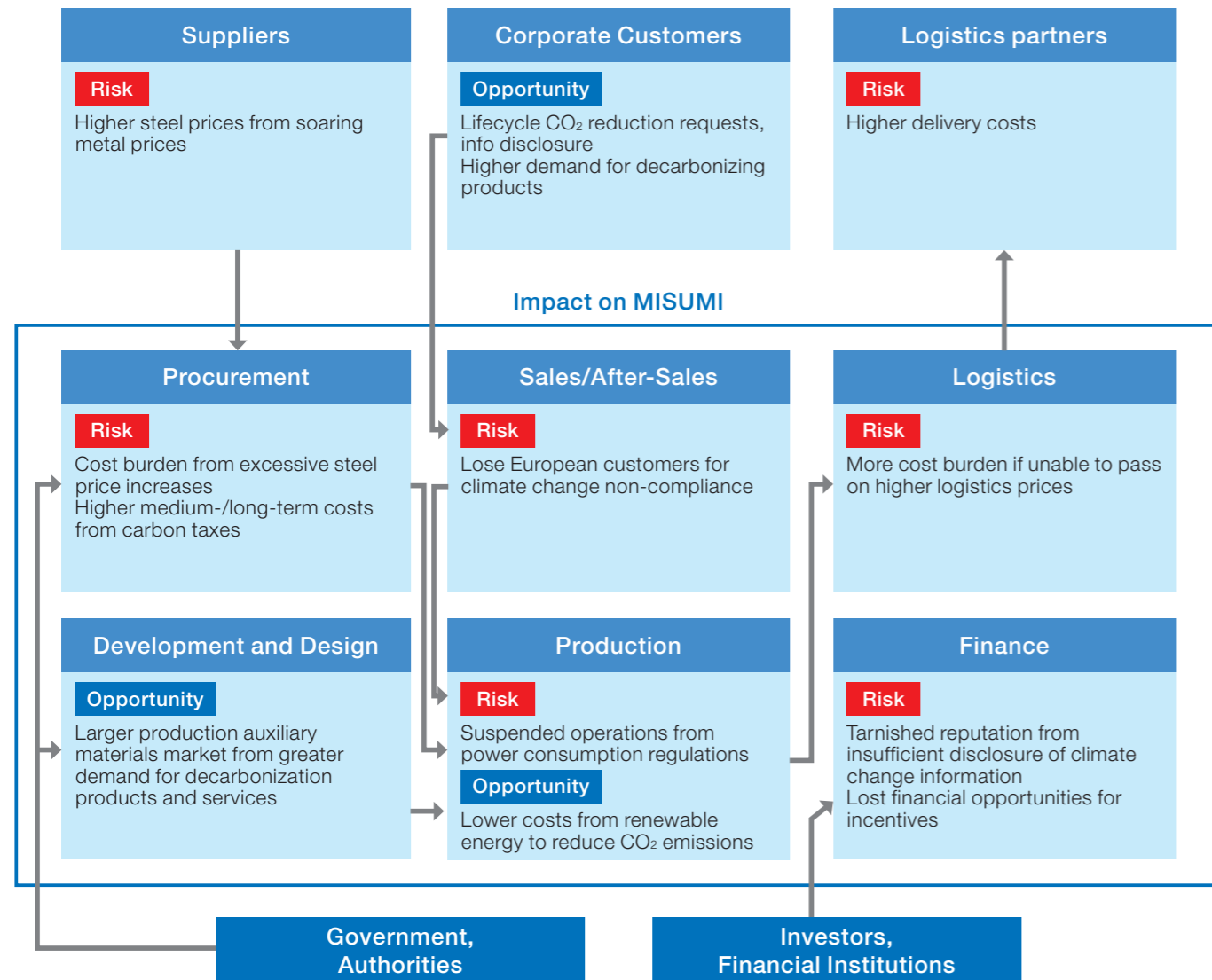
On the other hand, with regard to stronger energy conservation regulation we have seen from governments in China and elsewhere, if a company with locations in the area were to be subject to an order to stop supplying power or suspend a project, our global network of 107 business location for sales, logistics, and production facilities may have to reduce or halt operations. In our primary markets like the automotive industry, there is progress in disclosing information and requesting reductions concerning greenhouse gas emissions. A slow response to this development could mean we fail to meet customers' purchasing criteria, or there could be a risk of damage to our trustworthiness and reputation among shareholders and other stakeholders. Elsewhere, we expect the decarbonization trend to boost demand for electronic appliances and lightweight products and to significantly push up costs for the raw materials in our products. In addition, quickly rising fuel costs and the introduction of technology like EV trucks could impact our delivery cost structure.

If temperatures rise 1.5 to 2 degrees Celsius, customers may change their purchasing decisions while society and industry in general maintain climate change measures.

We expect higher demand from customers for efficiency such as labor productivity reforms and energy cost reductions.

MISUMI Group's Business MODEL encourages a faster transition to a recycling-based society by eliminating excess production and idle time at customers' worksites.

Improving the Business MODEL with MISUMI Group's advantage of reliable quick delivery will support the sustainable development of the entire industrial automation industry.

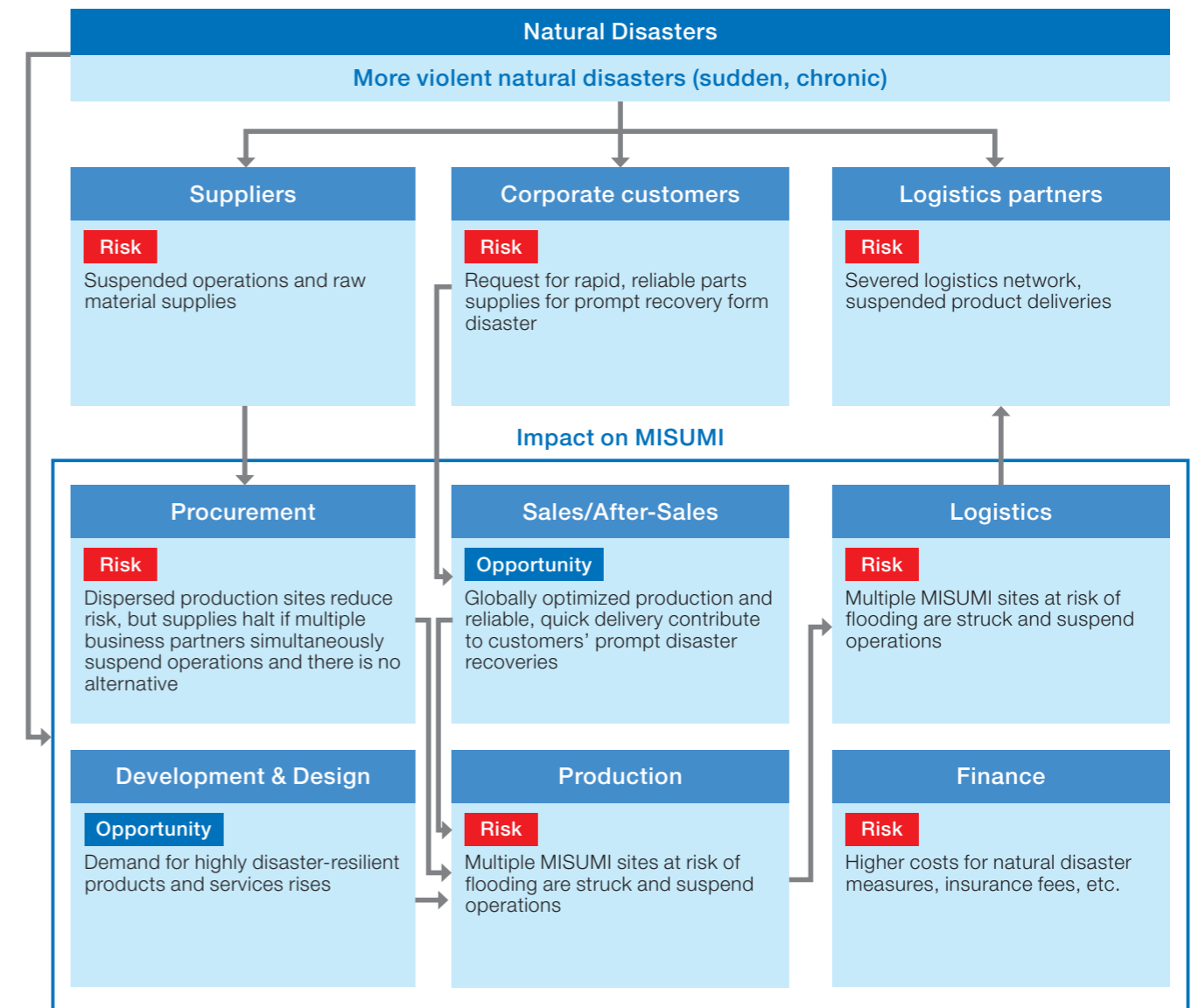


### Scenario: Temperatures 4 Degrees

An analysis of a scenario in which temperatures rise 4 degrees Celsius shows decarbonization policies would not strengthen, average temperatures would continue to rise, and natural disasters would become more destructive, thus raising physical risks.

Our Company is expanding its operations not only in Japan, but also in China, Asia, Europe, and the Americas, and has established a global network of 107 business locations. If a location were to be struck by a natural disaster such as a typhoon or flood, it may suspend operations and harm assets such as our product and semi-finished product inventory, mechanical devices, and logistics equipment. The globally optimal production and reliable quick delivery MISUMI has developed could also connect to a response to these risks. In addition, we believe that demand from customers and industry will increase for products and services that stand up well to temperature increase measures and disasters.

Globally optimal production is a system we built to disperse production sites around the world for optimization that determines what site will produce a customer's order when it is received. Therefore, the production system is very resilient during disasters. Reliable quick delivery is a system we built to significantly reduce customer time and effort involved in placing orders and to reliably meet deadlines. Therefore, we believe it can contribute to prompt reconstruction and recovery for industry in general during disasters.



## Review of Measures

Based on the results of the scenario analysis, we considered what direction to take with climate change measures. During that discussion, we assigned priority to two categories: necessary measures that can be taken quickly, and measures for which plans are implemented gradually.

Priority	Direction of Measures		
High	Market research	Short-term	<ul style="list-style-type: none"> <li>Build information networks to infer behavioral changes, and take action on ways to address environmental issues for each region and customer</li> <li>Market products that comply with energy consumption and GG emission regulations before they come into force</li> </ul>
	Change and replace specifications and designs for environmental product and service development	Medium-term	<ul style="list-style-type: none"> <li>PR and supplies of necessary components in conjunction with customer-led final product development</li> <li>Conduct necessary development and investment while responding to the needs of an environmentally conscious society</li> </ul>
	Improvements to globally optimal production and reliable quick delivery	Long-term	<ul style="list-style-type: none"> <li>Monitoring of carbon pricing in countries where MISUMI does business</li> <li>Develop models for prompt recovery and proper supplies in the event of disaster damage and stoppages at business locations</li> </ul>
	Investor engagement	Long-term	<ul style="list-style-type: none"> <li>Stronger communication for PR and publicity directed at investors</li> </ul>
Medium	Select appropriate suppliers	Medium-term	<ul style="list-style-type: none"> <li>Reduce costs by lowering purchase quantities and VA to lower the cost of materials expected to rise steeply in price</li> <li>Ascertain the technology</li> <li>Select and ensure steady procurement from renewable energy providers</li> </ul>

## Risk Management Process

Risks are prioritized based on the likelihood, magnitude, and timing of financial impact. We are building a risk management system that focuses on the fact that the amount of CO<sub>2</sub> emissions associated with our customers' energy use is relatively high compared to our Company.

Our Company conducts a risk assessment once a year of Business Companies and Platforms that execute operations. We report significant cases and management issues to the Board of Directors. Climate change has also been identified as a high-priority risk.

In areas where damage from storms and flooding is expected, we are strengthening the resiliency of our facilities and conducting training focused on employee and facility safety. Meanwhile, in areas that have experienced little such risk or where risk is difficult to predict, we focus on daily monitoring while striving to minimize disaster damage and ensure rapid recovery.

The Sustainability Committee takes an integrated approach to managing climate change risks by setting targets, monitoring progress, and conducting assessments. As needed, the Committee draws on the opinions of outside experts and reports to the Board of Directors.

We have built a system for business continuity planning that includes pandemics such as infectious diseases, in addition to the impact of escalating disasters.

In addition to the existing corporate entity in Japan, we also established a system of documents, processes, and communication for disaster countermeasures, at our overseas subsidiaries.

In preparation for physical risks such as severe storm and flood damage, we will enhance these systems and conduct necessary training.

Our Company has disclosed the "Sustainable Procurement Guidelines" that we have developed to our main suppliers in Japan and encouraged them to agree to these guidelines. In addition, we have requested a questionnaire to verify their efforts in environmental activities including greenhouse gas (GHG) emissions, as well as confirming the state of their management system implementations. These measures are part of a fact finding survey.

We will continue to focus on the entire supply chain, quantitatively identify risks and opportunities, and plan and implement practical countermeasures.

## Metrics and Targets

Through its business, MISUMI Group provides customers with added value that reduces the quantity of invested resources and consumption related to industrial automation. We believe that fundamentally eliminating waste in our customers' operations will help accelerate the transition from the conventional economy of mass production, mass consumption, and mass disposal to a circular economy.

Additionally, we take climate change response through our business activities that mitigate global warming, while managing and carrying out environmental measures in the total supply chain, including suppliers, in addition to promoting environmental management that also addresses product quality and safety.

## Carbon-Neutral Plan and Implementation Measures

MISUMI Group has set emission targets for 2030 so as to reach zero carbon emissions by 2050. MISUMI Group's Scope 1 and Scope 2 emissions will drop by 42% compared to fiscal 2020.

To achieve this target, MISUMI Group will further promote energy conservation.

To reduce losses from defects in production processes at our production sites, we have installed new equipment and improved processes so as to minimize energy waste.

We are endeavoring to reduce our environmental impact by properly sorting waste, sustaining a recycling ratio of at least 80%, as well as implementing paperless operations by introducing digital shipment collection and production order forms and providing tablets.

In the future, we will gradually switch to renewable energy not just at production sites, but also at logistics sites and sales locations.

Environmental management KPIs <https://www.misumi.co.jp/english/esg/environment/iso.html#KPI>

## Greenhouse Gas(GHG)Emissions

### Energy consumption and greenhouse gas (GHG) emissions of MISUMI Group

	Input		FY2019			FY2020			FY2021		
		Unit									
Energy consumption	Grid-connected Electric Power	MWh	118,704	113,616	116,741						
	Gasoline	kℓ	986	820	636						
	Diesel	kℓ	203	151	149						
	Kerosene	kℓ	9	13	10						
	LPG	t	69	62	66						
	LNG	t	2,036	1,781	1,625						
	City gas	Thousand m <sup>3</sup>	759	614	652						
	Other supplied energy (Including steam, hot water)	GJ	9,577	8,544	6,833						
GHG emissions	Output		FY2019			FY2020			FY2021		
	Scope1	Thousand t-CO <sub>2</sub> e	10	9	8						
	Scope2	Thousand t-CO <sub>2</sub> e	66	61	63						
	Scope3	Thousand t-CO <sub>2</sub> e	1,524	1,399	1,637						
<b>Total (Scope1+2+3)</b>		<b>Thousand t-CO<sub>2</sub>e</b>	<b>1,600</b>	<b>1,469</b>	<b>1,708</b>						

\*Scope1 emissions: Unit calorific value and emission factors are based on the Law Concerning the Promotion of the Measures to Cope with Global Warming (Japan). These Japanese values/factors also apply to sites outside Japan

\*Scope2 emissions: Japanese sites are market-based figures and other sites are Location-based figures. Location-based emission factors for electricity are based on country-specific factors from "IEA Emission Factors"

\*Calculated GHGs of Scope1 and 2: CO<sub>2</sub> emissions from energy use. Other GHGs (6.5 gases) are excluded

\*Boundary: MISUMI Group Inc. and subsidiaries inside/outside Japan. 37 companies in total

Greenhouse Gas(GHG)Emissions <https://www.misumi.co.jp/english/esg/environment/climate.html#GHG>

## Reduction Results

In FY2022, we implemented measures to reduce greenhouse (GHG) gas emissions for the entire Group by more than 60% compared with emissions in FY2020.

Specifically, we introduced photovoltaic Onsite PPAs (\*1) at our production site in Vietnam, promoted energy conservation related to air conditioning at our domestic production site (Shizuoka), introduced CO<sub>2</sub>-free electricity (\*2) at domestic production sites and our Head Office building, and purchased renewable energy certificates (I-REC, TIGR, etc.\*3) for our production sites in Vietnam, China, Thailand, and India.

The actual greenhouse gas emissions (GHG) for FY2022 cannot be determined until late 2023. Therefore, obtaining emission factors for electricity and other resources is necessary to decide on the precise amount.

\*1 Onsite PPA (Power Purchase Agreement) is a contractual arrangement in which a company has another company construct, own, operate, and maintain power generation facilities on its land, and the Company purchases the electricity generated from the said power generation facilities

\*2 Carbon-free electricity is generated from renewable energy sources that do not emit CO<sub>2</sub> during generation

\*3 I-RECs (International Renewable Energy Certificates) are certificates of renewable electricity generated under the rules and system provided by the I-REC Standard Foundation (Netherlands). Similarly, TIGR (Tradable Instrument for Global Renewables) is a certificate of renewable electricity generated and certified under the rules and system provided by APX (USA). The I-RECs and TIGRs purchased by our Company are certificates limited to renewable electricity generated within the respective country's market

## Initiatives in Procurement of Products / Parts

We are expanding green procurement initiatives and offer environmentally friendly products (finished products, semi-finished products, parts, raw materials, auxiliary materials, packaging and wrapping materials) in order to meet the various environmental demands of customers.

### Advancing Green Procurement Activities

MISUMI and Suruga Production Platform has formulated Green Procurement Guidelines to observe the legal restrictions and other requirements concerning environmental chemical substances, playing a part in the building of a recycling based society. We are advancing green procurement activities on these basis. With the cooperation and understanding of all our cooperative manufacturers/ suppliers, we are continuously expanding our efforts and aiming to eliminate the use of environmental chemical substances in our products.

### Survey of Environmental Chemical Substances Content

Controls over environmental chemical substances are tightening each year under the Restriction of Hazardous Substances (RoHS) Directive in Europe and similar directives in China, as well as Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Directive in Europe. MISUMI Group recognizes that management of environmental chemical substances is an important factor in a customer's product selection. As such, MISUMI Group has been testing product content based on RoHS and REACH and discloses RoHS Directive compliance in its catalogs and on its website.



FA Businesses (Single Axis Unit)

### RoHS Compliance

MISUMI Group puts "RoHS compliant product" mark on its catalogs to guarantee that it is a compliant product. To guarantee that the product is compatible, we carry out self-inspection of products and periodic supplier surveys based on strict internal control standards.



### Expanding Lineup of Environmentally Conscious Products

Concern about reducing environmental load is increasing globally, and MISUMI Group is also experiencing stronger customer interest in environmentally 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 when the cable is incinerated upon disposal, and its use is expected to grow in the future. We currently carry not only MISUMI brand products, but also third-party brands, and our selection continues to expand. MISUMI Group will continue to build its product lineup as the use of environmentally conscious products becomes more popular.



Non-halogen-type cable (electrical wiring)

## MISUMI Group's Environmental Activities

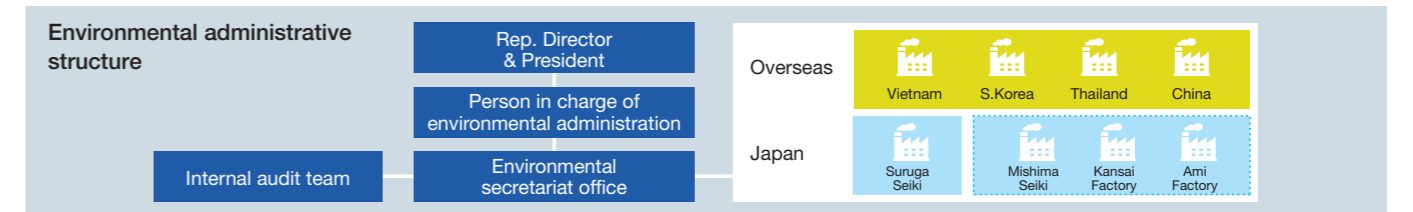
As a global company handling MISUMI Group's manufacturing, SURUGA Production Platform is firmly aware of its social responsibilities and has agreed to comply with environment-related laws and regulations, and other requirements.

We promote a sustainable society through environmental activities under the slogan "Coexistence of Technology and Ecology". Therefore, we established the following "Environmental Policy" and strive in our business activities to achieve these goals.

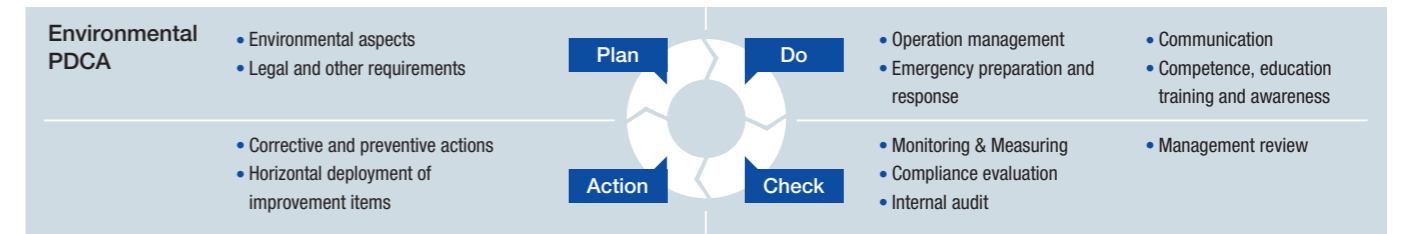
#### Environmental policy

1. Compliance with domestic and international environment-related laws and regulations and other requirements
2. Reduction of CO<sub>2</sub> emissions in production activities
3. Initiatives to control waste generation and recycling
4. Product development and production activities with low environmental impact
5. Prevention of environmental pollution
  - 1) Leakage of oils and harmful substances
  - 2) Leakage of noise from the site boundary

## Environmental Management



\*Acquired ISO14001 at our factories in Japan and overseas \*Production sites within the dotted box is expected to receive certification



Environmental management KPIs <https://www.misumi.co.jp/english/esg/environment/iso.html#KPI>

### Environmental Committee

The Environmental Committee meetings are held regularly to promote practical environmental improvement activities. The committee shares environmental activity policies, environmental management KPIs, environmental improvement activity plans and results, etc., to strengthen environmental management.

### Internal audit / External audit

To confirm the operational status and effectiveness of the Environmental Management System and laterally deploy good environmental activities practices, we conduct an internal audit every year and undergo an external audit by the ISO14001 certification body.

The results of internal and external audits reported by the Environmental Committee lead to continuous improvement of the Environmental Management System.

### Environmental education

We provide environmental education to employees based on the environmental education training plan. In addition, to strengthen the environmental management system, we carry out regular environmental education activities, such as taking internal audit training every year, centered on on-site managers.

<https://www.misumi.co.jp/english/esg/environment/iso.html>

## Introduction of CO<sub>2</sub>-free Electricity

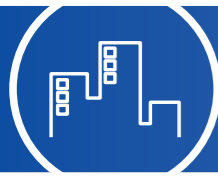
We Introduced CO<sub>2</sub>-free Electricity\* at seven sites, including the Head Office of SURUGA Production Platform, in April 2022.

As a result, we will reduce the greenhouse gas (GHG) emissions from our production sites in Japan by approximately 6,000 tons a year. That will be an 8.6% reduction in GHG emissions (Scope 1 and 2) over our entire group compared to FY2020.

\*Electricity with CO<sub>2</sub>-free value derived from renewable energy sources that do not emit CO<sub>2</sub> during generation

## Initiatives in Logistics

To reduce GHG emissions in logistics, we introduced EV vehicles to one of our delivery routes in the Chubu region in July 2022. Preparations are underway for a nationwide rollout as we advance.



## Social Initiatives

### Supply Chain Management

MISUMI Group is continuously improving the customer time value and growing its business activities.

Today, corporate supply chains are expanding globally, and our business activities and responses to social demands are something our Group cannot complete on our own. Therefore, the cooperation with our business partners, who provide us with products and services, is essential.

We have developed the “MISUMI Group Sustainable Procurement Guidelines” to align with the values of our Group and collaborate with our suppliers in a fair, unbiased, and transparent manner. We aim to fulfill our social responsibility throughout the supply chain by building mutual trust with our suppliers.

MISUMI Group Sustainable Procurement Guidelines [https://www.misumi.co.jp/assets/doc/csr/news/SP\\_Guidelines\\_en.pdf](https://www.misumi.co.jp/assets/doc/csr/news/SP_Guidelines_en.pdf)

### Procurement Policy

MISUMI Group provides customers around the world with “convenience in selection and purchasing” and “time value” to reduce waste and person-hours in the industrial world through the “reliable quick delivery” of products. We are committed to continuously improving time value. We are constantly evolving our Business MODEL and working to strengthen our business foundation, including production, logistics, and IT, and building the human resources to support these efforts.

We will seek out and procure from suppliers in an open, fair, and impartial way, both domestically and internationally. In selecting suppliers, we will make rational decisions based on a comprehensive evaluation of the time value of services provided, including quality, price, and delivery time, as well as organizational and technical capabilities for continuous improvement, and in addition, compliance with laws and regulations, environmental conservation, health and safety, and protection of human rights.

We value good communication with our suppliers and will work with them to improve sustainable procurement activities. We may ask for their cooperation in providing “time value” and periodic or irregular reporting and audits as appropriate. We may also ask that our suppliers’ supply chain endorse our Procurement Guidelines.

### Measures to Enhance Human Capital

It is MISUMI Group’s mission to innovate the MISUMI MODEL constantly to increase the time value of our customers in the industrial automation industry. We aspire to “sustainability management” (Growth Chain-reaction) that achieves sustainable development for industry and society.

The Group’s employees perform the role of a “starting point” for sustainable growth chains. The constant pursuit of the “next challenge” by our employees will lead to the innovation of the MISUMI MODEL and, by extension, the improvement of time value for our customers in the industrial automation industry and the further development of society. Therefore, we regard employees who pursue the next challenge with a strong orientation towards growth, strategy, and autonomy, as well as the human resources environments that inspire them to take challenges and grow, as vital components of “human capital.” The Group constantly aspires to be an environment that is the “best place to grow” for our employees, and we will establish a chain where our employees’ growth contributes to the further development of society.

Specifically, we will provide opportunities for voluntary internal personnel transfers and promotions to encourage employees to take the “next challenge,” establish a global human resources environment including evaluation and compensation systems that recognize and reward employees for their achievements, and provide an extensive range of human resource development programs to strengthen employees’ strategic thinking and enable them to acquire the knowledge and skills necessary for their work. By providing opportunities such as these, the management team is directly engaged in strengthening the organization and human resources.

We regard the enhancement of human capital as a central focus of management. We will strive to further enhance our human capital by returning to employees the “profits” achieved by contributing to customers and actively investing in further human resources training and development and better workplace environments. We will also aim for even greater

workforce diversity to strengthen our human capital. As part of this, we have established a target of raising the percentage of female managers in the entire Group from the current level of 23% to 28% by the end of FY2028, and we will proceed to implement a range of initiatives to achieve this.

### Respect for Human Rights

MISUMI Group Inc. has established the following basic policy on respect for human rights in its Code of Conduct.

Code of Conduct <https://www.misumi.co.jp/english/esg/governance/compliance.html>

- MISUMI Group companies respect the human rights of executives and employees to the maximum extent possible, realizing and cultivating a safe and friendly work environment.
- Executives and employees will take the initiative to cooperate in realizing and cultivating a safe and friendly work environment.
- We will not discriminate against, harass, or violate the human rights of any of our stakeholders, including executives and employees, for any reason, including race, nationality, gender, religion, creed, birth, age, or physical disability.

#### Providing a Safe and Friendly Work Environment

Try to provide safe and rewarding work environment to all the executives and employees, both in Japan and overseas, in compliance with the relevant or equivalent laws pertaining to health and safety.

#### Prevention of Divulgence of Personal Information

Personal Information obtained through the course of business activities will ONLY be used for the purposes of the business activities. Information disclosure will not take place to any third party without the prior consent of the individual, by thorough management.

Act on the Protection of Personal Information	Related Regulations / In-house Rules	Rules of Employment	Personal Information Handling Rules
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#### Monitoring of Ethical Issues and Regular Audits

The Company strictly stipulates the following in its Rules of Employment which is thoroughly enforced with all officers and employees. Violators will be punished.

Compliance with laws and company regulations and rules	Retention of confidentiality	Retention of honor and credibility	Prohibition of unauthorized use of management information, etc.	
Prohibition of unjust enrichment, etc.	Prohibition of unauthorized use of equipment and systems, etc.	Restrictions on the use of company facilities	Restrictions on side jobs	Prohibition of harassment

In addition to providing guidance and education to subordinates through the reporting line, the company is also focusing on discovering violations through the whistleblowing system. Responding to cases of work rule violations, decisions will be made at the “Human Resources Compliance Meeting” in which the Chairman and President participate, and results will be disclosed internally.

In addition, we also manage in-house information through security patrols.

### MISUMI Group Human Rights Policy

MISUMI Group Inc. has established a Human Rights Policy after deliberations by the Board of Directors.

All Officers and employees of the companies in MISUMI Group will act in accordance with this policy, and we will promote understanding and initiatives throughout the entire supply chain, including suppliers.

MISUMI Group Human Rights Policy [https://www.misumi.co.jp/assets/img/esg/social/misumi\\_humanright\\_en.pdf](https://www.misumi.co.jp/assets/img/esg/social/misumi_humanright_en.pdf)

### Diversity and Inclusion

MISUMI Group recruits, trains, and develops human resources at each of its global locations, emphasizing diversity in terms of background, skills, gender, and nationality, as well as equal opportunities. In female empowerment, especially, the global male to female ratio as of March 2023 is 64%:36% and the percentage of female managers is 23%.

Globally, our Company promotes and implements remote working, flexible work schedules, and the promotion of women to management positions, further strengthening diversity, especially in expanding opportunities for women to play an active role.



## Harassment Prevention Policy

Since 2017, MISUMI Group Inc. as a whole has declared “No Harassment” and ensured that all Group companies are thoroughly aware of it. It stipulates that employees are strictly prohibited from workplace harassment under the guise that harassment is unacceptable and will be subject to punishment.

In addition, “Human Resources Compliance Training” (for managers and employees), including prevention of harassment, is periodically conducted for all employees.

For more information regarding whistle-blowing system, including harassment, please refer to Whistle-blowing system.

### (Training content)

Each year, the following training programs are offered globally.

- Responsibilities of management leaders
- Definition of harassment
- The actual situation at MISUMI
- Harassment precautions
- Process when harassment occurs

Rules have been established for reporting cases within the Company.

## Compensation and Benefits

### Salary System

The salary system of MISUMI Group Inc. and MISUMI Corporation is on an annual basis, which is determined by the weight of responsibility and performance of employees. In addition, we have a performance bonus system designed to motivate employees towards business growth achievement based on the growth company-wide and the growth of division to which the employee belongs.

### Pension and Retirement Benefit Plan

To reward employees for their long-term contributions, MISUMI has introduced a retirement benefit plan for full-time employees and a Defined Contribution Pension Plan to help employees build assets for their retirement. Each group company has implemented a retirement allowance system based on local labor legislation and social environment, and also has introduced a Defined Contribution Pension Plan that allows receipt of pension payments to guarantee their lives after retirement and working to design and operate the system to be attractive to employees.

As specific examples, MISUMI Group Inc. and MISUMI Corporation offer the following plans to full-time employees.

1. In-house funded cash payment retirement benefit plan
  - Eligible after 3 years of service
  - Calculated by multiplying the ratio determined for each position’s tenure by total tenure and annual salary
2. Defined contribution pension plan

### Stock Options for Executives

MISUMI Group Inc. and MISUMI Corporation grant stock options as a form of stock-based compensation to executives in charge of management to motivate the improvement of their performance and retain them. The top management decides the number of shares to be granted based on the previous year’s performance, future performance expectations over the mid- to long- term, and the degree of contribution to the company.

### Incentive System for Stock Ownership

By becoming a shareholder, the hope is for employees to pursue work with the same perspective as shareholders, further heightening their ownership of the company. At the same time, the company provides incentives and support to employees for acquiring their own shares as part of the company’s benefit. Full-time employees of MISUMI Group Inc. and MISUMI Co., Ltd., are eligible for this program, the details of which are as follows.

1. Support program for acquisition of share unit (with repayment exemption clause)
  - Employees who are not shareholders can use the system only once
2. Cumulative stock investment incentive system
  - Employees can purchase shares of MISUMI Group Inc. at a fixed monthly price (employees who are already shareholders may also purchase shares)
  - Company provides incentive payments

### Labor-Management Agreement

There are no labor unions at MISUMI Group Inc., MISUMI Co., Ltd., and group companies in Japan. For cases requiring a labor-management agreement, it is concluded between the company and the person who represents the majority of the employees.

### In-House Massage Facility

Once a month, one can receive a 40-minute massage +10-minute consultation for 500 yen. Many employees use it, and such comments have been received- “in-house massages are great as it enables one to get treatment in-between work-related tasks”, “massage relieves fatigue making one feel that they can go the extra mile”.



### Benefits

MISUMI has enhanced its benefits programs to support employees who continue to take on challenges with a positive attitude, so they can feel refreshed and enjoy a change of pace.

### Recreational Facility

Contract is in place with a recreational facility provider called Laforet Club. It owns and manages hotels in 13 locations, as well as partnering with approximately 70 hotels nationwide. In addition to corporate membership pricing, corporate subsidies are also provided. Many employees use it when traveling with their family and colleagues, with feedback such as “reasonable pricing” and “delicious food”, as characterized by the fact that there are many repeaters.



## Human Resource Development

MISUMI Group considers the development of management leaders to be an important management issue in addition to business growth. Employees with leadership qualities, such as logic and passion, will gain experience in the field and refine themselves. We are convinced that this process will nurture management leaders.

MISUMI Group has established a variety of training programs for employee development. At the same time, we are actively recruiting outside personnel who have experienced many difficult situations to form a strong management team. The main training programs are as follows.

- **MISUMI Strategy School**  
The top management itself serves as the head of the school, which provides training in the perspectives and strategic thinking skills necessary for management leaders.
- **Management Forum**  
Management forums are held periodically where participants can interact with senior management at lectures on strategy and high-level discussions on actual management experiences.

- **Presentation of results**  
Presentation of results show the contribution to the innovation of MISUMI’s Business MODEL, with qualifying rounds held in each global region and a global final. In addition, case studies are shared globally and play a significant role as a learning opportunity.
- **Management training**  
Training to recognize the role of managers and to acquire the thinking and skills necessary for organizational management.
- **Logical thinking training**  
Training to acquire logical thinking skills as a basis for solving business problems.
- **Supporting self-development training**  
The Company will pay a portion of the course fees for employees who attend and complete external training programs to improve their business abilities and skills.
- **In-house English conversation class**  
Native English speaker provides in-house English conversation classes.

## Health and Safety

### Health and Safety Committee Meetings

In accordance with laws and regulations, the Health and Safety Committee meets monthly, and the minutes are available within the company. In addition to sharing information on health and safety issues in daily work and the results of annual stress checks, the committee members discuss topics such as infection prevention measures in the workplace and at home in the event of the spread of COVID-19 under the guidance of industrial physicians. Also, health maintenance during remote work is discussed; by bringing the results back to the workplace, we strive to maintain and improve a healthy and sustainable work environment.

### Ensuring Employee Health and Safety in Emergencies

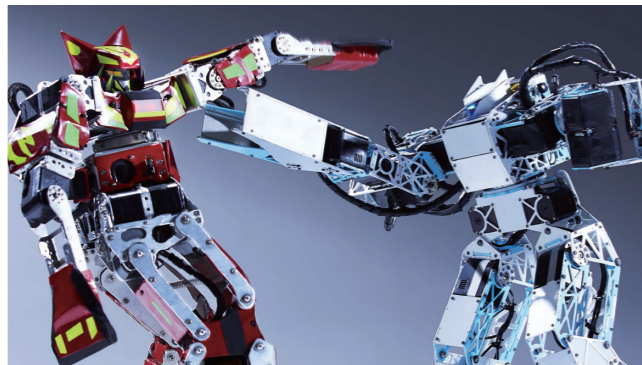
In the event of a sudden natural disaster, such as a typhoon or earthquake, we have a safety confirmation system in place to confirm the safety of our employees. At the same time, confirm physical damage to offices, warehouses, and other facilities, so that we can quickly determine whether or not to continue operations.

In response to the spread of COVID-19, we set up a task force at the Headquarter in February 2020. In addition,

by utilizing the same safety confirmation system used in a disaster, we have established a system to monitor the physical condition of employees (including temporary employees) at all global sites on a daily basis since that same month and reports the results to BCP managers at the Headquarter and the Human Resource department.

Moreover, we have established a system shifting to remote work (including temporary employees and outsourced workers) to the extent possible in each country. We distribute masks to employees and their family members according to the spread of infection in each country, share best practices of infection prevention measures among all global sites, provide online health consultation to Japanese employees stationed overseas, and support the purchase of daily necessities; working to ensure health and safety and business continuity globally. In addition, we are committed to providing health and safety measures that include families of our employees, our business partners, neighboring companies, and residents, such as being among the first in Japan to provide inoculation services at workplaces with the COVID-19 vaccine and encourage vaccination.

## Sponsoring of the Biped Robot Battle Tournament (aka “ROBO-ONE”)



MISUMI Group has been sponsoring “ROBO-ONE”, since FY2016 as the main sponsor, organized by the Biped Robot Association, in order to support the passion of people involved in manufacturing, such as engineering students and corporate engineers.

ROBO-ONE (organized by the Biped Robot Association) is a biped robot battle tournament that has been held since 2002. The objective of the tournament is to improve manufacturing technologies and popularizing biped robots. Wide range of people from students to professional engineers are entering the tournament.

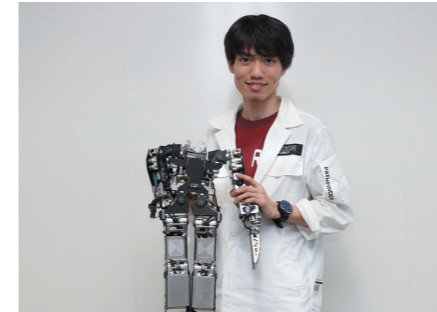
The robots throw punches and employs throwing techniques to defeat their opponents. Each contestant competes in a three-minute round to determine the strongest biped robot. The first contestant to score three knockdowns wins the match.

“MISUMI Presents the 41st ROBO-ONE” was held from September 24–25, 2022. The event has been held online since the 37th ROBO-ONE in September 2020 due to the impact of COVID-19. This time, although it was held without an audience and broadcast online, it was a “real” event with direct contact between the robots.

The upper limit for robot mass has been relaxed from 3kg to 4kg, and the rules has also been revised to allow powerful and attractive new techniques. We also added a new Performance Section where creators can show off their robots’ mechanisms, movements, and innovations.

The following three robots were selected for the ‘MISUMI Award,’ which is presented to robots that have captivated spectators with their striking design and dynamic movements.

## 41st ROBO-ONE MISUMI Award Winners



Robot name: Raptor  
Junpei Mizunoya



Robot name: KAGRA-SUMIRE  
Hida-Kamioka High School Robotics Club



Robot name: ex machina  
Taiki Tsuno

## Manufacturing Support for Student Groups

In the “MISUMI Student Manufacturing Support” initiative, open invitation applications are accepted from a wide range of student groups that take on challenges in manufacturing at universities, technical colleges, etc., providing MISUMI products free of charge.

Since the program’s inception in 2008, we have supported more than 2,200 student organizations.

Since FY2018, we have been supporting the activities of “SAKURA Tempesta”, a team of junior and senior high school students competing in the “FIRST® Robotics Competition (FRC),” an international robotics competition

The team has continued its remarkable success, winning awards in five consecutive tournaments and qualifying for the World Championships on three occasions since its first year of the team’s inception.

We also provide many middle and high school students with opportunities to learn about engineering and the appeal of manufacturing.

MISUMI Group will continue to actively support students who will be the next generation of leaders in the manufacturing industry.

## Activities to Convey the Appeal of Manufacturing

### Summer vacation manufacturing class

In August 2019, “MISUMI x SAKURA Tempesta Summer Vacation Manufacturing Class” for junior and senior high school students was held in order to foster manufacturing human resources. Participants endeavored in assembling machines and games using MISUMI’s full-fledged components. After the event, many students said that they became “interested in engineering” and experienced the enjoyment of manufacturing.



Summer Vacation Manufacturing Class



Junior/ Highschool team  
SAKURA Tempesta



# Corporate Governance

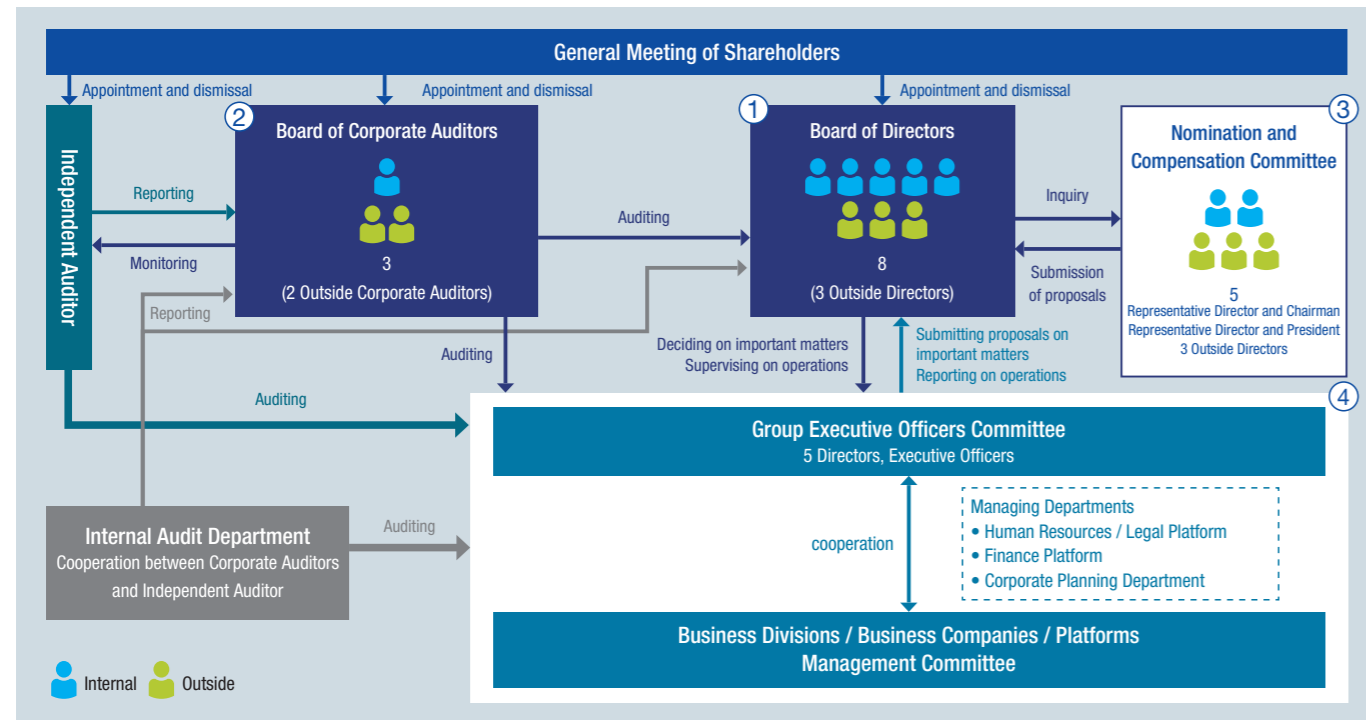
MISUMI Group enacted and disclosed the MISUMI Group Corporate Governance Basic Policy with the aim of contributing to the Group's continuous growth and medium- to long-term enhancement of its corporate value.

MISUMI Group Corporate Governance Basic Policy [https://www.misumi.co.jp/english/company/governance\\_compliance/corporate\\_governance.html](https://www.misumi.co.jp/english/company/governance_compliance/corporate_governance.html)

Said policy states that each principle provided in the Corporate Governance Code will be implemented.

## Corporate Governance System

MISUMI Group directs and audits its business practices through its Board of Directors, Group Executive Officers' Committee and Audit Committee.



### Overview of the Corporate Governance System

Organizational format	Company with a Board of Corporate Auditors	Number of Corporate Auditors [of which, Outside Corporate Auditors]	3 [2]
Number of Directors [of which, Outside Directors]	8 [3]	Adoption of corporate officer system	Yes
Term of office of Directors	1 year	Existence of voluntary committees	Yes (Nomination and Compensation Committee)
Number of Outside Directors designated as independent executives	3	Compensation system for Directors and other officers	(1) Basic compensation (2) Performance-linked compensation (bonuses) (3) Stock options

## (1) Board of Directors

The Board of Directors determine the strategic direction of MISUMI Group and decide upon important business executional matters. Concurrently, they are responsible for supervising and instructing Corporate Officers and Representative Corporate Officers in charge of the Business Divisions, Business Companies and Platforms, as well as for putting in place suitable internal control systems.

The Board of Directors also regularly review MISUMI Group's operation pertaining to the Internal Control System and Code of Conduct, as well as the Internal Reporting System, making evaluations and changes as required. The Board of Directors comprise eight Directors, including three Outside Directors. As a rule, they hold regular meetings once a month, as well as Extraordinary Board Meetings as deemed necessary, during which they make important decisions regarding management and business and supervise operational execution.

### Composition of the Board of Directors

Name	Position	Corporate management	Business strategy	Global experience (Overseas business management, Management of regional subsidiaries, etc.)	DX / IT	Manufacturing /Operations (Logistics, Customer service etc.)	Organizational/ Human resource strategy	Finance/ Accounting	Legal/ Governance/ Risk management
Kosuke Nishimoto	Representative Director	○	○				○	○	○
Ryusei Ono	Representative Director	○	○	○	○	○			
Tomoki Kanatani	Director		○	○	○	○			
Shigetaka Shimizu	Director		○	○	○	○			
Shaochun Xu	Director			○			○	○	○
Yoichi Nakano	Outside Director	○		○			○	○	
Arata Shimizu	Outside Director	○	○		○	○			
Tomoharu Suseki	Outside Director	○		○		○			○
Takaaki Wada	Corporate Auditor			○		○	○		
Juichi Nozue	Outside Corporate Auditor			○					○
Nanako Aono	Outside Corporate Auditor	○						○	

\*Male: 9 persons, female: 2 persons; Japanese national: 10 persons, foreign national: 1 person

## (2) Board of Corporate Auditors

The Board of Corporate Auditors comprises three Corporate Auditors including two Outside Corporate Auditors. The Board of Corporate Auditors audit Directors' execution of their duties and closely cooperate with the Independent Auditor and the Internal Audit Department to improve the effectiveness and efficiency of the auditing process.

## (3) Nomination and Compensation Committee

To strengthen the supervisory function of the Board of Directors and increase the transparency of the decision-making process, the Company has established a Nomination and Compensation Committee in which the majority comprises independent Outside Directors. It serves as an advisory body, making deliberations and submission of proposals to the Board of Directors on evaluation/remuneration matters and election/dismissal of Directors, including Representative Directors, and succession planning of Representative Directors.

The Nomination and Compensation Committee objectively discusses, considers regarding important matters, such as nomination and compensation, from the different perspectives including diversity and skills.

### Members of Nomination / Compensation Committee

Representative Director and Chairperson	Kosuke Nishimoto (Chairperson)
Representative Director and President	Ryusei Ono
Outside Director	Yoichi Nakano
Outside Director	Arata Shimizu
Outside Director	Tomoharu Suseki

## (4) Group Executive Officers' Committee / Business Divisions, Business Companies and Platforms Management Committee

The Group Executive Officers' Committee is composed of Five fulltime Directors (excluding Outside Directors of the Board) from MISUMI Group Inc., and Representative Corporate Officers from Business Divisions, Business Companies and Platforms. As a rule, they hold regular meetings once a month to reinforce both supervision and execution. "Business Divisions" and "Business Company" oversees MISUMI Group's business side, and "Platforms" was established for business support and service functions.

Authority and responsibility have been delegated to these entities. In so doing, MISUMI Group has attempted to realize integrated management of manufacturing and sales with SURUGA Production Platform, thereby expediting the decision-making process. To clarify the decision-making process, meetings such as Business Divisions, Business Companies and Platforms Management Meetings, take place within MISUMI Group's respective Business Divisions, Business Companies and Platforms.

## Outside Directors and Outside Corporate Auditors

### Functions and Roles of Outside Directors and Outside Corporate Auditors in Corporate Governance

MISUMI Group Inc.'s Board of Directors have the function of supervising management, decision-making and operational execution by the Executive Directors and Corporate Officers. The Board of Directors comprise eight Directors, three of whom are Outside Directors, and of the three Corporate Auditors, two are Outside Corporate Auditors. With respect to corporate governance, MISUMI Group Inc. believes that the function of management monitoring by an external and neutral party with an objective viewpoint is important and has determined that the current system of supervision and checking of management by Outside Directors and independent auditing by Outside Corporate Auditors allows for sufficient monitoring from the outside.

### Standards or Policies Related to Autonomy from Submitting Company in the Appointment of an Outside Director or Outside Corporate Auditor

MISUMI Group's standards for appointment as an Outside Director or Outside Corporate Auditor are the same as those of an independent executive as stipulated by the Tokyo

Stock Exchange rules. MISUMI Group's reasons for the appointment of respective Outside Directors and Outside Corporate Auditors and their record of attendance at Board of Directors' meetings in FY2022 are as indicated in the table below. We determine that these individuals can carry out the role of supervising and checking MISUMI Group's management and carry out the role of auditing fairly and objectively from an independent standpoint on the basis of their expert knowledge and experience.

### Supervision or Auditing by Outside Directors and Outside Corporate Auditors

Outside Directors participate in the monthly Board of Directors' meetings and primarily ask questions and provide advice regarding proposals and deliberations from an objective standpoint independent from the management team that is engaged in operational execution.

Outside Corporate Auditors attend the monthly Board of Directors' meetings and the Board of Corporate Auditors meetings and ask questions and provide advice regarding proposals and deliberations from the standpoint of having expert knowledge and experience.

### Outside Directors

(As of June 15, 2023)

Outside Director	Reason for Appointment	Number of Board of Directors' Meetings Attended in the Fiscal Year Ended March 2023
Yoichi Nakano	Extensive experience in various industries on a global basis, namely, finance, consulting and executive search, and possessing ample experience and broad knowledge of management personnel development	14 out of 14
Arata Shimizu	Ample experience and broad knowledge through his extensive career in strategic consulting and business management	14 out of 14
Tomoharu Suseki	Has held management positions of various global companies primarily in electronics field for many years and has extensive experience and broad knowledge in business management	14 out of 14

### Outside Corporate Auditors

Outside Corporate Auditor	Reason for Appointment	Number of Board of Directors' Meetings Attended in the Fiscal Year Ended March 2023	Number of Board of Corporate Auditors Meetings Attended in the Fiscal Year Ended March 2023
Juichi Nozue	Expertise and experience in legal affairs as a lawyer and ample experience as Outside Director and Outside Corporate Auditor of MISUMI Group Inc. and other companies	14 out of 14	26 out of 27
Nanako Aono	A considerable degree of knowledge concerning financial accounting as a certified public accountant, and extensive insight cultivated through her career as a business manager and Corporate Auditor	14 out of 14	27 out of 27

## Assessing the Effectiveness of the Board of Directors

### Evaluation Process (year ended March 31, 2023)

With respect to self-evaluation of the Company's Board of Directors' effectiveness, questionnaires were distributed to the Directors and Auditors and obtained their responses. Designated evaluation 'members' conducted analysis and evaluation pursuant to discussions based on the aggregated response results, status of the Board of Directors meeting for the current fiscal year, as well as briefs on various matters and statements expressed.

### Evaluation Results (year ended March 31, 2023)

The Board of Directors of the Company has assessed that the effectiveness has been sufficiently ensured, as follows:

- Sufficient time has been devoted to the discussion of proposals submitted to the Board of Directors, with serious and vigorous discussions among those present, and appropriate decisions have been made and oversight has been properly exercised with respect to executive matters.
- Outside Directors and Outside Corporate Auditors are actively engaged in discussions by proactively speaking out from their respective professional viewpoints. Their opinions are fully reflected in our Management's decision-making process.
- The function and management method of the Company's Board of Directors are continuously innovated to enhance their effectiveness. This leads to the enrichment of active deliberation of the Board of Directors, the strengthening of supervision and the guidance of execution.
- There are three independent Outside Directors, which meets the Prime Market requirement for more than one-third of directors to be independent Outside Directors.
- At the Annual General Meeting in June 2022, the election of a female and a foreign Director was approved, increasing the diversity of the Board.
- The Nomination and Compensation Committee has been established as an advisory body, which deliberates and submits proposals to the Board of Directors on evaluation/compensation matters and on the election/dismissal of members of Directors, including the Representative Directors. It also discusses and implements succession planning for the Representative Directors.

Going forward, we will continue to discuss the roles, functions, operations, and agenda of the Board of Directors to establish an appropriate Board that addresses further business growth and globalization. Additionally, we will consider the number and composition of internal and external Directors and the balance of knowledge, experience, and capabilities.

### Basic Policy on the Internal Control System

MISUMI Group Inc.'s Board of Directors agreed 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, Paragraph 1 and 3. The decisions are as follows.

Systems for the retention and management of information concerning the execution of Directors' duties	• Minutes for meetings of the Board of Directors, the Group Officers' Committee and other important meetings will be compiled and retained appropriately, as stipulated by laws, regulations and rules.
Rules and other systems pertaining to management of risks that could cause losses to the Company or its subsidiaries	• Various regulations, internal rules, manuals, and risk management systems will be formulated to address risks faced by MISUMI Group Inc. and its subsidiaries (hereinafter referred to collectively as the "MISUMI Group"), including risks relating to regulatory compliance, the environment, information, export controls and natural disasters. • Task forces will be established to take timely action and report to the Board of Directors in the event of unforeseen contingencies affecting the MISUMI Group.
Systems to ensure the efficient execution of duties by Directors of the Company and its subsidiaries	• Management plans will be subject to final approval by the Board of Directors, and progress on such plans will be monitored at monthly meetings of the Group Officers' Committee. • Important issues identified through the monitoring of progress on management plans, or through other processes, will be discussed at meetings of the Board of Directors or the Group Officers' Committee, etc. • At its monthly meetings, the Board of Directors will hear reports, monitor business results, and provide advice and guidance on important matters.

Systems to ensure that the duties of Directors and employees of the Company and its subsidiaries are performed in accordance with laws, regulations and the Articles of Incorporation	<ul style="list-style-type: none"> <li>Directors and employees of the MISUMI Group will ensure observance of the MISUMI Group Code of Conduct and compliance with laws, regulations, and the Company's Articles of Incorporation.</li> <li>Systems has been established to ensure that duties are carried out appropriately in accordance with the occupational authority rules and other decision-making rules of the MISUMI Group.</li> <li>An internal reporting ("whistleblowing") system has been established for the entire MISUMI Group to ensure the early discovery of actual or suspected violations of laws, regulations and/or internal rules. Steps will be taken to guarantee that whistleblowers will not be disadvantaged.</li> </ul>
Systems for ensuring that the business operations of the Company and the subsidiaries that make up the Group are conducted appropriately, including systems for reporting to the Company on the execution of duties by the subsidiaries' directors, etc.	<ul style="list-style-type: none"> <li>MISUMI Group Inc. will require each subsidiary to submit a monthly report concerning its business execution and operations.</li> <li>MISUMI Group Inc. will ensure the appropriateness of the business operations of each subsidiary by obtaining business reports and monitoring progress on management plans at Group Officers' Committee meetings.</li> <li>The business operations of each subsidiary will be audited regularly by the Internal Audit Department.</li> <li>Provisions will be included in the MISUMI Group Code of Conduct requiring the repudiation of relationships with antisocial forces, and resolute opposition to such forces by the entire MISUMI Group.</li> </ul>
Matters pertaining to employees who assist the Company's Corporate Auditors	<ul style="list-style-type: none"> <li>Corporate Auditors will be free to appoint audit assistants and will be involved in transfers and evaluations, etc., of audit assistants.</li> <li>When assisting the Corporate Auditors in the performance of their activities, audit assistants will act in accordance with instructions from the Corporate Auditors.</li> </ul>
Systems for reporting to the Company's Corporate Auditors	<ul style="list-style-type: none"> <li>The Corporate Auditors will attend important meetings, including meetings of the Board of Directors and the Group Officers' Committee. Directors and employees will inform the Corporate Auditors immediately of any situation that could have a serious impact on the MISUMI Group, or of the risk that such a situation might arise.</li> <li>Officers and employees of the MISUMI Group will provide accurate reports about the execution of their duties at the request of the Corporate Auditors.</li> <li>The Corporate Auditors will meet regularly with the independent auditor and the Internal Audit Department to share opinions and information. Corporate Auditors will seek reports from the independent auditor whenever necessary.</li> <li>The unit in charge of the internal reporting ("whistleblowing") system will report on a regular basis to the Corporate Auditors about the status of internal reporting within the MISUMI Group.</li> <li>A guarantee will be provided to the effect that no officer or employee of the MISUMI Group who reports to the Corporate Auditors will be disadvantaged as a result of that action.</li> </ul>
Matters pertaining to policies concerning the treatment of costs resulting from the execution of duties by Corporate Auditors of the Company	<ul style="list-style-type: none"> <li>A fixed budget will be provided each year for costs, etc., incurred in the execution of duties by the Corporate Auditors. Any other essential costs incurred by the Corporate Auditors in the execution of their duties will be either paid in advance or settled promptly on request from the Corporate Auditors.</li> </ul>

## Ethics and Compliance

### Code of Conduct

MISUMI Group Inc. and its subsidiary and affiliates, ("MISUMI Group") has established the "MISUMI Group Code of Conduct" as a set of MISUMI Group's fundamental policies and rules that is a model of the processes, activities and conducts of the directors, executives, officers and employees of MISUMI Group, (the "Employees") in terms of compliance with the laws, regulations, and the internal rules, the corporate mission and business ethics. The Employees are informed and fully aware of the Code of Conduct.

Code of Conduct  
<https://www.misumi.co.jp/english/esg/governance/compliance.html>

### Employee Training on Ethical Standard

MISUMI Group has established the training program for compliance and business ethics, (the "Training Program") and provided the training sessions regularly, mostly once a year. Post-training tests are also conducted to ensure the comprehension of each training and to promote employees understanding of the contents.

### Bribery and Anti-Corruption Policy

In the Code of Conduct, MISUMI Group prohibits the Employees from bribing government or administrative officials, and from committing illegal financial transaction with business partners.

Code of Conduct  
<https://www.misumi.co.jp/english/esg/governance/compliance.html>

### Protection on Personal Information

MISUMI Group complies with the laws and regulations related the protection of personal information and handles personal information appropriately.

Privacy Policy for Shareholders  
<https://www.misumi.co.jp/english/utility/privacy/shareholders.html>

### Information Security

MISUMI Group has recognized importance of the information security as to roll out business globally. To protect the

information assets from various threat, MISUMI Group has established Basic Policies for Information Security and improved information security.

Basic Policy on Information Security  
<https://www.misumi.co.jp/english/ir/policy/security.html>

### Oversight for Ethics Compliance and Legal Issues

Corporate Officer responsible for the legal and compliance issues reports the legal, compliance and business ethics activities to the Board of Directors of MISUMI Group Inc., twice a year. The Board of Directors discusses the reports, supervises and instructs the measures to be corrected or strengthened.

Furthermore, Legal Department makes reports on important legal and compliance cases every month.

### Regular Audits of Ethical Standards

The Board of Directors of MISUMI Group Inc. adopted a resolution on the Basic Policy on systems to ensure that MISUMI Group's business operations are conducted in compliance with laws, regulations and the articles of incorporation, and other systems to ensure that MISUMI Group's business operations are conducted in an appropriate manner (the "Internal Control System").

Internal Control System  
[https://www.misumi.co.jp/english/esg/governance/internal\\_control.html](https://www.misumi.co.jp/english/esg/governance/internal_control.html)

The Board of Corporate Auditors reviews the administration of the Internal Control System every year.

The Internal Audit Department sets approximately ten sites or organizations for the audit target every year and conducts an audit to find out whether such sites or organizations are executed or operated appropriately complying with laws, regulations, and internal rules.

Additionally, since 2019, Legal Department has conducted action called "Legal Risk Review Rounds" to locate legal risks and potential violations of law in the early stage and resolve the issues with the targeting organization.

## Internal Whistle-Blowing System of MISUMI Group

### Whistle Blowing System and Whistleblower Protection

MISUMI Group has established Whistle Blowing System called "MISUMI Compliance Helpline," in which the Employees can report or consult illegal or inappropriate and questionable matters and incidents.

In addition to MISUMI Compliance Helpline, HR department has established a consultation desk where the Employees can consult harassment and any other inappropriate behavior in workplace. Those who have reported or consulted to this consultation desk are also guaranteed with anonymity and no disadvantages.

Whistle Blowing System "MISUMI Compliance Helpline"  
<https://www.misumi.co.jp/english/esg/governance/whistleblower.html>

### Investigation and Decision on Whistleblowing Case

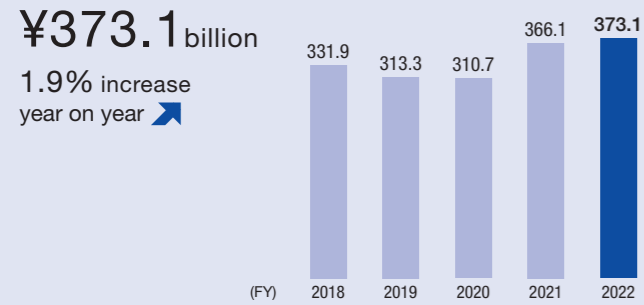
When a report is made to MISUMI Compliance Helpline, local helpline desk, or HR's consultation desk, HR Department and Legal Department investigate the facts and background with the utmost consideration on anonymity and protection of the whistleblowers.

For important cases, HR Compliance Committee including Representative Director of MISUMI Group Inc. decides whether to penalize an employee who is responsible for inappropriate behavior, and/or what penalty should be given based on the investigation. After deciding the penalty, the department which the penalized person belonged to and the fact of the penalty are disclosed internally to secure the transparency of process, however, individual name is not disclosed.

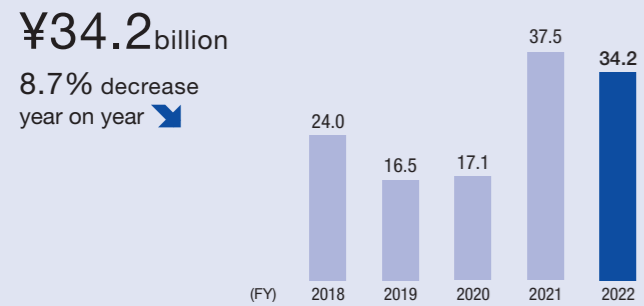


# Financial Analysis

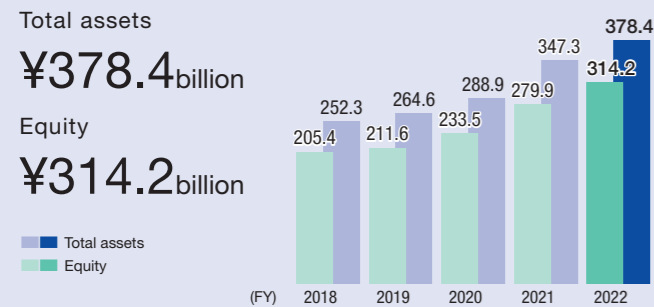
## Net Sales (Billion yen)



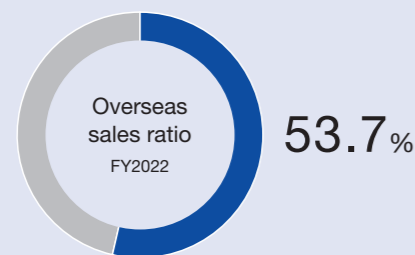
## Net Income Attributable to Owners of Parent (Billion yen)



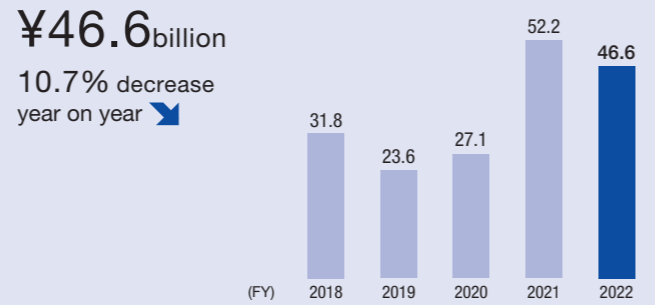
## Total Assets and Equity (Billion yen)



## Overseas Sales



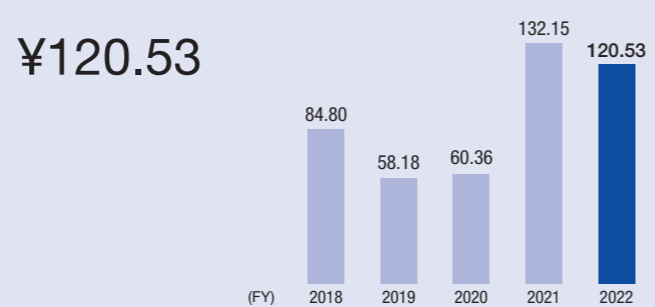
## Operating Income (Billion yen)



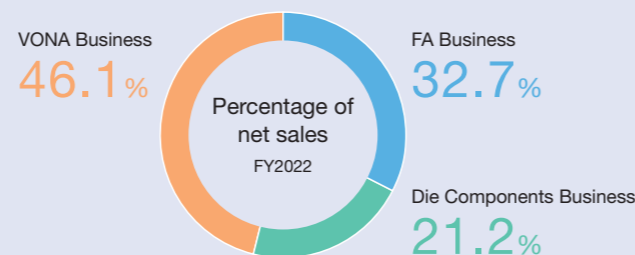
## Return on Equity (ROE) (%)



## Earnings per Share (Yen)



## Net Sales by Segment



## Business and Other Risks

Material risks that may significantly impact the financial situation, business results, and cash flows of MISUMI Group are as follows. Please note that the forward-looking statements provided are based on evaluations made by MISUMI Group at the end of FY2022.

### Sustainability issues

Companies are required to contribute to the sustainable development of society through their business activities. This includes efforts to address climate change by curbing greenhouse gas emissions and efforts to address human rights issues with initiatives that respect the basic human rights, individuality, and diversity of individuals. These efforts require cooperation not only within our Group but throughout the value chain, including suppliers.

Regarding climate change, the Group has declared its support for the TCFD recommendations and participation in the TCFD Consortium. In addition to identifying the risks and opportunities presented by climate change scenarios and evaluating their business impact, it promotes a wide range of energy conservation activities. Regarding human rights issues, the Group has established the MISUMI Group Human Rights Policy and, in addition to ensuring awareness among all employees, it strives to obtain the understanding and support of suppliers and others for this policy. The Group has also established the Sustainable Procurement Guidelines as a supply chain management initiative, and it endeavors to promote sustainable procurement activities through cooperation. This includes encouraging consensus with major suppliers, implementing a questionnaire to confirm the status of initiatives on the environment, respect for human rights, health and safety, etc., and conducting a fact-finding survey.

However, if these risk responses are not appropriate, public trust in MISUMI Group may deteriorate, affecting its business performance and financial position.

### Impact of market trends in specific industries on earnings

In its FA and Die Components Businesses, our Group's primary customers are in the automotive and electronics (including LCD and semiconductor) industries. The VONA business sells manufacturing and automation-related equipment parts, MRO (consumables), and other auxiliary materials, including third-party manufactured products. The Group targets customers that utilize a wide range of automation equipment in their operations. As a result, the Group's performance may be affected by capital investment and production and operation trends in these industries.

Our Group keeps a constant eye on market trends in each of its businesses and implements measures such as capital investment, personnel allocation, and optimization of inventories, as necessary. However, unforeseen changes in conditions in the industries in which our customers operate may affect the business performance and financial position of the Group.

### Expansion of overseas business operations

Our Group has established Business Companies in China, Asia, Europe, and the Americas, in addition to Japan, and is strengthening business expansion in each region. However, political, and economic changes, as well as revisions to government policies, laws and regulations in these regions may significantly impact the execution of business plans by each Regional Business Company. In the current consolidated fiscal year, we are facing increased instability in overseas business due to ongoing tensions between the U.S. and China, geopolitical uncertainties such as the situation in Ukraine, as well as structural changes in the post-COVID market and the development of regional blocs in the global supply chain.

Our Group continues to monitor political and economic conditions in the jurisdictions of each regional business unit and globally tracks and responds appropriately to changes in the legal systems that affect our operations. However, if there are sudden changes in these circumstances, it could affect the performance and financial condition of our Group.

### Procurement of products and raw materials

MISUMI Group procures many goods and raw materials from domestic and overseas suppliers. However, rising procurement prices due to tight supply and demand, potential disruptions in the supply chain could lead to procurement difficulties. As a result, there may be a deterioration in profitability due to rising purchase prices and a decrease in product sales to customers.

Our Group is working to strengthen the business foundations of IT, production, and logistics and to reinforce our supply chain. However, changes in circumstances that exceed expectations could potentially affect the Group's performance and financial position.

### Quality control

MISUMI Group provides a wide range of products to our customers. Still, in addition to the quality and safety of our products, the requirements for managing Environmental Chemical Substances and efforts to reduce environmental impact are becoming stricter every year on a global basis.

Our Group has formulated a framework for quality control. It undertakes procurement in line with its Green Procurement Guidelines while working on product development and production activities with a low environmental load. However, in the event of a product defect or a violation of product-related regulations (including regulations related to the presence of hazardous substances as well as restrictions on imports and exports), our Group's business performance and financial position may be impacted due to product recalls, product discontinuations or various expenses and fees.

### Natural disasters and other emergencies

A large-scale earthquake or other natural disaster, or the wide spread of infectious disease, could disrupt the production or distribution of products and merchandise. Our Group's production sites are dispersed around the world, ensuring that some production systems will continue to function during disasters. Although we have a system in place to respond following our business continuity plan (BCP) in the event of a disaster, our Group's business performance and financial position could be affected in the event of damage exceeding our expectations.

### Information security

Our Group holds confidential information related to orders, sales, procurement, manufacturing, and other business processes, as well as customer and personal information, in the form of electronic data, and utilizes various information systems in its business operations.

To enhance information security, our Group has formulated information management rules such as the "Basic Policy on Information Security," conducts regular in-house training to ensure thorough awareness of the rules and is also working to fortify its IT infrastructure.

However, in the unlikely event of a cyberattack by a virus or other malware, or a significant failure of software or hardware, information leakage or interruption of customer service could occur, resulting in a deterioration of public trust or substantial compensation for damages, which could affect our Group's performance and financial position.

### Foreign exchange rate fluctuations

Our Group engages in transactions using different currencies and terms. Transactions primarily in foreign currencies, as well as balances of receivables and payables denominated in foreign currencies, are susceptible to foreign exchange fluctuations. To mitigate these risks to a certain extent, we use forward exchange contracts. However, it is impossible to avoid the effects of foreign exchange fluctuations, and unforeseen volatility could impact our Group's performance and financial standing.

### Human resources

We recognize the importance of recruiting and developing excellent human resources at the appropriate time, both in Japan and overseas, for our Group's medium- to long-term global growth. To this end, the Group recruits, develops, and promotes human resources with an emphasis on ensuring diversity and equal opportunity in terms of background, skills, gender, nationality, etc., and is also working to enhance various training programs to strengthen its human capital.

However, competition to hire excellent human resources is intensifying. If we can hire and train personnel as planned, our business operations may be unrestricted, affecting our Group's business performance and financial position.

# Consolidated Balance Sheet

MISUMI Group Inc. and Consolidated Subsidiaries  
March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 15) .....	¥106,641	¥101,443	\$ 798,627
Time deposits (Note 15) .....	12,917	7,452	96,740
Receivables:			
Trade notes (Note 15) .....	16,490	15,723	123,494
Trade accounts (Note 15) .....	59,870	61,096	448,362
Other .....	1,061	740	7,947
Allowance for doubtful receivables .....	(437)	(282)	(3,270)
Inventories (Notes 3 and 5) .....	77,391	61,741	579,579
Other .....	8,690	5,211	65,073
Total current assets .....	282,623	253,124	2,116,552
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 19 and 22):</b>			
Land .....	3,899	3,877	29,197
Buildings and structures .....	29,186	26,550	218,577
Machinery and vehicles .....	43,506	40,494	325,817
Right-of-use assets .....	9,256	9,410	69,319
Other .....	14,474	11,911	108,394
Total .....	100,321	92,242	751,304
Accumulated depreciation and impairment loss .....	(51,916)	(45,722)	(388,799)
Net property, plant and equipment .....	48,405	46,520	362,505
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Note 15) .....	6	6	46
Investments in unconsolidated subsidiaries and associated companies .....	203	196	1,519
Software .....	28,125	28,527	210,631
Deferred tax assets (Note 11) .....	6,892	6,550	51,610
Other assets .....	12,204	12,467	91,394
Total investments and other assets .....	47,430	47,746	355,200
<b>TOTAL</b> .....	¥378,458	¥347,390	\$2,834,257

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Payables:			
Trade notes and accounts (Note 15) .....	¥ 22,435	¥ 21,618	\$ 168,012
Accounts payable—other .....	8,909	9,208	66,723
Lease obligations (Notes 7 and 19) .....	2,164	1,775	16,202
Income taxes payable (Note 11) .....	4,277	7,154	32,030
Provision for bonuses (Note 2.o) .....	3,236	5,070	24,239
Provision for office relocation expenses (Note 2.p) .....	609		4,558
Other .....	7,312	7,586	54,762
Total current liabilities .....	48,942	52,411	366,526
<b>LONG-TERM LIABILITIES:</b>			
Lease obligations (Notes 7 and 19) .....	5,521	5,409	41,347
Liability for retirement benefits (Note 8) .....	7,026	6,872	52,614
Deferred tax liabilities (Note 11) .....	799	939	5,983
Other .....	1,946	1,799	14,576
Total long-term liabilities .....	15,292	15,019	114,520
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14 and 16)</b>			
<b>EQUITY (Notes 9, 10 and 18):</b>			
Common stock—authorized, 1,020,000,000 shares in 2023 and 1,020,000,000 shares in 2022 issued, 284,675,397 shares in 2023 and 284,452,897 shares in 2022 .....	13,937	13,665	104,373
Capital surplus .....	24,292	24,020	181,923
Stock acquisition rights .....	1,989	1,937	14,898
Retained earnings .....	245,558	220,520	1,838,970
Treasury stock—at cost, 130,070 shares in 2023 and 129,896 shares in 2022 .....	(80)	(79)	(599)
Accumulated other comprehensive income:			
Deferred gain (loss) on hedges .....		37	
Foreign currency translation adjustments .....	27,508	19,063	206,008
Defined retirement benefit plans .....	72	(0)	538
Non-controlling interests .....	948	797	7,100
Total equity .....	314,224	279,960	2,353,211
<b>TOTAL</b> .....	¥378,458	¥347,390	\$2,834,257



## Consolidated Statement of Income

MISUMI Group Inc. and Consolidated Subsidiaries  
Year Ended March 31, 2023

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2023	2022	2021	2023
<b>NET SALES</b> (Notes 21 and 22).....	<b>¥373,152</b>	¥366,160	¥310,719	<b>\$2,794,516</b>
<b>COST OF SALES</b> .....	<b>202,073</b>	199,296	175,841	<b>1,513,316</b>
Gross profit .....	<b>171,079</b>	166,864	134,878	<b>1,281,200</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 12).....	<b>124,464</b>	114,653	107,679	<b>932,101</b>
<b>Operating income</b> (Note 22) .....	<b>46,615</b>	52,211	27,199	<b>349,099</b>
<b>OTHER INCOME (EXPENSES):</b>				
Interest and dividend income .....	<b>1,358</b>	532	306	<b>10,168</b>
Interest expense .....	<b>(161)</b>	(99)	(67)	<b>(1,203)</b>
Exchange loss—net .....	<b>(557)</b>	(450)	(257)	<b>(4,173)</b>
Gain on sale of non-current assets.....		57		
Loss on sale of non-current assets.....			(393)	
Impairment loss (Notes 6 and 22).....	<b>(44)</b>	(642)	(3,301)	<b>(330)</b>
Loss related to COVID-19.....	<b>(91)</b>	(784)		<b>(682)</b>
Office relocation expenses .....	<b>(1,171)</b>			<b>(8,768)</b>
Other—net.....	<b>584</b>	306	9	<b>4,372</b>
Other expenses—net.....	<b>(82)</b>	(1,080)	(3,703)	<b>(616)</b>
<b>INCOME BEFORE INCOME TAXES</b> .....	<b>46,533</b>	51,131	23,496	<b>348,483</b>
<b>INCOME TAXES</b> (Note 11):				
Current .....	<b>12,510</b>	13,975	7,009	<b>93,686</b>
Deferred.....	<b>(384)</b>	(466)	(690)	<b>(2,874)</b>
Total income taxes.....	<b>12,126</b>	13,509	6,319	<b>90,812</b>
<b>NET INCOME</b> .....	<b>34,407</b>	37,622	17,177	<b>257,671</b>
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS.....	<b>124</b>	65	38	<b>931</b>
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b> ...	<b>¥ 34,283</b>	¥ 37,557	¥ 17,139	<b>\$ 256,740</b>

	Yen			U.S. Dollars (Note 1)
	2023	2022	2021	2023
<b>PER SHARE OF COMMON STOCK</b> (Notes 2.v, 9 and 18):				
Net income .....	<b>¥120.53</b>	¥132.15	¥60.36	<b>\$0.90</b>
Diluted net income .....	<b>120.18</b>	131.72	60.14	<b>0.90</b>
Cash dividends applicable to the year .....	<b>30.14</b>	33.04	15.09	<b>0.22</b>

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Consolidated Subsidiaries  
Year Ended March 31, 2023

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2023	2022	2021	2023
<b>NET INCOME</b> .....	<b>¥34,407</b>	¥37,622	¥17,177	<b>\$257,671</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b> (Note 17):				
Deferred gain (loss) on hedges .....	<b>(37)</b>	37		<b>(275)</b>
Foreign currency translation adjustments .....	<b>8,361</b>	15,706	7,858	<b>62,617</b>
Defined retirement benefit plans .....	<b>72</b>	154	(65)	<b>540</b>
Share of other comprehensive income in associates .....	<b>8</b>	9	0	<b>56</b>
Total other comprehensive income.....	<b>8,404</b>	15,906	7,793	<b>62,938</b>
<b>COMPREHENSIVE INCOME</b> (Note 17).....	<b>¥42,811</b>	¥53,528	¥24,970	<b>\$320,609</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b> (Note 17):				
Owners of the parent .....	<b>¥42,763</b>	¥53,439	¥24,900	<b>\$320,246</b>
Non-controlling interests .....	<b>48</b>	89	70	<b>363</b>

See notes to consolidated financial statements.

## Consolidated Statement of Changes in Equity

MISUMI Group Inc. and Consolidated Subsidiaries  
Year Ended March 31, 2023

	Thousands	Millions of Yen							Accumulated Other Comprehensive Income			Total Equity
		Common Stock	Capital Surplus	Stock Acquisition Rights	Non-Controlling Interests	Retained Earnings	Treasury Stock	Deferred Gain (Loss) on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans		
BALANCE, APRIL 1, 2020 .....	284,028	¥13,232	¥23,586	¥1,561	¥555	¥177,318	¥(78)		¥(4,455)	¥(89)		¥211,630
Net income attributable to owners of parent...						17,139						17,139
Cash dividends, ¥12.95 per share (Note 9) ....						(3,677)						(3,677)
Increase in treasury stock (232 shares) .....							(1)					(1)
Disposal of treasury stock (88 shares) .....							0					1
Issuance of new shares.....	216	205	205									410
Net change in the year .....						227	80		7,826	(65)		8,068
BALANCE, MARCH 31, 2021 .....	284,244	13,437	23,792	1,788	635	190,780	(79)		3,371	(154)		233,570
Net income attributable to owners of parent...						37,557						37,557
Cash dividends, ¥27.51 per share (Note 9) ....						(7,817)						(7,817)
Increase in treasury stock (136 shares) ....							(0)					(0)
Disposal of treasury stock .....												
Issuance of new shares (Note 10).....	208	228	228									456
Net change in the year .....						149	162		37	15,692	154	16,194
BALANCE, MARCH 31, 2022 .....	284,452	13,665	24,020	1,937	797	220,520	(79)	37	19,063	(0)		279,960
Net income attributable to owners of parent...						34,283						34,283
Cash dividends, ¥32.51 per share (Note 9) ....						(9,245)						(9,245)
Increase in treasury stock (174 shares) .....							(1)					(1)
Disposal of treasury stock .....												
Issuance of new shares (Note 10).....	223	272	272									544
Net change in the year .....						52	151		(37)	8,445	72	8,683
BALANCE, MARCH 31, 2023.....	284,675	¥13,937	¥24,292	¥1,989	¥948	¥245,558	¥(80)		¥27,508	¥ 72		¥314,224

	Thousands of U.S. Dollars (Note 1)										Total Equity
	Common Stock	Capital Surplus	Stock Acquisition Rights	Non-Controlling Interests	Retained Earnings	Treasury Stock	Deferred Gain (Loss) on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans		
BALANCE, APRIL 1, 2022 .....	\$102,335	\$179,885	\$14,511	\$5,969	\$1,651,462	\$(595)	\$275	\$142,767	\$ (2)		\$2,096,607
Net income attributable to owners of parent...					256,740						256,740
Cash dividends, \$0.24 per share (Note 9) ....					(69,232)						(69,232)
Increase in treasury stock (174 shares) ....						(4)					(4)
Disposal of treasury stock .....											
Issuance of new shares (Note 10).....	2,038	2,038									4,076
Net change in the year .....				387	1,131		(275)	63,241	540		65,024
BALANCE, MARCH 31, 2023.....	\$104,373	\$181,923	\$14,898	\$7,100	\$1,838,970	\$(599)		\$206,008	\$538		\$2,353,211

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

MISUMI Group Inc. and Consolidated Subsidiaries  
Year Ended March 31, 2023

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2023	2022	2021	2023
<b>OPERATING ACTIVITIES:</b>				
Income before income taxes .....	¥ 46,533	¥ 51,131	¥ 23,496	\$ 348,483
Adjustments for:				
Income taxes paid .....	(17,587)	(10,316)	(7,079)	(131,708)
Depreciation and amortization .....	16,587	15,341	14,963	124,221
Exchange (gain) loss.....	(115)	47	68	(858)
Impairment loss.....	44	642	3,301	330
Office relocation expenses.....	1,171			8,768
Changes in assets and liabilities:				
(Increase) decrease in receivables .....	1,307	(512)	(5,768)	9,787
(Increase) decrease in inventories.....	(13,693)	(2,857)	1,861	(102,548)
Increase (decrease) in payables .....	620	1,029	1,901	4,642
Increase (decrease) in other current liabilities.....	(851)	166	543	(6,374)
Other—net .....	(2,568)	720	3,206	(19,234)
Total adjustments .....	(15,085)	4,260	12,996	(112,974)
Net cash provided by operating activities .....	31,448	55,391	36,492	235,509
<b>INVESTING ACTIVITIES:</b>				
Purchase of fixed assets .....	(13,626)	(16,508)	(14,017)	(102,043)
Proceeds from sales of fixed assets .....	107	220	133	800
Refund from time deposits .....	14,230	7,103	8,740	106,566
Payment into time deposits.....	(19,647)	(13,463)	(2,148)	(147,134)
Other—net.....	(97)	(114)	223	(729)
Net cash used in investing activities .....	(19,033)	(22,762)	(7,069)	(142,540)
<b>FINANCING ACTIVITIES:</b>				
Proceeds from issuance of stock .....	0	17	31	1
Proceeds from share issuance to non-controlling shareholders ...	34			254
Repayments of lease obligations.....	(1,958)	(1,808)	(1,882)	(14,669)
Dividends paid .....	(9,245)	(7,817)	(3,677)	(69,232)
Other—net.....	(1)	(1)	(3)	(4)
Net cash used in financing activities .....	(11,170)	(9,609)	(5,531)	(83,650)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS .....	3,953	6,459	3,632	29,603
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	5,198	29,479	27,524	38,922
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....	101,443	71,964	44,440	759,705
<b>CASH AND CASH EQUIVALENTS, END OF YEAR .....</b>	<b>¥106,641</b>	<b>¥101,443</b>	<b>¥ 71,964</b>	<b>\$ 798,627</b>

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

MISUMI Group Inc. and Consolidated Subsidiaries

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in 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 2021 and 2022 consolidated financial statements to conform them to the classifications used in 2023.

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 ¥133.53 to \$1, the rate of exchange at March 31, 2023. 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, 2023 include the accounts of the Company and its 51 (50 as of March 31, 2022) subsidiaries (together, the “Group”). DT Dynamics Corporation was included in the scope of consolidation during the fiscal year ended March 31, 2023 due to its establishment.

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 2023 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 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.

**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 (“U.S. GAAP”) may tentatively be used for the consolidation process, (3) however, the following five 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 equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) reclassification adjustments if such foreign subsidiaries elect to present any subsequent changes to fair values of equity financial instruments in other comprehensive income.

**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 U.S. GAAP 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 through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) reclassification adjustments if such foreign subsidiaries elect to present any subsequent changes to fair values of equity financial instruments in other comprehensive income.

**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 which mature or become due within three months of the date of acquisition.

- e. Inventories** — Merchandise and materials are principally stated at cost determined by the moving-average method (balance sheet amounts are written down on the basis of any decreased profitability). Finished goods and work in progress are principally stated at cost determined by the periodic average method (balance sheet amounts are written down on the basis of any decreased profitability). Supplies are principally stated at cost determined by the periodic average method.
- f. Investment Securities** — 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 the historical default rate for normal receivables or a reasonable estimate based on the financial condition of individual borrowers for doubtful and default receivables.
- 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 (except for facilities attached to buildings) acquired on and after April 1, 1998, and facilities attached to buildings as well as structures acquired on and after April 1, 2016 are computed by the straight-line method. 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 |
| Machinery and vehicles   | 2 to 20 years |
- i. Leases** — The Group has applied IFRS 16 “Leases” and ASU 2016-02 “Leases” to certain foreign consolidated subsidiaries. Expenses such as rental expenses in foreign consolidated subsidiaries are recorded as right-of-use assets in accordance with the said accounting standard. With the application of IFRS 16 and ASU 2016-02, assets and liabilities are recorded on the consolidated balance sheet, in principle, for all leases as lessees’ accounting treatment, and the straight-line method is applied over the lease term for the depreciation of capitalized right-of-use assets. Moreover, lease transactions based on IFRS 16 and ASU 2016-02 in Note 14. LEASES are categorized as finance lease transactions.
- j. Impairment of 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. Domestic subsidiaries and certain consolidated foreign subsidiaries would recognize an impairment loss 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.
- k. Other Assets** — Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method over 5 to 15 years for intangible assets.
- l. Policy for Recognition of Significant Revenue and Expenses** — The Group develops and provides various products in the following three areas: “FA Business,” “Die Components Business” and “VONA Business.” Revenue from the provision of these products is recognized at the time of delivery to the customer or inspection and acceptance by the customer, as control over these products is considered to pass to the customer at the time of delivery to the customer or inspection and acceptance by the customer. However, for the provision of products within Japan, if the period of time from shipment until delivery to the customer is within a normal range, the Group applies an alternative treatment concerning materiality. In such cases, revenue is recognized at the time of shipment. Revenue is measured as the net consideration promised under the contract with the customer, after deducting returns, discounts, rebates, etc. Paid supply transactions where the Group is under a repurchase obligation are treated as financial transactions. The Group continues to recognize the associated inventory, and recognizes financial liabilities equal to the balance of supplied inventory held by the recipient of the paid supply transaction at the end of the fiscal year. Consideration for transactions is received within one year of the time when the Group satisfies its performance obligations.
- m. Research and Development Costs** — Research and development costs are charged to income as incurred.
- n. Retirement Plan** — The Company and consolidated subsidiaries have funded/non-funded defined benefit plans and defined contribution plans for retirement payments to the employees.  
The Company adopts an accounting standard for retirement benefits and accounts 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 benefit formula basis. Actuarial gains and losses are charged to income as incurred, whereas they are amortized over 10 years for those incurred in certain consolidated subsidiaries.  
Under the 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).  
Under the accounting standard, actuarial gains and losses and past service costs 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.
- o. Provision for Bonuses** — The Company and certain consolidated subsidiaries provide provisions for employees’ and directors’ bonuses based on future projections for the current fiscal year.

- p. Provision for Office Relocation Expenses** — This mainly provides for rental expenses for the Company’s former office expected to be payable in the future due to the relocation of the Company’s office.
- q. Stock Options** — The Company recognizes the fair value based on goods or services received from eligible directors and employees as costs over the period from the date of grant to the date of exercise. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.
- 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 statement of income.
- Significant Hedge Accounting Methods
- (1) Hedge Accounting Methods  
The Group applies deferred hedge accounting. The Group applies designation for foreign currency forward contracts that meet the requirements for designation.
- (2) Hedging Instruments and Hedged Items  
The Group applies hedge accounting for the following hedging instruments and hedged items.  
Hedging instruments: foreign currency forward contracts  
Hedged items: planned foreign currency-denominated transactions
- (3) Hedging Methods  
The Group hedges the risk of foreign exchange rate fluctuations associated with hedged items within certain limits, based on the Group’s internal regulations concerning derivative transactions.
- (4) Method of Assessing Hedge Effectiveness  
The Group assesses the effectiveness of hedges by comparing the cumulative total of market fluctuations or cash flow fluctuations for the hedged item with the cumulative total of market fluctuations or cash flow fluctuations for the hedging instrument.
- 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 income tax rates 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.  
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.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES

#### Valuation of Merchandise and Finished goods

(1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023 was ¥62,751 million (\$469,939 thousand)

(2) Information on significant accounting estimates related to identified items

Merchandise and Finished goods exceeding a certain quantity, for which a certain period of time has elapsed since being initially recorded in inventory, and which are deemed unsellable in the future, are evaluated in principle, by writing down the carrying amount of the inventories to zero, and recording an unrealized loss in the consolidated statement of income.

Accordingly, if there is an increase in the number of Merchandise and Finished goods, for which the carrying amount of the inventories is to be written down due to a decrease in sales and other factors, the amount of unrealized loss to be recognized in the consolidated financial statements for the following consolidated fiscal year may be affected.

### 4. CHANGES IN ACCOUNTING POLICIES

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

Some of the Company's consolidated subsidiaries outside Japan have applied ASU 2016-02 "Leases" from the beginning of the fiscal year ended March 31, 2023. Accordingly, assets and liabilities are now recognized for all leases as a lessee in principle. In applying the said standard, those consolidated subsidiaries elected to recognize the cumulative effect of initially applying the standard at the date of initial application, which is allowed as a transitional treatment.

As a result of the application of the said accounting standard, "Right-of-use assets" under property, plant and equipment increased by ¥839 million (\$6,282 thousand), "Lease obligations" under current liabilities increased by ¥191 million (\$1,430 thousand), and "Lease obligations" under long-term liabilities increased by ¥742 million (\$5,553 thousand).

The application of the said accounting standard has only a minimal impact on income and loss for the fiscal year ended March 31, 2023.

### 5. INVENTORIES

Inventories at March 31, 2023 and 2022 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Merchandise.....	¥57,134	¥46,181	\$427,875
Finished goods .....	5,617	4,412	42,064
Materials.....	7,602	6,062	56,934
Supplies .....	2,580	2,263	19,321
Work in process .....	4,458	2,823	33,385
Total .....	¥77,391	¥61,741	\$579,579

### 6. IMPAIRMENT

The Group, in principle, groups its assets based on the business department. For the fiscal year ended March 31, 2023, the Group recognized impairment losses of ¥44 million (\$330 thousand) for the idle assets located in Tokyo and other areas. As a result of consideration of future recoverability, the carrying amounts of the relevant assets were written down to the recoverable amounts and the decreased amounts were recorded as impairment losses of ¥44 million (\$330 thousand) for software, etc.

For the fiscal year ended March 31, 2022, the Group recognized impairment losses of ¥642 million for the idle assets located in Tokyo and other areas. As a result of consideration of future recoverability, the carrying amounts of the relevant assets were written down to the recoverable amounts and the decreased amounts were recorded as impairment losses of ¥642 million for software, etc.

For the fiscal year ended March 31, 2021, the Group recognized impairment losses of ¥1,132 million for the idle assets located in Tokyo and other areas and ¥2,169 million for the business assets located in Ohio, U.S.A and other areas. As a result of consideration of future recoverability, the carrying amounts of the relevant assets were written down to the recoverable amounts and the decreased amounts were recorded as impairment losses of ¥1,132 million for software, etc., and ¥2,169 million for buildings and structures, etc.

As there is no possibility for sale or future use of the idle assets, the recoverable amount is deemed zero.

### 7. LONG-TERM DEBT

Lease obligations at March 31, 2023 and 2022 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Long-term lease obligations (repayment terms vary from 2024 through 2034, at the weighted-average annual percentage interest rate of 1.9%).....	¥6,682	¥7,184	\$50,042
Total .....	6,682	7,184	50,042
Less current portion.....	1,973	1,775	14,772
Long-term lease obligations, less current portion.....	¥4,709	¥5,409	\$35,270

(Note) Lease obligations recorded in accordance with ASU 2016-02 "Leases" applied from the beginning of the fiscal year ended March 31, 2023 by some of the Company's consolidated subsidiaries outside Japan that have adopted U.S. GAAP, are not included in the balance of lease obligations as interest is not payable on these obligations.

The amounts to be repaid each fiscal year for long-term lease obligations as of March 31, 2023 are as follows:

Fiscal year ending March 31	2023	
	Millions of Yen	Thousands of U.S. Dollars
2024.....	¥1,973	\$14,772
2025.....	1,591	11,912
2026.....	1,064	7,977
2027.....	996	7,459
2028 and after.....	1,058	7,922
Total .....	¥6,682	\$50,042

### 8. RETIREMENT PLANS

The Company and consolidated subsidiaries have funded/non-funded defined benefit plans and defined contribution plans for retirement payments to employees.

#### a. Defined Benefit Plan

(1) The changes in defined benefit obligations for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year.....	¥9,298	¥9,081	\$69,634
Current service cost.....	1,102	1,100	8,250
Interest cost.....	57	42	431
Actuarial losses.....	(114)	(121)	(850)
Benefits paid.....	(677)	(762)	(5,071)
Past service costs.....	(13)	(143)	(99)
Others.....	24	101	177
Balance at end of year.....	¥9,677	¥9,298	\$72,472

(2) The changes in plan assets for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year.....	¥2,427	¥2,269	\$18,175
Expected return on plan assets.....	39	24	297
Actuarial losses.....	(75)	(45)	(565)
Contributions from the employer.....	313	287	2,342
Benefits paid.....	(66)	(137)	(495)
Others.....	14	29	107
Balance at end of year.....	¥2,652	¥2,427	\$19,861

(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, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligations .....	¥ 3,265	¥ 3,159	\$ 24,451
Plan assets .....	(2,652)	(2,426)	(19,858)
	613	733	4,593
Unfunded defined benefit obligations .....	6,413	6,139	48,021
Net liability for defined benefit obligations .....	¥ 7,026	¥ 6,872	\$ 52,614

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits .....	¥ 7,026	¥ 6,872	\$ 52,614
Net liability for defined benefit obligations .....	¥ 7,026	¥ 6,872	\$ 52,614

(4) The components of net periodic benefit costs for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost .....	¥1,102	¥1,100	\$8,250
Interest cost .....	57	42	431
Expected return on plan assets .....	(39)	(24)	(297)
Recognized actuarial losses .....	83	13	625
Recognized past service costs .....	(14)	(14)	(107)
Others .....	9	45	71
Net periodic benefit costs .....	¥1,198	¥1,162	\$8,973

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Past service costs .....	¥ (14)	¥129	\$(107)
Actuarial differences .....	116	91	874
Total .....	¥102	¥220	\$ 767

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Past service costs .....	¥(114)	¥(128)	\$(855)
Unrecognized actuarial differences .....	14	131	108
Total .....	¥(100)	¥ 3	\$(747)

(7) Plan assets as of March 31, 2023 and 2022

(a) Components of plan assets  
Plan assets consisted of the following:

	2023	2022
Cash and cash equivalents .....	34%	33%
General accounts .....	66	67
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 current and expected assets allocation and 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 fiscal years ended March 31, 2023 and 2022 were set forth as follows:

	2023	2022
Discount rate .....	0.50% – 1.02%	0.43% – 0.50%
Expected rate of return on plan assets .....	1.70%	1.53%

Expected salary increase rate is determined using the age-specific salary increase index calculated by designating the day of calculation as the reference date.

#### b. Defined Contribution Plan

The amounts required to be contributed to the defined contribution plan are ¥394 million (\$2,948 thousand) and ¥368 million for the fiscal years ended March 31, 2023 and 2022, 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.

Matters pertaining to actual dividends paid are as follows:

#### Dividends Paid

Year ended March 31, 2023

Resolution	Class of shares	Millions of Yen	Thousands of U.S. Dollars	Paid from	Yen	U.S. Dollars	Record date	Effective date
					Dividends per share			
Total dividends								
General Meeting of Shareholders on June 16, 2022	Common stock	¥4,182	\$31,321	Retained earnings	¥14.71	\$0.11	March 31, 2022	June 22, 2022
Board of Directors meeting on October 27, 2022	Common stock	¥5,062	\$37,911	Retained earnings	¥17.80	\$0.13	September 30, 2022	December 6, 2022

Year ended March 31, 2022

Resolution	Class of shares	Millions of Yen	Paid from	Yen	Record date	Effective date
				Dividends per share		
		Total dividends				
General Meeting of Shareholders on June 17, 2021	Common stock	¥2,608	Retained earnings	¥ 9.18	March 31, 2021	June 23, 2021
Board of Directors meeting on October 28, 2021	Common stock	¥5,209	Retained earnings	¥18.33	September 30, 2021	December 7, 2021

**Dividends with Record Dates Falling in the Fiscal Year Ended March 31, 2023, but with Effective Dates Falling in the Fiscal Year Ending March 31, 2024**

Resolution	Class of shares	Millions of Yen	Thousands of U.S. Dollars	Paid from	Yen	U.S. Dollars	Record date	Effective date
		Total dividends			Dividends per share			
General Meeting of Shareholders on June 15, 2023	Common stock	¥3,511	\$26,296	Retained earnings	¥12.34	\$0.09	March 31, 2023	June 21, 2023

**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.

**10. STOCK OPTIONS**

Information related to the stock options for the fiscal year ended March 31, 2023 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
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)	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)	69 employees of the Group	135,400 shares	2016.2.25	¥ 1 (\$0.01)	From February 25, 2019 to February 24, 2026
2016 Stock Option (3)	5 directors	28,500 shares	2016.10.3	¥ 1 (\$0.01)	From October 4, 2016 to October 3, 2046
2016 Stock Option (4)	5 directors	181,800 shares	2016.10.3	¥ 1 (\$0.01)	From October 3, 2019 to October 2, 2026
2016 Stock Option (5)	84 employees of the Group	180,000 shares	2016.10.3	¥ 1 (\$0.01)	From October 3, 2019 to October 2, 2026
2017 Stock Option (1)	4 directors	16,700 shares	2017.10.6	¥ 1 (\$0.01)	From October 7, 2017 to October 6, 2047
2017 Stock Option (2)	4 directors	98,600 shares	2017.10.6	¥ 1 (\$0.01)	From October 6, 2020 to October 5, 2027
2017 Stock Option (3)	90 employees of the Group	140,400 shares	2017.11.6	¥ 1 (\$0.01)	From November 6, 2020 to November 5, 2027
2018 Stock Option (1)	4 directors	12,100 shares	2018.7.6	¥ 1 (\$0.01)	From July 7, 2018 to July 6, 2048
2018 Stock Option (2)	4 directors	77,500 shares	2018.7.6	¥ 1 (\$0.01)	From July 6, 2021 to July 5, 2028
2018 Stock Option (3)	101 employees of the Group	168,000 shares	2018.11.2	¥ 1 (\$0.01)	From November 2, 2021 to November 1, 2028
2019 Stock Option (1)	5 directors	18,100 shares	2019.7.5	¥ 1 (\$0.01)	From July 6, 2019 to July 5, 2049
2019 Stock Option (2)	4 directors	76,400 shares	2019.7.5	¥ 1 (\$0.01)	From July 5, 2022 to July 4, 2029
2019 Stock Option (3)	108 employees of the Group	175,100 shares	2019.11.1	¥ 1 (\$0.01)	From November 1, 2022 to October 31, 2029
2020 Stock Option (1)	5 directors	21,100 shares	2020.7.10	¥ 1 (\$0.01)	From July 11, 2020 to July 10, 2050
2020 Stock Option (2)	5 directors	108,200 shares	2020.7.10	¥ 1 (\$0.01)	From July 10, 2023 to July 9, 2030
2021 Stock Option (1)	94 employees of the Group	99,500 shares	2021.3.29	¥ 1 (\$0.01)	From March 29, 2024 to March 28, 2031
2021 Stock Option (2)	6 directors	15,000 shares	2021.7.9	¥ 1 (\$0.01)	From July 10, 2021 to July 9, 2051
2021 Stock Option (3)	6 directors	89,400 shares	2021.7.9	¥ 1 (\$0.01)	From July 9, 2024 to July 8, 2031
2021 Stock Option (4)	100 employees of the Group	102,400 shares	2021.12.3	¥ 1 (\$0.01)	From December 3, 2024 to December 2, 2031
2022 Stock Option (1)	4 directors	14,800 shares	2022.7.15	¥ 1 (\$0.01)	From July 16, 2022 to July 15, 2052
2022 Stock Option (2)	4 directors	99,900 shares	2022.7.15	¥ 1 (\$0.01)	From July 15, 2025 to July 14, 2032
2023 Stock Option (1)	93 employees of the Group	133,600 shares	2023.3.3	¥ 1 (\$0.01)	From March 3, 2026 to March 2, 2033

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

Stock option activity is as follows:

	2014 Stock Option (1)	2014 Stock Option (2)	2016 Stock Option (1)	2016 Stock Option (2)	2016 Stock Option (3)	2016 Stock Option (4)	2016 Stock Option (5)	2017 Stock Option (1)	2017 Stock Option (2)	2017 Stock Option (3)	2018 Stock Option (1)	2018 Stock Option (2)
	(Shares)											
For the Fiscal Year Ended March 31, 2022												
Non-vested:												
March 31, 2021—outstanding .....												77,500
Granted.....												
Canceled.....												
Vested.....												77,500
March 31, 2022—outstanding .....												
Vested:												
March 31, 2021—outstanding .....	21,900	26,700	18,100	48,600	15,400	37,700	68,800	11,500	54,700	71,100	12,100	
Vested.....												77,500
Exercised .....		9,000		6,500		32,800	16,100			20,700		47,900
Canceled.....		1,500		1,200						2,300		
March 31, 2022—outstanding .....	21,900	16,200	18,100	40,900	15,400	4,900	52,700	11,500	54,700	48,100	12,100	29,600
For the Fiscal Year Ended March 31, 2023												
Non-vested:												
March 31, 2022—outstanding .....												
Granted.....												
Canceled.....												
Vested.....												
March 31, 2023—outstanding .....												
Vested:												
March 31, 2022—outstanding .....	21,900	16,200	18,100	40,900	15,400	4,900	52,700	11,500	54,700	48,100	12,100	29,600
Vested.....												
Exercised .....		8,700		16,800		4,900	17,600		18,500	18,000		17,300
Canceled.....												
March 31, 2023—outstanding .....	21,900	7,500	18,100	24,100	15,400		35,100	11,500	36,200	30,100	12,100	12,300
Yen (U.S. Dollars)												
Exercise price .....	¥ 1 (\$0.01)	¥ 1 (\$0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 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 (\$8.78)	¥1,136 (\$8.51)	¥1,483 (\$11.11)	¥1,428 (\$10.69)	¥1,876 (\$14.05)	¥1,809 (\$13.55)	¥1,809 (\$13.55)	¥2,786 (\$20.86)	¥2,726 (\$20.41)	¥3,073 (\$23.01)	¥3,147 (\$23.57)	¥3,126 (\$23.41)

	2018 Stock Option (3)	2019 Stock Option (1)	2019 Stock Option (2)	2019 Stock Option (3)	2020 Stock Option (1)	2020 Stock Option (2)	2021 Stock Option (1)	2021 Stock Option (2)	2021 Stock Option (3)	2021 Stock Option (4)	2022 Stock Option (1)	2022 Stock Option (2)	2023 Stock Option (1)
	(Shares)												
For the Fiscal Year Ended March 31, 2022													
Non-vested:													
March 31, 2021—outstanding...	140,100		76,400	151,100		108,200	99,500						
Granted.....								15,000	89,400	102,400			
Canceled.....	10,500			19,900			7,300			2,700			
Vested.....	129,600							15,000					
March 31, 2022—outstanding...			76,400	131,200		108,200	92,200		89,400	99,700			
Vested:													
March 31, 2021—outstanding...		18,100			21,100								
Vested.....	129,600							15,000					
Exercised .....	48,700												
Canceled.....													
March 31, 2022—outstanding...	80,900	18,100			21,100			15,000					
For the Fiscal Year Ended March 31, 2023													
Non-vested:													
March 31, 2022—outstanding...			76,400	131,200		108,200	92,200		89,400	99,700			
Granted.....											14,800	99,900	133,600
Canceled.....				6,100			11,100			12,900			
Vested.....			76,400	125,100							14,800		
March 31, 2023—outstanding...						108,200	81,100		89,400	86,800		99,900	133,600
Vested:													
March 31, 2022—outstanding...	80,900	18,100			21,100			15,000					
Vested.....			76,400	125,100							14,800		
Exercised .....	28,400		51,100	41,200									
Canceled.....	600			600									
March 31, 2023—outstanding...	51,900	18,100	25,300	83,300	21,100			15,000			14,800		
Yen (U.S. Dollars)													
Exercise price .....	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Fair value price at grant date...	¥2,345 (\$17.56)	¥2,652 (\$19.86)	¥2,626 (\$19.67)	¥2,644 (\$19.80)	¥2,572 (\$19.26)	¥2,548 (\$19.08)	¥3,256 (\$24.38)	¥3,784 (\$28.34)	¥3,757 (\$28.14)	¥4,554 (\$34.10)	¥2,920 (\$21.87)	¥2,868 (\$21.48)	¥3,195 (\$23.93)

(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 Fiscal Year Ended March 31, 2023

Resolved on June 30, 2022 (Granted on July 15, 2022)	Resolved on June 30, 2022 (Granted on July 15, 2022)
Estimate method: Black-Scholes option pricing model	Estimate method: Black-Scholes option pricing model
Volatility of stock price: 35.4%	Volatility of stock price: 34.0%
Estimated remaining outstanding period: 4.8 years	Estimated remaining outstanding period: 6.5 years
Estimated dividend: ¥33.04 per share	Estimated dividend: ¥33.04 per share
Risk-free interest rate: 0.02%	Risk-free interest rate: 0.11%
Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from November 2017 to July 2022.	Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from January 2016 to July 2022.
2. Estimated remaining outstanding period is a weighted average of the standard amount of stock option compensation corresponding to each position of directors, which are specified in the Stock Option Compensation Rule.	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 full year.	3. Estimated dividend is determined based on the actual dividend paid for the last full year.
4. For the risk-free interest rate, the Company uses the average compound yield of long-term Japanese government bonds with a residual maturity period that approximates the estimated remaining outstanding period.	4. For the risk-free interest rate, the Company uses the average compound yield of long-term Japanese government bonds with a residual maturity period that approximates the estimated remaining outstanding period.

Resolved on February 16, 2023 (Granted on March 3, 2023)

Estimate method: Black-Scholes option pricing model  
 Volatility of stock price: 33.63%  
 Estimated remaining outstanding period: 6.5 years  
 Estimated dividend: ¥32.51 per share  
 Risk-free interest rate: 0.37%

- Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from September 2016 to March 2023.  
 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 full year.  
 4. For the risk-free interest rate, the Company uses the average compound yield of long-term Japanese government bonds with a residual maturity period that approximates 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 30.6% for the fiscal years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Devaluation of inventories.....	¥ 1,906	¥ 1,462	\$ 14,278
Accrued enterprise tax.....	230	358	1,721
Provision for bonuses.....	699	1,165	5,235
Unrealized gain.....	622	405	4,656
Liability for retirement benefits.....	2,272	2,168	17,012
Depreciation.....	708	357	5,303
Asset retirement obligations.....	693	537	5,189
Tax losses carried forward.....	479	691	3,584
Other—net.....	2,167	1,736	16,230
Subtotal.....	9,776	8,879	73,208
Valuation allowance on tax losses carried forward*.....	(439)	(506)	(3,285)
Valuation allowance on total deductible temporary differences.....	(287)	(310)	(2,151)
Subtotal.....	(726)	(816)	(5,436)
Deferred tax assets.....	9,050	8,063	67,772
Deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment.....	(75)	(76)	(560)
Accelerated depreciation of property, plant and equipment.....	(943)	(878)	(7,062)
Asset retirement cost.....	(507)	(384)	(3,795)
Valuation of intangible assets.....	(676)	(756)	(5,064)
Other—net.....	(756)	(358)	(5,664)
Deferred tax liabilities.....	(2,957)	(2,452)	(22,145)
Net deferred tax assets.....	¥ 6,093	¥ 5,611	\$ 45,627

\*Tax losses carried forward and associated deferred tax assets by expiration period:

	Millions of Yen						Total
	2023						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Tax losses carried forward*1 ...	¥ 2	¥ 6	¥ 11	¥ 15	¥ 5	¥ 440	¥ 479
Valuation allowance.....	¥(2)	¥(6)	¥(11)	¥(15)	¥(5)	(400)	(439)
Deferred tax assets.....						¥ 40	¥ 40 *2

\*1 Tax losses carried forward are multiplied by the normal effective statutory tax rate.

\*2 Deferred tax assets of ¥40 million were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of ¥479 million. Regarding the said tax losses carried forward, a valuation allowance was not recognized for the portion judged as collectible from expected future taxable income.

	Millions of Yen						Total
	2022						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Tax losses carried forward*1 ...	¥ 28	¥ 28	¥ 18	¥ 4	¥ 2	¥ 611	¥ 691
Valuation allowance.....	¥(28)	¥(28)	¥(18)	¥(4)	¥(2)	(426)	(506)
Deferred tax assets.....						¥ 185	¥ 185 *2

\*1 Tax losses carried forward are multiplied by the normal effective statutory tax rate.

\*2 Deferred tax assets of ¥185 million were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of ¥691 million. Regarding the said tax losses carried forward, a valuation allowance was not recognized for the portion judged as collectible from expected future taxable income.

	Thousands of U.S. Dollars						Total
	2023						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Tax losses carried forward*1 ...	\$ 15	\$ 45	\$ 80	\$ 112	\$ 35	\$ 3,297	\$ 3,584
Valuation allowance.....	\$(15)	\$(45)	\$(80)	\$(112)	\$(35)	(2,998)	(3,285)
Deferred tax assets.....						\$ 299	\$ 299 *2

\*1 Tax losses carried forward are multiplied by the normal effective statutory tax rate.

\*2 Deferred tax assets of \$299 thousand were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of \$3,584 thousand. Regarding the said tax losses carried forward, a valuation allowance was not recognized for the portion judged as collectible from expected future taxable income.

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 fiscal years ended March 31, 2023 and 2022, is as follows:

	2023	2022
Normal effective statutory tax rate.....	30.6%	30.6%
(Adjustments)		
Directors' bonus expenses not deductible for income tax purposes.....	0.0	0.5
Entertainment and other expenses not deductible for income tax purposes.....	0.0	0.0
Inhabitants tax on a per capita basis.....	0.1	0.1
Decrease in valuation allowance.....	(0.2)	(0.8)
Difference in applicable tax rates for subsidiaries.....	(4.7)	(4.6)
Tax credit.....	(0.7)	(0.8)
Other—net.....	0.9	1.4
Actual effective tax rate.....	26.1%	26.4%

#### Accounting treatment of corporate and local corporate taxes or accounting treatment for tax effect accounting related to such taxes

From the fiscal year ended March 31, 2023, the Company and certain consolidated subsidiaries in Japan have applied the group tax sharing system. In addition, the Company performs accounting treatment of corporate and local corporate taxes or accounting treatment for tax effect accounting related to these taxes and disclosures in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).



## 12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,802 million (\$20,981 thousand), ¥1,212 million and ¥966 million for the fiscal years ended March 31, 2023, 2022 and 2021, respectively.

## 13. COMMITMENT LINE AGREEMENTS

The Group has entered into commitment line agreements with three banks to raise working capital in a stable and flexible manner. Outstanding balances of unused credit line commitment agreements as of March 31, 2023 and 2022 are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Credit lines .....	¥15,000	¥15,000	\$112,334
Credit lines used .....			
Credit lines unused .....	¥15,000	¥15,000	\$112,334

These agreements contain the following financial covenants relating to the financial position and operating results of the Group:

- (1) The amount of net assets at the end of each fiscal year shall not be less than 75% of net assets of the latest financial year.
- (2) The Group shall not record a loss\* from ordinary operations for two consecutive years.

The benefit of time may be forfeited for all debts under the contracts, when the Group violates the financial covenant.

\*Ordinary income or loss is calculated by subtracting extraordinary income or loss pursuant to Japanese GAAP from income before income taxes.

## 14. LEASES

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

The minimum rental commitments under non-cancelable operating leases at March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year .....	¥ 2,505	¥ 2,659	\$ 18,760
Due after one year .....	22,725	11,435	170,186
Total .....	¥25,230	¥14,094	\$188,946

\*1 The balance increased in the fiscal year ended March 31, 2023 due mainly to office relocation.

\*2 Some of the Company's consolidated subsidiaries outside Japan have applied ASU 2016-02 "Leases" from the beginning of the fiscal year ended March 31, 2023. Accordingly, operating lease transactions by these subsidiaries have only been included in the amounts for the fiscal year ended March 31, 2022.

## 15. 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 the Group's 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 exchange rate 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 trade 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 exchange rate fluctuation risk. The Group utilizes foreign currency forward contracts to hedge foreign currency exchange rate fluctuation risk of the net amount of receivables and payables denominated in foreign currencies.

### (3) Risk management for financial instruments

#### (a) Credit risk (risk of default by counterparties) 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 customers from an early stage to mitigate risk from bad debts. The Group enters into derivative transactions only with highly rated financial institutions to mitigate credit risk and the Company determined that there is no material credit risk. The maximum credit risk as of March 31, 2022 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 investment securities, the Group regularly reviews the fair value and issuers' financial conditions and readjusts the Group's portfolio on an ongoing basis. For derivative transactions, the Group mainly deals in foreign currency forward contracts at present. 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 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 values of financial instruments

Fair values of financial instruments are based on market prices and the value fluctuates according to the market. The contract amount regarding derivative transactions described in Note 16. DERIVATIVES do not indicate market risk related to derivative transactions.

#### (a) Fair value of financial instruments

Carrying amounts on the consolidated balance sheet, fair values and the differences between them for financial instruments as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		
	2023	2022	2023
	Carrying Amount	Fair Value	Difference
Derivatives, net .....	¥ (34)	¥ (34)	

	Millions of Yen		
	2022	2023	2023
	Carrying Amount	Fair Value	Difference
Derivatives, net .....	¥ (82)	¥ (82)	

	Thousands of U.S. Dollars		
	2022	2023	2023
	Carrying Amount	Fair Value	Difference
Derivatives, net .....	\$ (252)	\$ (252)	

### Cash and cash equivalents, time deposits, trade notes receivable and trade accounts receivable, and trade notes payable and accounts payable

These items have been omitted from the tables above as they are cash-based and their carrying values approximate fair value because of their short maturities.

#### Derivatives

Please refer to Note 16. DERIVATIVES.

#### (b) Shares, etc. without market prices as of March 31, 2023 and 2022

	Carrying Amount		Thousands of U.S. Dollars
	2023	2022	
	Millions of Yen	2022	2023
Unlisted stocks .....	¥6	¥6	\$46

### (5) Maturity analysis for financial assets subsequent to March 31, 2023 and 2022

	Millions of Yen			
	2023			
	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 .....	¥ 106,641			
Time deposits .....	12,917			
Trade notes receivable .....	16,490			
Trade accounts receivable .....	59,870			
Total .....	¥ 195,918			

	Millions of Yen			
	2022			
	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.....	¥ 101,443			
Time deposits.....	7,452			
Trade notes receivable.....	15,723			
Trade accounts receivable.....	61,096			
<b>Total .....</b>	<b>¥ 185,714</b>			

	Thousands of U.S. Dollars			
	2023			
	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.....	<b>\$ 798,627</b>			
Time deposits.....	<b>96,740</b>			
Trade notes receivable.....	<b>123,494</b>			
Trade accounts receivable.....	<b>448,362</b>			
<b>Total .....</b>	<b>\$1,467,223</b>			

#### (6) Breakdown of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and significance of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated using observable inputs that are market prices formed in active markets for the assets or liabilities for which fair value is to be calculated

Level 2 fair value: Fair value calculated using observable inputs other than those used to calculate Level 1 fair value

Level 3 fair value: Fair value calculated using unobservable inputs

When multiple inputs that may have a material impact on the calculation of fair value are used, the calculated fair value is classified at the lowest level of the inputs used.

(a) Financial instruments carried on the consolidated balance sheet at fair value

	Millions of Yen			
	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Derivatives, net*				
Currency-related .....		<b>¥ (34)</b>		<b>¥ (34)</b>

	Millions of Yen			
	2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Derivatives, net*				
Currency-related .....		¥ (82)		¥ (82)

	Thousands of U.S. Dollars			
	2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Derivatives, net*				
Currency-related .....		<b>\$(252)</b>		<b>\$(252)</b>

\*The fair value of interest rate swaps and foreign currency forward contracts, etc. is measured with the discounted present value method using observable inputs such as interest rates and foreign exchange rates, and classified as Level 2 fair value.

(b) Financial instruments apart from those carried on the consolidated balance sheet at fair value  
None.

(Note) Explanation of the valuation techniques and inputs used to calculate fair value

Derivative transactions  
Measured with the discounted present value method using observable inputs such as interest rates and foreign exchange rates, and classified as Level 2 fair value.

## 16. DERIVATIVES

(1) Derivative transactions to which hedge accounting is not applied at March 31, 2023 and 2022 are as follows:

	Millions of Yen			
	2023			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying .....	<b>¥ 2,361</b>		<b>¥ (13)</b>	<b>¥ (13)</b>
Selling.....	<b>¥ 1,627</b>		<b>¥ (21)</b>	<b>¥ (21)</b>

	Millions of Yen			
	2022			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying .....	¥ 2,663		¥ (80)	¥ (80)
Selling.....	¥ 1,479		¥ (55)	¥ (55)

	Thousands of U.S. Dollars			
	2023			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying .....	<b>\$17,682</b>		<b>\$ (94)</b>	<b>\$ (94)</b>
Selling.....	<b>\$12,188</b>		<b>\$(158)</b>	<b>\$(158)</b>

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

(2) Derivative transactions to which hedge accounting is applied at March 31, 2023 and 2022 are as follows:

There were no such transactions at March 31, 2023.

	Millions of Yen			
	2022			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:	Planned foreign currency-denominated transactions			
Buying .....		¥589		¥53

The designation method of hedge accounting is applied for foreign currency forward contracts, etc.

## 17. COMPREHENSIVE INCOME (LOSS)

Reclassifications and income from tax effects attributable to other comprehensive income (loss) for the fiscal years ended March 31, 2023, 2022 and 2021 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2023	2022	2021	2023
Deferred gain (loss) on hedges:				
Adjustments arising during the year.....		¥ 53		
Reclassification adjustments to profit or loss .....	¥ (53)			\$ (397)
Amount before income tax effect.....	(53)	53		(397)
Income tax effect.....	16	(16)		122
Total .....	(37)	37		(275)
Foreign currency translation adjustments:				
Adjustments arising during the year.....	8,361	15,706	¥7,858	62,617
Reclassification adjustments to profit or loss .....				
Amount before income tax effect.....	8,361	15,706	7,858	62,617
Income tax effect.....				
Total .....	8,361	15,706	7,858	62,617
Defined retirement benefit plans:				
Adjustments arising during the year.....	105	209	(133)	789
Reclassification adjustments to profit and loss .....	(3)	11	39	(22)
Amount before income tax effect.....	102	220	(94)	767
Income tax effect.....	(30)	(66)	29	(227)
Total .....	72	154	(65)	540
Share of other comprehensive income (loss) in associates				
Adjustments arising during the year.....	8	9	0	56
Total other comprehensive income (loss).....	¥8,404	¥15,906	¥7,793	\$62,938

## 18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the fiscal years ended March 31, 2023, 2022 and 2021 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares		EPS
<b>Year ended March 31, 2023</b>				
Basic EPS—				
Net income available to common shareholders .....	¥34,283	284,421	¥120.53	\$0.90
Effect of dilutive securities—				
Stock options .....		841		
Diluted EPS—				
Net income for computation.....	¥34,283	285,262	¥120.18	\$0.90
<b>Year ended March 31, 2022</b>				
Basic EPS—				
Net income available to common shareholders .....	¥37,557	284,200	¥132.15	
Effect of dilutive securities—				
Stock options .....		935		
Diluted EPS—				
Net income for computation.....	¥37,557	285,135	¥131.72	
<b>Year ended March 31, 2021</b>				
Basic EPS—				
Net income available to common shareholders .....	¥17,139	283,944	¥ 60.36	
Effect of dilutive securities—				
Stock options .....		1,024		
Diluted EPS—				
Net income for computation.....	¥17,139	284,968	¥ 60.14	

## 19. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended March 31, 2023 and 2022, the amounts of assets and obligations for lease transactions are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Right-of-use assets .....	¥ 9,256	¥ 9,410	\$ 69,319
Accumulated depreciation of right-of-use assets .....	(2,832)	(2,686)	(21,207)
Lease obligations.....	¥ 7,685	¥ 7,184	\$ 57,549

## 20. SUBSEQUENT EVENTS

We are pleased to inform you that at the meeting of the Board of Directors held on April 27, 2023, in accordance with the provisions of Article 156 of the Companies Act, applied pursuant to Article 165, Paragraph 3 of the same Act, the following resolutions were adopted on matters relating to the acquisition of treasury stock.

### 1. Reasons for the repurchase of treasury stock

To maintain our competitive advantage, achieve sustainable growth, and increase shareholder value in the future, we continue to innovate MISUMI's Business MODEL by proactively strengthening our business foundation in IT, logistics, manufacturing, and supply chain.

This means striking a balance between medium- to long-term investments in growth and returns to shareholders.

In terms of dividends, the payout ratio will be 25%, considering the expansion of our management base, the strengthening of our financial position, and improvement of capital efficiency.

With respect to share repurchases, we intend to have the flexibility to repurchase shares depending on our cash reserves, growth investment opportunities, stock market trends and other conditions.

This share repurchase enhances shareholder returns and a flexible capital policy.

### 2. Type of stock to be repurchased

Ordinary stock of MISUMI Group Inc.

### 3. Number of shares to be purchased: 4,000,000 shares (maximum) (Percentage of total shares issued (excluding treasury stock) 1.41%)

### 4. Total purchase price

Up to ¥10,000 million

### 5. Acquisition period

From May 1, 2023 to July 31, 2023

### 6. Acquisition method

Market acquisition through a discretionary transaction method on the Tokyo Stock Exchange

The Company completed the repurchase of treasury stock as follows:

- Number of treasury stock repurchased: 3,180,300 shares

- Total purchase price: ¥10,000 million (\$74,886 thousand)

- Acquisition period: From May 1, 2023 to July 11, 2023

## 21. REVENUE RECOGNITION

### (1) Breakdown of revenue from contracts with customers

The Group conducts business in the following three areas: "FA Business," "Die Components Business" and "VONA Business." The breakdown of revenue from contracts with customers is as presented in "22. SEGMENT INFORMATION (3) Net sales and segment profit by reportable segment and breakdown of revenue."

### (2) Information fundamental to an understanding of revenue

Information fundamental to an understanding of revenue is as presented in "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES I. Policy for Recognition of Significant Revenue and Expenses."

### (3) Information to enable an understanding of the amount of revenue for the fiscal year under review and the next fiscal year onward

(a) Balance of contract assets and contract liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers (as of April 1, 2022 and 2021)			
Trade notes.....	¥15,723	¥12,169	\$117,752
Trade accounts.....	61,096	59,519	457,546
Total as of April 1, 2022 and 2021 .....	76,819	71,688	575,298
Receivables from contracts with customers (as of March 31, 2023 and 2022)			
Trade notes.....	16,490	15,723	123,494
Trade accounts.....	59,870	61,096	448,362
Total as of March 31, 2023 and 2022 .....	76,360	76,819	571,856
Contract liabilities (as of April 1, 2022 and 2021).....	1,680	1,143	12,578
Contract liabilities (as of March 31, 2023 and 2022).....	¥ 1,183	¥ 1,680	\$ 8,860

Contract liabilities comprise advances received from customers based on the payment terms stipulated in contracts with customers. Contract liabilities are reversed as revenue is recognized. Of the revenue recognized in the fiscal year ended March 31, 2023, ¥1,680 million (\$12,578 thousand) was included in contract liabilities as of April 1, 2022. There has been no material change in contract liabilities in the fiscal year ended March 31, 2023. Of the revenue recognized in the fiscal year ended March 31, 2022, ¥1,143 million was included in contract liabilities as of April 1, 2021. There has been no material change in contract liabilities in the fiscal year ended March 31, 2022.

(b) Transaction price allocated to remaining performance obligations

The Group has applied practical expediency and omitted information on remaining performance obligations because it has not recognized any significant transactions for which the initially expected contract term exceeds one year.

## 22. 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 consists of MISUMI Group Inc., 51 consolidated subsidiaries, one non-consolidated subsidiary and two associates, and conducts business in the following three areas: "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 presses 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 such as MRO (consumables), etc. as well as manufacturing, automation-related equipment parts.

### (2) Method of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of the reportable segments are the same as those described in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Income by reportable segment is based on operating income.

### (3) Net sales and Segment profit by reportable segment and breakdown of revenue

	Millions of Yen					
	2023					
	Reportable Segments				Adjustments	Consolidated
FA Business	Die Components Business	VONA Business	Total			
Net sales:						
Revenue from contracts with customers.....	¥121,933	¥79,125	¥172,094	¥373,152		¥373,152
Sales to customers.....	121,933	79,125	172,094	373,152		373,152
Total .....	121,933	79,125	172,094	373,152		373,152
Segment profit* .....	¥ 21,385	¥ 8,724	¥ 16,506	¥ 46,615		¥ 46,615

\*Segment profit corresponds to operating income in the consolidated statement of income.

(Note) For the Group's internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

	Millions of Yen					
	2022					
	Reportable Segments				Adjustments	Consolidated
FA Business	Die Components Business	VONA Business	Total			
Net sales:						
Revenue from contracts with customers.....	¥119,253	¥75,108	¥171,799	¥366,160		¥366,160
Sales to customers.....	119,253	75,108	171,799	366,160		366,160
Total .....	119,253	75,108	171,799	366,160		366,160
Segment profit* .....	¥ 23,381	¥ 9,543	¥ 19,287	¥ 52,211		¥ 52,211

\*Segment profit corresponds to operating income in the consolidated statement of income.

(Note) For the Group's internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

	Millions of Yen					
	2021					
	Reportable Segments				Adjustments	Consolidated
FA Business	Die Components Business	VONA Business	Total			
Net sales:						
Sales to customers.....	¥102,245	¥66,871	¥141,603	¥310,719		¥310,719
Total .....	102,245	66,871	141,603	310,719		310,719
Segment profit* .....	¥ 16,116	¥ 4,931	¥ 6,152	¥ 27,199		¥ 27,199

\*Segment profit corresponds to operating income in the consolidated statement of income.

(Note) For the Group's internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

	Thousands of U.S. Dollars					
	2023					
	Reportable Segments				Adjustments	Consolidated
FA Business	Die Components Business	VONA Business	Total			
Net sales:						
Revenue from contracts with customers.....	\$913,149	\$592,566	\$1,288,801	\$2,794,516		\$2,794,516
Sales to customers.....	913,149	592,566	1,288,801	2,794,516		2,794,516
Total .....	913,149	592,566	1,288,801	2,794,516		2,794,516
Segment profit.....	\$160,150	\$ 65,331	\$ 123,618	\$ 349,099		\$ 349,099

\*Segment profit corresponds to operating income in the consolidated statement of income.

(Note) For the Group's internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

### (4) Information by region

	Millions of Yen						
	2023						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales.....	¥ 172,662	¥ 68,901	¥ 56,183	¥ 42,522	¥ 24,257	¥ 8,627	¥ 373,152

	Millions of Yen						
	2022						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales.....	¥ 175,463	¥ 74,986	¥ 53,919	¥ 33,900	¥ 20,781	¥ 7,111	¥ 366,160

	Thousands of U.S. Dollars						
	2023						
	Japan	China	Asia	America	Europe	Others	Total
Net Sales.....	\$1,293,056	\$515,993	\$420,750	\$318,444	\$181,662	\$64,611	\$2,794,516

Millions of Yen						
2023						
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment.....	¥ 15,792	¥11,485	¥ 5,951	¥ 6,616	¥ 8,561	¥ 48,405

Millions of Yen						
2022						
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment.....	¥ 15,162	¥11,052	¥ 6,205	¥ 4,939	¥ 9,162	¥46,520

Thousands of U.S. Dollars						
2023						
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment.....	\$118,266	\$86,007	\$44,570	\$49,548	\$64,114	\$362,505

**(5) Impairment losses by reportable segment**

For the fiscal year ended March 31, 2023, impairment loss was not allocated to reportable segments.

The amount of impairment loss was ¥44 million (\$330 thousand) for the fiscal year ended March 31, 2023.

For the fiscal year ended March 31, 2022, impairment loss was not allocated to reportable segments.

The amount of impairment loss was ¥642 million for the fiscal year ended March 31, 2022.

For the fiscal year ended March 31, 2021, the Company posted impairment losses of ¥792 million in the FA Business, of ¥2,415 million in the Die Components Business, and ¥6 million in the VONA Business. The impairment loss on companywide assets was ¥88 million.



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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of MISUMI Group Inc.:

**Opinion**

We have audited the consolidated financial statements of MISUMI Group Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matter**

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Reasonableness of accounting estimates relating to the Valuation of Merchandise and Finished Goods	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group recorded merchandise and finished goods inventories of 62,751 million yen (16.6% of the total assets) on the consolidated balance sheet as of March 31, 2023.</p> <p>The Group handles a wide variety of merchandise and finished goods, which include size variations in microns. The core system records receipt and shipment transactions, then calculates the moving average unit price for each merchandise and finished goods. Also, the Group has established an inventory management system to determine the amounts of each order, which are based on forecasted future sales demand from historical customer purchase trends, for each merchandise and finished goods.</p> <p>As stated in Note 3, Significant Accounting Estimates, merchandise and finished goods exceeding a certain quantity for which a certain period of time has elapsed since being initially recorded in inventory and which are deemed unsellable in the future, are evaluated in principle, by writing down the carrying amount of the inventories to zero.</p> <p>For the industry in which the Group belongs, world-wide increase in demand from the automation-related industry, mainly from the manufacturing industry, is expected.</p> <p>However, there are certain future market uncertainties due to factors such as increase in geopolitical risk, change of market structure after the end of COVID-19 and progression on regional block formation in the global supply chain. To deal with such uncertainty, the Group continuously achieves reliable quick delivery and provides time value to customers by establishing a strong supply chain and expanding its lineup of merchandise and finished goods.</p> <p>Accounting estimates relating to the valuation of merchandise and finished goods are based on forecasts of sales prices and volumes after a certain period of time has elapsed since the merchandise and finished goods were initially recorded in inventory and involves uncertainty and management judgment. Accordingly, we determined this to be a key audit matter.</p>	<p>We performed the following audit procedures to test reasonableness of accounting estimates relating to the valuation of merchandise and finished goods, among others:</p> <p>Testing the design and operating effectiveness of internal controls</p> <p>—We evaluated the design and operating effectiveness of internal controls over the reasonableness of valuation methodology in the valuation process for merchandise and finished goods, which was a part of the inventory management process.</p> <p>—With the assistance of our Information Technology ("IT") specialists, we evaluated the design and operating effectiveness of general IT controls relevant to the inventory management system used for the valuation of merchandise and finished goods, and we tested the accuracy and completeness of information generated by the core system and used for the valuation of merchandise and finished goods.</p> <p>Risk assessment procedures</p> <p>—Regarding the reasonableness of forecasts on future sales prices and volumes, we inspected the Group's analysis and inquired of management about its supply chain management policy and business strategy that considered the change in business environment. Furthermore, we assessed the consistency between the Group's analysis and management's response.</p> <p>Audit procedures responsive to the assessed risks</p> <p>—We also evaluated the reasonableness of management assumptions used in the sales forecasts for a certain period since the merchandise and finished goods were initially recorded in inventory by performing the following:</p> <ul style="list-style-type: none"> <li>· We performed a sales trend analysis by the year when the merchandise and finished goods were initially recorded in inventory and by region of the merchandise and finished goods and evaluated whether there was any significant downtrend in sales volume within the certain period since the merchandise and finished goods were initially recorded in inventory.</li> <li>· We performed an inventory turnover period analysis by type of merchandise and finished goods, and evaluated whether the turnover period was significantly long.</li> <li>· For inventories exceeding a certain turnover period, we performed an analysis of inventory amount by region and by number of years elapsed since the merchandise and finished goods were initially recorded in inventory, and evaluated whether there was any change in trends that contradicted the management assumption.</li> </ul>

# Company Profile and Stock Information

(As of March 31, 2023)

## Company Overview

Trade name	MISUMI Group Inc.
Established	February 23, 1963
Headquarters	Kudan Kaikan Terrace, 6-5, Kudan-Minami 1-chome, Chiyoda-ku, Tokyo 102-8583, Japan
Common stock	13,936 million yen

Stock listing	Prime Section of the Tokyo Stock Exchange (Code: 9962)
Fiscal year	From April 1 through March 31 of the following calendar year
Annual general meeting of shareholders	June
Description of business	Development of Group management strategies, administration, and all functions related to Group management
Website	<a href="https://www.misumi.co.jp/english/">https://www.misumi.co.jp/english/</a>

## Stock Information

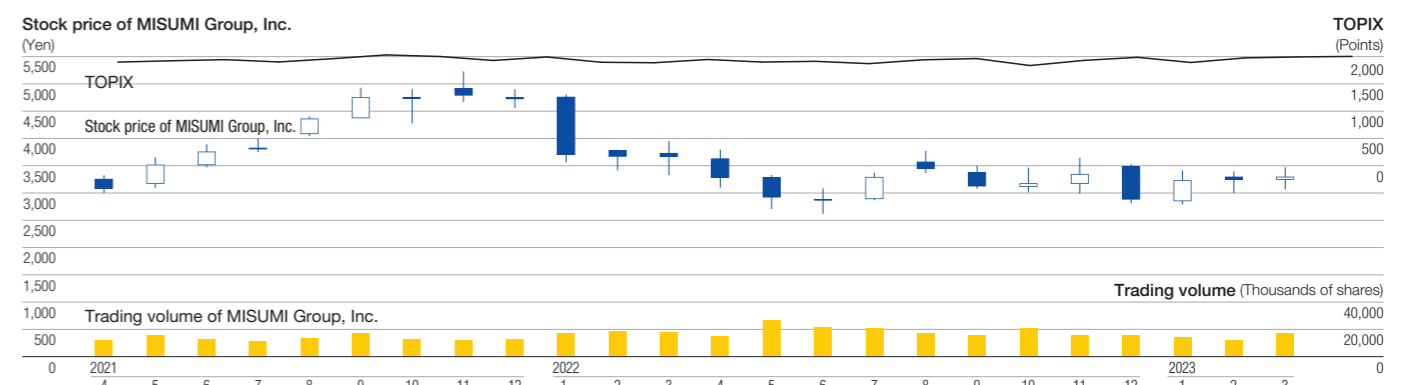
Total number of authorized shares	1,020,000,000 shares
Total number of shares outstanding	284,675,397 shares
Number of shareholders	7,005

## Major Shareholders

Name	Number of shares held (thousands)	Percentage of shares outstanding (%)
The Master Trust Bank of Japan, Ltd.	60,720	21.34
Custody Bank of Japan, Ltd.	22,448	7.89
SSBTC CLIENT OMNIBUS ACCOUNT	14,316	5.03
BNYM AS AGT/CLTS NON TREATY JASDEC	8,611	3.03
RBC IST 15 PCT LENDING ACCOUNT – CLIENT ACCOUNT	5,553	1.95
THE BANK OF NEW YORK MELLON 140051	5,248	1.84
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	4,881	1.72
STATE STREET BANK WEST CLIENT – TREATY 505234	4,775	1.68
GIC PRIVATE LIMITED – C	4,287	1.51
THE BANK OF NEW YORK MELLON 140042	4,109	1.44

Notes: 1. Treasury stock is excluded from the calculation of percentage of shares outstanding.  
2. Percentages of shares outstanding are rounded to the second decimal point.

## Monthly Stock Price Range/Trading Volume



Please direct any inquiries to: Investor Relations Department, MISUMI Group Inc. | Tel: +81-3-6777-7501 | E-mail: [cc@misumi.co.jp](mailto:cc@misumi.co.jp)

## Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

August 31, 2023