

MISUMI Art Collection

Frank Stella

<Double Gray Scramble>, 1973, Screen print on paper, 73.6x128.9cm

This screen print may give the impression to have been designed by a graphic designer. In this work, the artist uses purple, red, orange, yellow, green, blue, black, dark gray, light gray and white. Color and monochrome tones are placed in an orderly zoned scramble (heterogeneous mixture). Scramble also means to take off abruptly as in an emergency. This piece exudes such tension.

The artist is Frank Stella - a living legend who is regarded as one of the leading figures in American Art. Retrospective exhibition was held at the Whitney Museum of American Art in New York in October 2015 - February 2016 for this master painter.

Screen printing is a printing technique also referred to as silkscreen printing. This print appears to be comprising 24 colors. However, it took 50 screens and 150 runs to print this piece. The printing technique in itself is artistic.

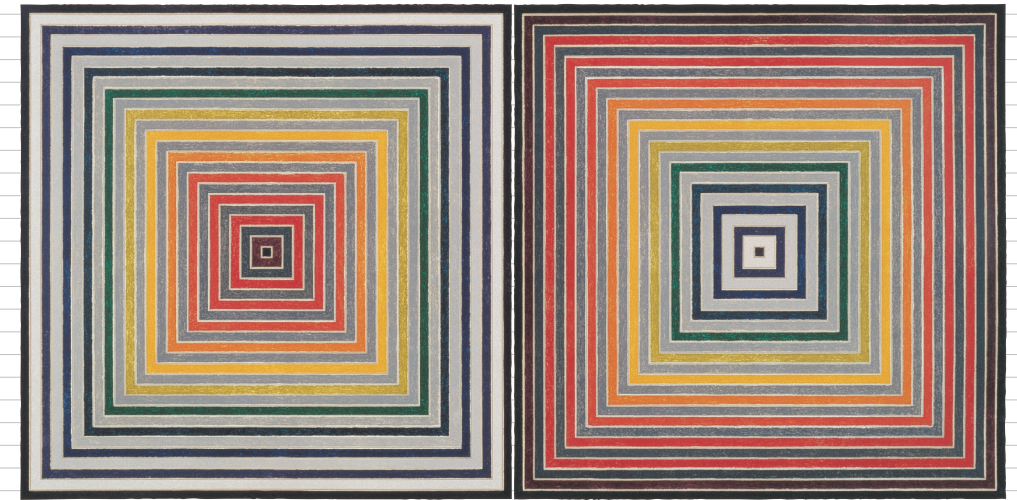
Unlike Japan, the occupation of printmaker does not exist in the United States and Europe. In general, artists team up with a printer to create screen prints. Stella partnered with Kenneth Tyler. Thanks to him, Stella created 300 different variety pieces and a total of 18,507 screen prints.

In 2001, Stella stopped making screen prints, because that same year Tyler closed his printing shop. More than 1,000 pieces printed by Tyler (the actual total number is too high to count) are now part of collections at the National Gallery of Australia and the Center of Contemporary Graphic Art (CCGA) in the city of Sukagawa, Fukushima Prefecture.

MiSUMi

MISUMI Group Report Vol.48

April 1, 2017 – September 30, 2017



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Message from the CEO

MISUMI Group expects to post consolidated net sales of over ¥300 billion in FY2017.

Possessing both manufacturing and distribution businesses, MISUMI Group aims to leverage its unique forte to achieve further growth.



MISUMI Group would like to extend its deepest gratitude to all shareholders for their remarkable support.

In tandem with the global expansion of digital manufacturing, we are seeing a further increase in the need to streamline both facility design and the procurement of production auxiliary materials. We recognize this as a prime opportunity to accelerate transformation of the business into a production materials platform, all the while enhancing our 'assertive' management.

■ Consolidated first half-year results for FY2017

In the first half of FY2017, world economy on the whole continued a gradual recovery. In the United States, the economy continued to trend toward recovery, including a gradual rise in employment rates and corporate capital investments. In China, despite flat consumption spending, the recovery in economic trend picked up pace, mainly reflecting benefits from various government policies. In other parts of Asia and in Europe, economic recovery continued to be moderate. Meanwhile, in Japan there were indications that consumer spending and capital investments continued to grow steadily with improvements to corporate earnings and employment rates.

Amid this economic environment, the MISUMI Group is leveraging its unique business model, which encompasses both manufacturing and distribution operations, to expand its business foundation globally contributing to the manufacturing industry worldwide by eliminating customer inefficiency. The ability to implement reliable and quick delivery globally is the ultimate strength of the MISUMI Group. We aim to further bolster this business framework by promoting local production and local procurement to achieve optimal procurement and in addition increasing

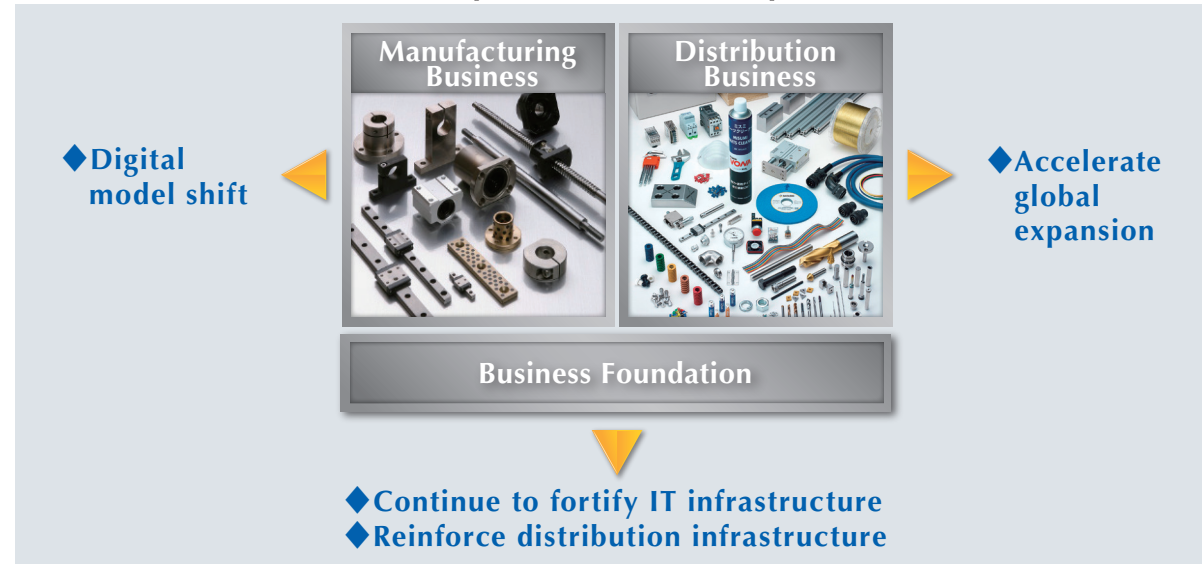
the number of logistics sites and overall capabilities.

Thanks to these measures, brisk demand was secured in the Factory Automation (FA) business and Die components business, mainly in the automotive industry and electronics industry. In the VONA business, domestic sales rose substantially mainly owing to an increase in product lineup. In addition, overseas sales in the VONA business grew due to overseas expansion. Reflecting this performance, consolidated net sales was ¥152.4 billion, (25.2% increase from last year). In terms of profit, an operating income of ¥18.9 billion, (42.2% increase from last year), and ordinary income of ¥18.6 billion, (42.0% increase from last year) was recorded, respectively. Meanwhile, net income attributable to owners of parent reached ¥13.0 billion, (56.2% increase from last year). We achieved all-time highs in net sales, operating income, ordinary income, and net income in a single half-year period.

The payout ratio for dividends was increased from 20% to 25% in FY2011. We have been maintaining this payout ratio standard since then. Accordingly, our interim dividend per share was ¥11.52, a rise of ¥3.91 versus a year earlier.

Business transformation speeding up advancements towards production materials platform

Business transformation towards production materials platform



MISUMI Group's business consists of manufacturing and distribution businesses, and the business foundation that support these two businesses. Advancement of the business pillars continued in the first half of FY2017 transforming the business.

In the manufacturing business, we are implementing shift to a digital model, centered on our MTO* products, a MISUMI strength, to address a further increase in the need by our customers to streamline facility design. In the distribution business, we are seeing a growing need to enhance the efficiency of the purchasing process in the production auxiliary materials market. In light of this, we are expanding the VONA business, and in addition to ongoing growth in Japan, we are accelerating our expansion overseas with full-fledged

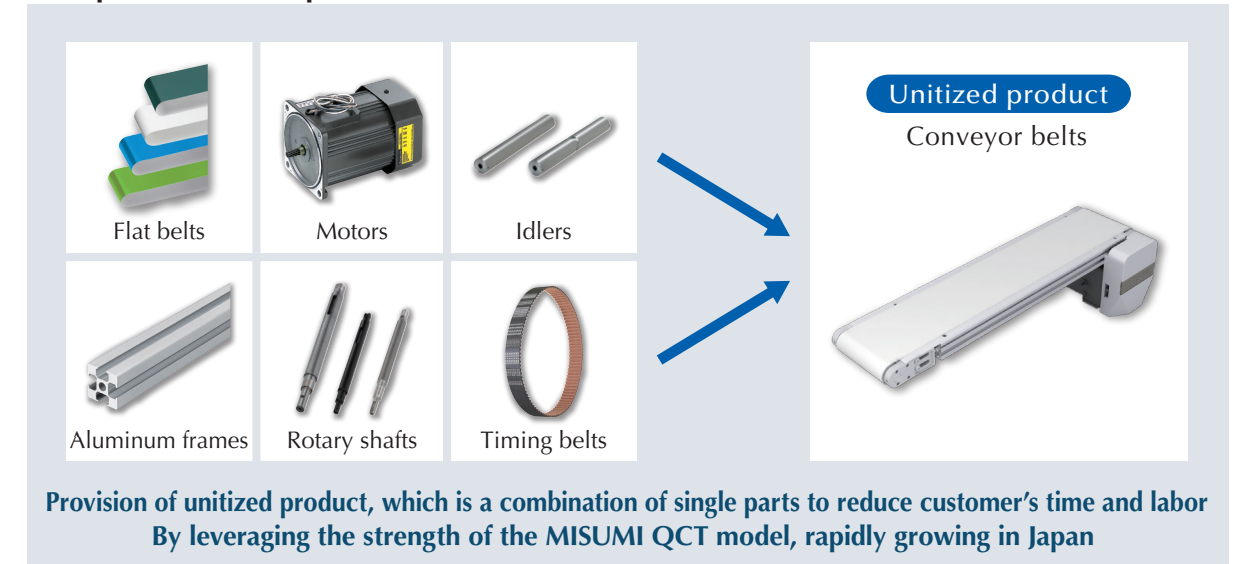
operations in China, South Korea and Thailand. Also, with respect to our business foundation, we are striving to further fortify our IT and distribution infrastructure to solidify reliable and quick delivery globally.

We have undertaken the transformation of our business model for many years as we anticipated the digitalization of manufacturing. Consequently, the recent global trend towards digital manufacturing, in our view, is the golden opportunity we have been waiting for since the company's founding. We aim to speed up our transformation as the production materials platform by further fortifying our structure of reliable and quick delivery within the respective regions.

*MTO: Make To Order

FA business: ongoing growth overseas and in Japan

Example of unitized product



FA* business's global expansion was considerable. Particularly in China and other Asian countries where high growth continued, as brisk demand for factory automation was secured. In North America and Europe, customers' base expanded; all in all contributing to solid performance results.

High level of growth was achieved in Japan also. This growth is underpinned by the superiority of our reliable and quick delivery model. Customers are increasingly demanding shorter delivery times as they expand their manufacturing operations globally. The high level growth of the FA business is being driven by the reliable and quick delivery of our MTO products, a unique MISUMI forte expected by our customers today. In addition, we embarked on enhancing the market-

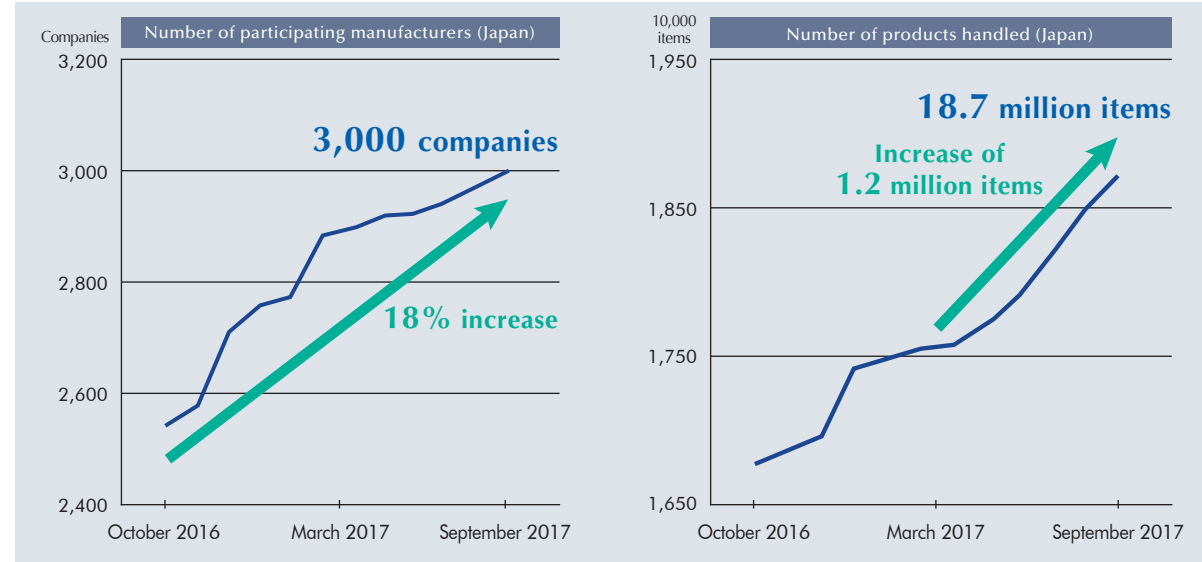
ability of our products. One measure was to increase our unitized products lineup. By providing unitized products which essentially is a combination of single parts, we were able to greatly reduce time and labor on our customers' behalf. These unitized products leverage upon the strength of MISUMI QCT* model. This business field has grown tremendously, and is one contributory factor in domestic sales expanding.

*FA: Factory Automation

*QCT: High Quality, low Cost, and reliable and quick delivery Time

Accelerating the global expansion of VONA business

VONA business growth drivers



VONA* business is MISUMI Group's distribution business of production facilities related components, production auxiliary materials and MRO (consumables). This business segment includes MISUMI branded products as well as third party manufacturer's products. As a result of continuing efforts to expand the number of participating manufacturers, which is a growth driver of this business, the number exceeded 3,000 companies. Number of products handled in Japan increased by 1.2 million items in six months to a total of 18.7 million items; top level in Japan pertaining to the manufacturing industry.

Overseas, we launched full-fledged VONA business operations in China and South Korea in FY2016. In the first half of FY2017, we set up operations in Thailand and Vietnam. Going forward, we plan to roll out the VONA business in other regions in Asia as well as in the United States and Europe. By doing so, we aim to realize an optimal product supply system that satisfies customer needs globally.

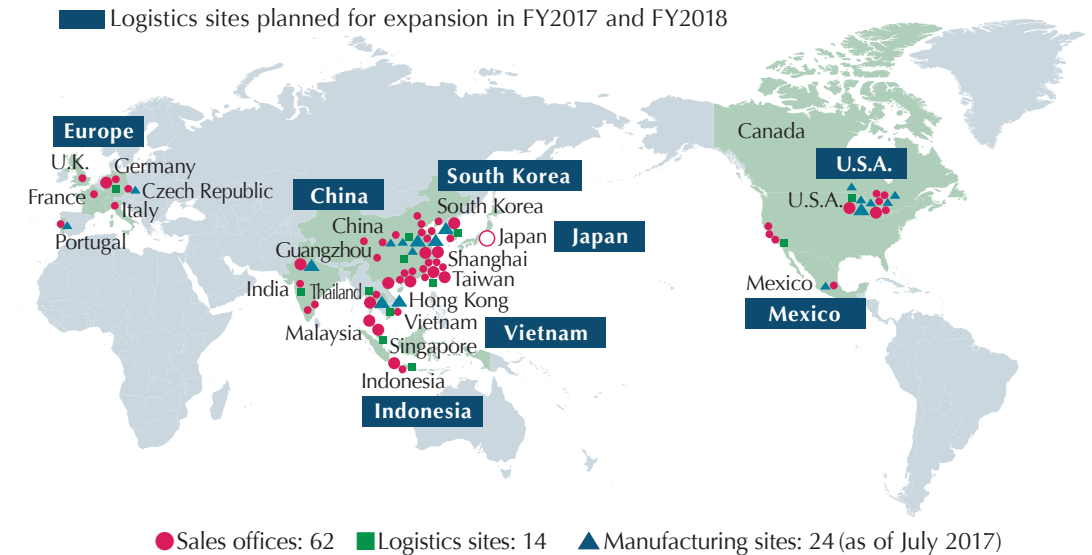
Global VONA products network



*VONA: Variation & One-stop by New Alliance

Fortifying our distribution and IT infrastructure

Expanding logistics sites to consolidate our global system of reliable and quick delivery

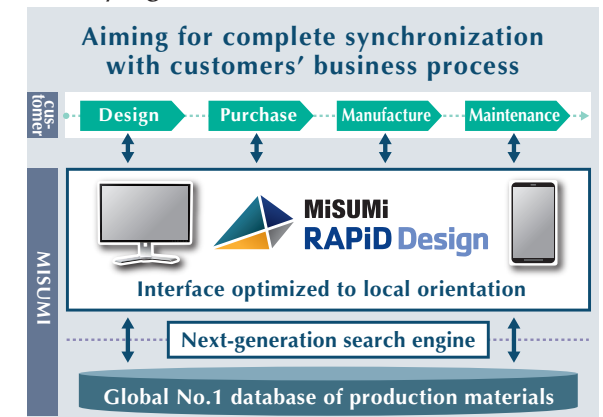


In our business foundation, we have focused on fortifying distribution and IT infrastructure, in order to establish a more robust structure of reliable and quick delivery. With respect to distribution infrastructure, in addition to goals set to expand sites at the beginning of the year, we plan to newly establish local office and logistics sites in Mexico; as well as expand logistics site in South Korea, accelerating our expansion of sites globally.

In terms of IT infrastructure fortification, we are globally rolling out revamped e-commerce websites with further improved search capabilities as well as compatibility across multiple devices. In addition, in China and other Asian countries where inefficient customer processes remain with the selection of parts to ordering and inspection at the manufacturing sites where personal computers are lacking, we have enabled new devices such as smartphones and tablets to handle these tasks. By enabling compatibility with new devices ahead of

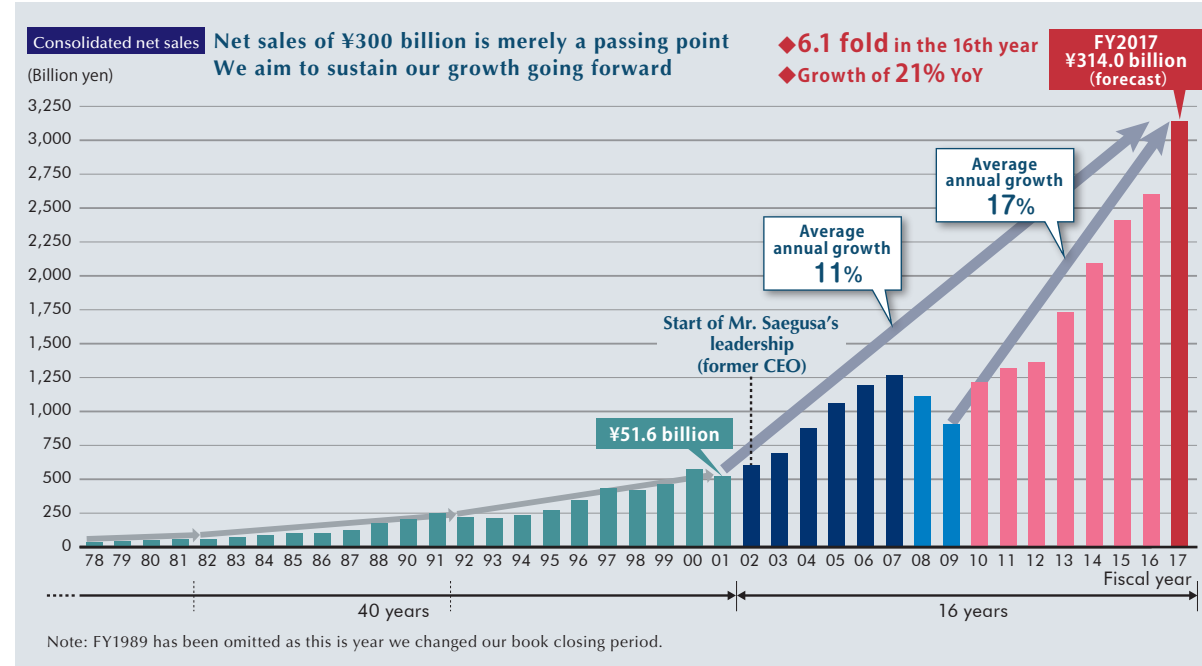
other regions, we are contributing to improving the work efficiency of customers at manufacturing sites.

Fortifying IT infrastructure



FY2017 consolidated earnings forecast

Growth of the MISUMI Group



We positively revised our earnings forecast reflecting our expectations that capital investment will remain brisk in the second half of FY2017 with manufacturers of smartphones, organic ELs, and semiconductors. We believe our consolidated net sales to top ¥300 billion and should post record high sales and profits for the seventh consecutive fiscal year. The high level of growth MISUMI Group has experienced in recent years reflects the various business reforms that were based on the strategic management implemented in the years since former CEO, Mr. Saegusa's appointment. Looking ahead, we plan to further solidify these business pillars globally and continue to implement an 'assertive' management approach.

We plan a per share annual dividend payout of ¥21.99 (which includes a year-end dividend and an interim dividend of ¥11.52). This is ¥5.28 higher than the per share annual dividend we paid in the previous year.

MISUMI Group Inc. would like to extend the utmost gratitude and appreciation to valued shareholders for their unwavering support.

December 2017

Representative Director,
President and CEO
Ryusei Ono

Establishment of subsidiary in Mexico

—Aim to further expand business operations in the Americas; full-fledged operations slated to start from April 2018—

We plan to establish a subsidiary in Mexico with the aim to launch full-fledged operations from April 2018 by building an operational structure that pivots around MISUMI's forte of reliable and quick delivery.

In recent years, manufacturers related to the automotive industry have been entering the Mexican market owing to low production costs. There is no business capable of supplying all the manufacturing equipment, components, and production auxiliary materials used by these manufacturers, and there is a growing need to consolidate this type of procurement. In a response to these market conditions, MISUMI will be establishing a local subsidiary in Querétaro City, Mexico, where there is already a concentration of Japanese manufacturers. MISUMI Mexico will offer high quality factory automation components,

die components, electrical supplies, tools, and MRO products to meet the diverse customer needs in the region.

Alongside its new subsidiary, a distribution warehouse will be established reinforcing the structure of reliable and quick delivery. MISUMI will be able to provide one day shipping on local inventory, and shorten the shipping to no more than 10 days on products imported from Japan. By enhancing MISUMI QCT model going forward, manufacturing business strengthening will ensue. In addition, within the distribution VONA business where third party products are handled, we will sequentially expand product line up in order to provide the best overall value to manufacturers in Mexico, thereby contributing to reducing procurement inefficiencies.

Summary of subsidiary in Mexico

Company name	MISUMI Mexico S. de R.L. de C.V.
Capital	¥450 million (MISUMI USA 99%, MISUMI Investment USA 1%)
Location	Querétaro City, Querétaro
Number of employees	30 employees (planned for April 2018)
Business profile	Manufacturing and sales of FA components, die components, and production auxiliary materials

Highlights of consolidated financial results

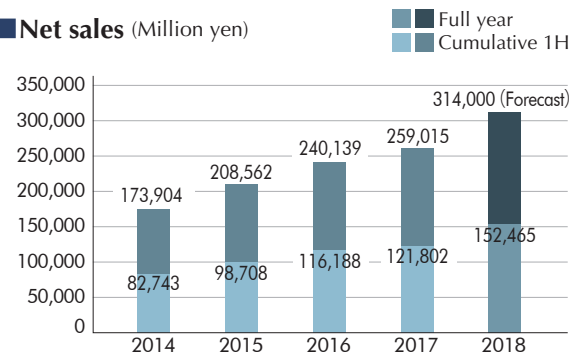
In the first half, consolidated net sales was ¥152.4 billion, (25.2% increase from last year), an all-time high for half year results. In terms of profit, we recorded operating income of ¥18.9 billion, (42.2% increase from last year), owing in part to an increase in costs reflecting spending which included reinforcement of organization and personnel as well as e-commerce platform improvements to actively expand our business operations. Meanwhile, net income attributable to owners of parent reached ¥13.0 billion, (56.2% increase from last year).

Net sales by segment amounted to ¥51.7 billion (29.3% increase from last year) for FA business, ¥38.6 billion (17.3% increase from last year) for Die components business, and ¥62 billion (27.1% increase from last year) for VONA business.

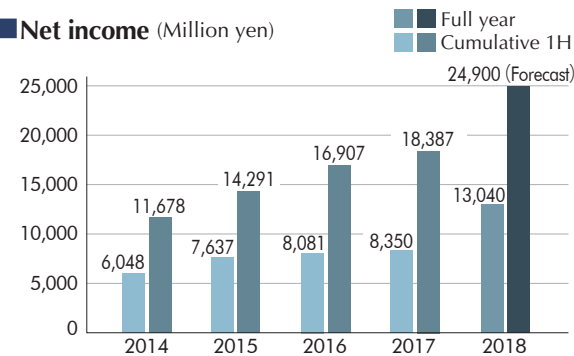
Net sales by region amounted to ¥79.2 billion (18.7% increase from last year) in Japan, ¥29.1 billion (42.6% increase from last year) in China, ¥ 20.6 billion (45.2% increase from last year) in other Asian countries, ¥13.3 billion (8.8% increase from last year) in the United States, ¥7.5 billion (23.0% increase from last year) in Europe, and ¥2.5 billion (27.2% increase from last year) in other regions. Net sales overseas amounted to 48.0% of total net sales.

Note the payout ratio for dividends was increased from 20% to 25% in FY2011. Accordingly, our interim dividend per share was ¥11.52, a rise of ¥3.91 compared to last year.

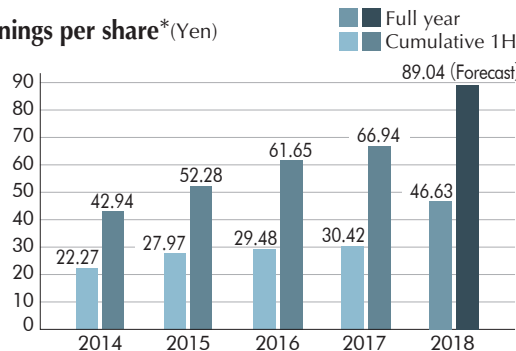
Net sales (Million yen)



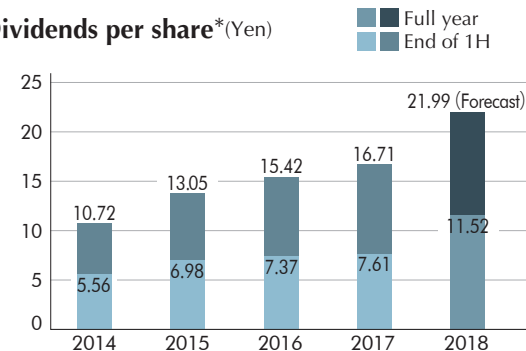
Net income (Million yen)



Earnings per share*(Yen)



Dividends per share*(Yen)



Note: Amounts have been rounded down to the nearest million yen. *Adjusted for the stock split implemented on July 1, 2015.

Business overview

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

Major products handled by the MISUMI Group

Product Category	21.7 Million High-precision Mechanical Components					
FA Business	FA Standardized Mechanical Components	Shafts	Timing pulleys	Linear bushings	Flat belt conveyors	
	Locator Devices and Measurement Equipment (OST Business)	Automatic stage units	Actuators	Optical measurement devices	Optical waveguide alignment	
Die Components Business	Standardized Metal Press Components	Punches	Button dies	Precision guide pins	Gas springs	
	Standardized Plastic Mold Components	Ejector pins	Sprue bushings	Parting lock sets	Taper pins	
VONA Business	Mechanical Components and Screws, Bolts, Washers and Nuts	Sensors and switches	Couplings	Screws, bolts and nuts	Castors	
	Wiring, Control and PC Components	Connectors	Switches	Cables	Transformers	
	Cutting Tools and Components for Production Machining	End mills	Hexagonal wrench	Milling chips	Calipers	
	Packaging, Logistics & Storage Materials and Safety & Protection, Environmental & Sanitary and Office Supplies	Carts	Work gloves	Parts cleaners	Parts for R&D applications	

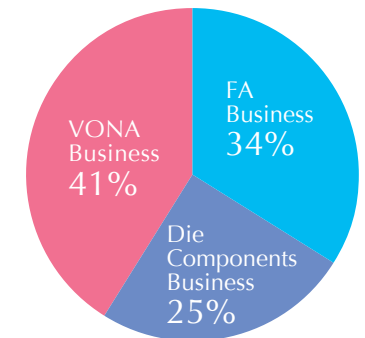
*FA : Factory Automation *OST : Optical & Scientific Technology *VONA : Variation & One-stop by New Alliance

Net sales and operating income by segment (Million yen)

	1H (This year) (April 1, through September 30, 2017)	1H (Last year) (April 1, through September 30, 2016)
FA Business	Net sales	51,731
	Operating income	10,539
Die Components Business	Net sales	38,692
	Operating income	2,767
VONA Business	Net sales	62,041
	Operating income	5,823
Adjustments	Net sales	—
	Operating income	(227)
Total	Net sales	152,465
	Operating income	18,902

Note: Business results reported using the above three segments effective April 2014.

Percentage of consolidated net sales
[September 30, 2017]



Consolidated balance sheet (Million yen)

Item	1H (This year) Sep. 30, 2017	1H (Last year) Sep. 30, 2016	The previous year Mar. 31, 2017
(Assets)			
Current assets	172,577	139,741	160,281
Cash and deposits	63,467	55,865	63,179
Notes and accounts receivable-trade	65,236	48,324	57,847
Inventories	37,025	28,836	33,310
Other	7,157	6,973	6,245
Allowance for doubtful accounts	(309)	(259)	(301)
Non-current assets	52,503	47,560	51,759
Property, plant and equipment	27,732	26,148	27,874
Intangible assets	19,095	16,832	19,012
Software	10,846	7,141	9,568
Goodwill	145	1,725	1,011
Other	8,103	7,965	8,432
Investments and other assets	5,675	4,579	4,873
Total assets	225,081	187,302	212,041

Item	1H (This year) Sep. 30, 2017	1H (Last year) Sep. 30, 2016	The previous year Mar. 31, 2017
(Liabilities)			
Current liabilities	36,640	26,598	37,246
Notes and accounts payable-trade	16,642	12,820	16,974
Accounts payable-other	7,002	5,142	9,033
Income taxes payable	4,147	3,811	3,332
Provision for bonuses	3,492	1,874	2,286
Provision for directors' bonuses	130	124	242
Other	5,225	2,824	5,378
Long-term liabilities	9,495	18,685	19,135
Convertible bonds	112	10,112	10,388
Liability for retirement benefits	4,765	4,238	4,509
Other	4,617	4,335	4,237
Total liabilities	46,135	45,284	56,382
(Net assets)			
Shareholders' equity	174,481	144,733	153,724
Common stock	12,705	7,070	7,593
Capital surplus	23,094	17,459	17,982
Retained earnings	138,758	120,280	128,226
Treasury stock	(77)	(76)	(76)
Accumulated other comprehensive income	3,108	(3,617)	805
Stock acquisition rights	846	434	675
Non-controlling interests	509	467	453
Total net assets	178,945	142,017	155,658
Total liabilities and net assets	225,081	187,302	212,041

Note: Amounts have been rounded down to the nearest million yen.

Consolidated statement of income (Million yen)

Item	1H (This year) Apr. 1 ~ Sep. 30, 2017	1H (Last year) Apr. 1 ~ Sep. 30, 2016	The previous year Apr. 1 2016 ~ Mar. 31, 2017
Net sales	152,465	121,802	259,015
Cost of sales	87,069	71,469	151,564
Gross profit	65,396	50,332	107,451
Selling, general and administrative expenses	46,493	37,036	80,323
Operating income	18,902	13,295	27,127
Non-operating income	282	268	511
Non-operating expenses	557	450	1,176
Ordinary income	18,627	13,114	26,462
Extraordinary loss	—	—	391
Quarterly income before income taxes	18,627	13,114	26,071
Income taxes	5,541	4,734	7,713
Net income	13,086	8,379	18,357
Net income attributable to non-controlling interests	45	28	(29)
Net income attributable to owners of parent	13,040	8,350	18,387

Consolidated statement of cash flows (Million yen)

Item	1H (This year) Apr. 1 ~ Sep. 30, 2017	1H (Last year) Apr. 1 ~ Sep. 30, 2016	The previous year Apr. 1 2016 ~ Mar. 31, 2017
Cash flows from operating activities	7,621	10,262	19,508
Cash flows from investment activities	1,264	2,395	(6,056)
Cash flows from financing activities	(2,487)	(2,088)	(4,008)
Effect of exchange rate change on cash and cash equivalents	799	(2,108)	(25)
Net increase(decrease) in cash and cash equivalents	7,197	8,460	9,417
Cash and cash equivalents at beginning of period	47,840	39,204	39,204
Cash and cash equivalents at end of period	55,038	46,883	47,840

Total number of authorized shares
1,020,000,000 shares

Total number of issued shares
283,233,797 shares

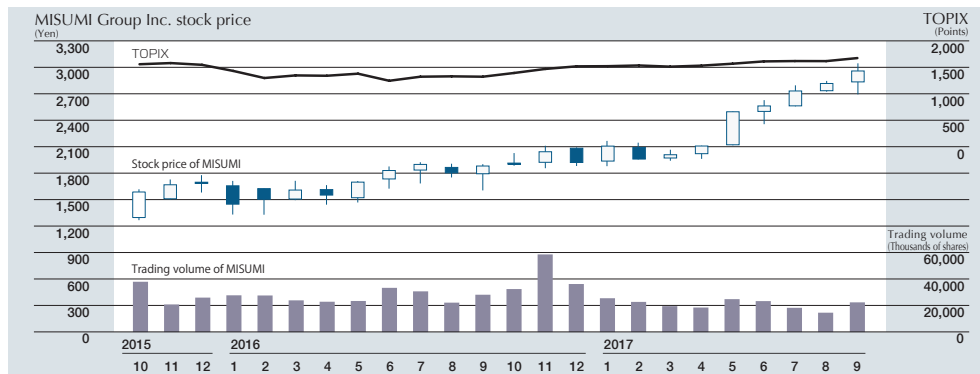
Number of shareholders
4,980

Major shareholders

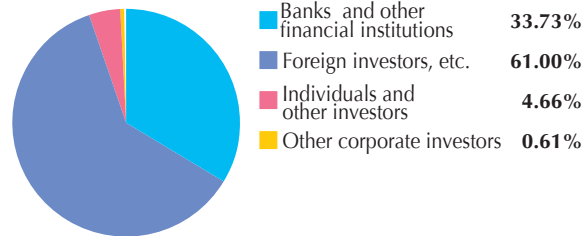
Name of shareholder	Number of shares held (thousands)	Percentage of shares outstanding (%)
Japan Trustee Services Bank, Ltd.	45,826	16.18
The Master Trust Bank of Japan, Ltd.	22,524	7.95
STATE STREET BANK AND TRUST COMPANY	12,431	4.39
Trust & Custody Services Bank, Ltd. (as trustee for Mizuho Bank Ltd. Retirement Benefit Trusts Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	10,678	3.77
MSCO CUSTOMER SECURITIES	7,027	2.48
STATE STREET BANK AND TRUST COMPANY 505223	6,251	2.21
GOLDMAN,SACHS&CO.REG	5,840	2.06
Hiroshi Taguchi	5,530	1.95
THE BANK OF NEW YORK MELLON 140044	4,921	1.74
THE CHASE MANHATTAN BANK 385036	4,624	1.63

Note: Percentages of shares owned are rounded to the second decimal point.

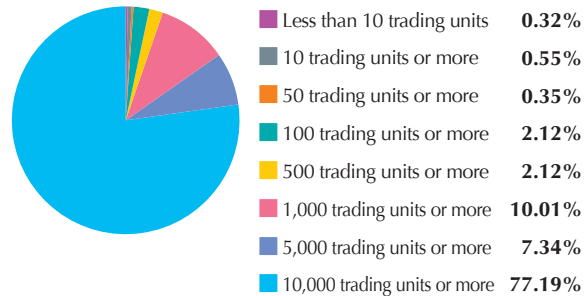
Share price



Share distribution
Share distribution by type of shareholder



Share distribution by number of shares owned
(1 trading unit = 100 shares)



Company overview

Trade name MISUMI Group Inc.
Established February 23, 1963
Headquarters Iidabashi First Bldg., 5-1, Koraku 2-chome, Bunkyo-ku, Tokyo
Common stock 12,705 Million Yen
 Establish and administer management strategy for the MISUMI group of companies and provide other functions required by management of the group
Principal businesses
Number of employees 10,167 (MISUMI Group consolidated basis)
URL <http://www.misumi.co.jp/>

MISUMI Group top management (as of December 1, 2017)

Directors
 Director Tadashi Saegusa Director, Chairman of the Board
 Director Ryusei Ono Representative Director, President and CEO
 Director Tokuya Ikeguchi Director and Executive Vice President
 Director Ichiro Otokozawa Executive Director and CFO
 Outside Director Takehiko Ogi
 Outside Director Kosuke Nishimoto

Corporate Officers

MISUMI Group Inc.
 Representative Director, President and CEO Ryusei Ono
 Director and Executive Vice President Tokuya Ikeguchi
 Executive Director and CFO Ichiro Otokozawa
 Senior Corporate Officer Yosuke Uchida
 Senior Corporate Officer and CIO Toshinari Sato
 Senior Corporate Officer Takaaki Wada
 Corporate Officer Makoto Ariga
 Corporate Officer Takeshi Marui
 Corporate Officer Kazumi Hagihira

Business Companies, Products Groups and Service Platforms
 CEO, China Business Company Tomoki Kanatani
 CEO, Asia Business Company Shigetaka Shimizu
 Representative Corporate Officer, FA Global Business Group Rie Nakagawa
 Representative Corporate Officer, VONA Electronics Global Business Group Shigehito Nakamura
 Representative Corporate Officer, VONA Mechanical Global Business Group Takao Kosaka
 Representative Corporate Officer, VONA Tool & Supply Global Business Group Masakazu Kato
 Representative Corporate Officer, Logistics Service Platform Michiaki Okamoto
 Representative Corporate Officer, Production Service Platform Takumi Toya
 Deputy Representative Corporate Officer, MIG Service Platform Naoki Shirao

Corporate Auditors

Corporate Auditor Hiroshi Miyamoto
 Outside Corporate Auditor Juichi Nozue
 Outside Corporate Auditor Nanako Aono

Advisor

Special Advisor and Founder Hiroshi Taguchi

Shareholders memo *For residents of Japan only

Fiscal year From April 1 through March 31 of the following year
Annual general meeting of shareholders June
Date of Record Annual general meeting of shareholders March 31
 and year-end dividends
 Interim dividends September 30

Shareholder registry administrator Mitsubishi UFJ Trust and Banking Corporation
Account administration agency for special accounts Mitsubishi UFJ Trust and Banking Corporation
Office location Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 1-1, Nikko cho, Fuchu-shi, Tokyo, Japan
 TEL 0120-232-711(tool-free number available in Japan only/ Monday-Friday 9:00-17:00)

(Mailing address) Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division Shin-TOKYO Post Office post office box No.29, 137-8081, JAPAN

Listed stock exchange Tokyo Stock Exchange, Markets Section 1

Method of public notification Electronic notification
 However if due to an accident or some unavoidable reason electronic notification cannot be made, notification will be published in the Nihon Keizai Shimbun newspaper.

URL address for public notifications <http://www.misumi.co.jp/ir/>

For Your Information*

How to request forms required for procedures related to stocks

You can contact the above shareholder registry administrator by telephone or by Internet 24 hours a day to request forms for procedures related stocks (address change notifications, dividend payment transfer requests, odd-lot share trade-in requests, etc.). Please note that, after stock certificates have been migrated to electronic format, there will remain only those forms for procedures related to stocks recorded in special accounts.

TEL (toll free only from Japan) 0120-244-479 (Stock Transfer Agency Department)
 Internet address <http://www.tr.mufg.jp/daikou/>

Disclaimer regarding forward-looking statements

Although forecasts and forward looking statements contained in this material are based on assumptions applied and judged to be reasonable by the MISUMI Group reflecting currently available information, including domestic or international economic circumstances, fluctuations in currency exchange rates, and other factors that may influence our business performance, they are subject to risk and uncertainty. Therefore, investors should avoid making their investment decisions based entirely and exclusively on the forward-looking statements herein. Please be advised that our actual business performance may differ substantially from the business forecasts indicated in this document.

The material factors that may influence our actual performance include economic circumstances, market trends, and exchange rates, among others.

* (Please be aware)

- Shareholder address changes, share trade-in requests and other various procedures should in principle be handled by the account administrator (e.g., securities broker) where the shareholder's account resides. Please contact the securities broker or entity where your account resides. Please be aware that these matters cannot be processed at the shareholder registry administrator (Mitsubishi UFJ Trust and Banking Corporation).
- For various procedures related to shares recorded in a special account, please contact Mitsubishi UFJ Trust and Banking Corporation—the special account administrator provided above. Nationwide branches of Mitsubishi UFJ Trust and Banking Corporation can refer you to the proper department.
- Dividend payments that have not been received will be paid by the Main Branch of Mitsubishi UFJ Trust and Banking Corporation.