

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 and year-end dividends: March 31 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 (toll-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, 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	https://www.misumi.co.jp/ir/

Disclaimer Notice

Disclaimer regarding forward-looking business statements

Forecasts and forward-looking statements contained in this document are based on assumptions determined to be reasonable by MISUMI Group in light of information available at the time. Notwithstanding, please be advised that our actual business performance may differ substantially from the business forecasts indicated in this document due to various unforeseeable factors.

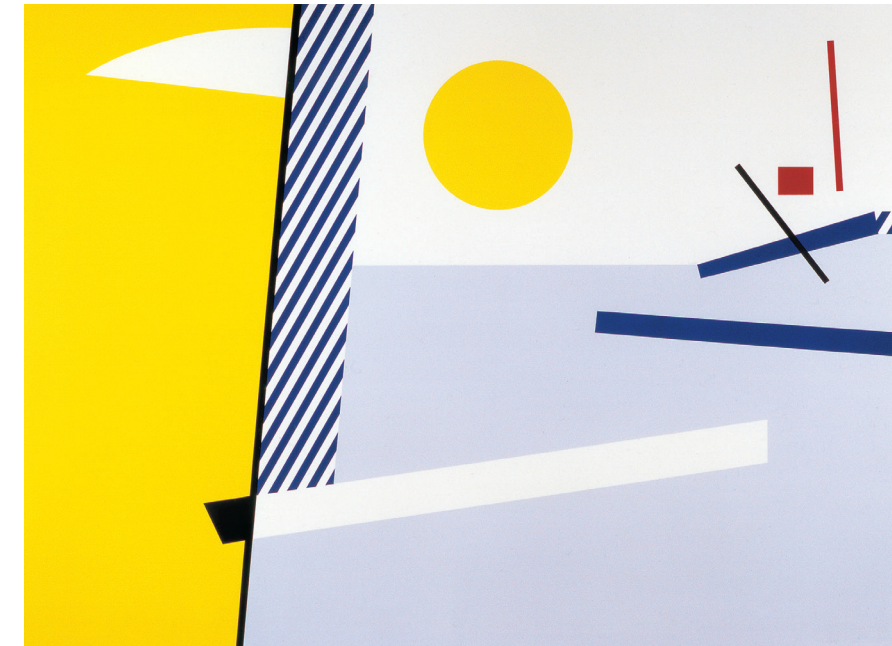
Regarding change of address, share trade-in requests and other procedures

In principle, shareholders should contact the securities broker where their accounts reside.
For various procedures related to shares recorded in a special account, please contact Mitsubishi UFJ Trust and Banking Corporation.
Dividend payments that have not been received will be paid by the Mitsubishi UFJ Trust and Banking Corporation's Head Office.

MISUMI Art Collection

Roy Lichtenstein, Bull Head III, 1973

Roy Lichtenstein, a seminal figure of the Pop Art movement, introduced the genre of popular culture of comics, and elevated it into fine art status. For his first solo exhibition at the Leo Castelli Gallery in New York in 1961, *Life* magazine disparaged Lichtenstein with an article entitled "Is He the Worst Artist in the U.S.?" Lichtenstein himself has stated that he used Picasso's *The Bull (Le taureau)* as the motif in his three works *Bull Head I, II and III* in 1973. The level of abstraction increases with each title. By *Bull Head III*, only a horn and an eye are discernable. However, this conversely spurs the viewer to imagine the existence of the bull. It seems that harsh criticism ultimately boosted Lichtenstein's standing and the value of his work.



© 2018 Estate of Roy Lichtenstein, N.Y. & JASPAR, Tokyo E3189

MISUMI Art Collection

Roy Lichtenstein

《Bull Head III》

Please refer to the back of the cover page for an explanation.



We will achieve sustainable growth by expanding our customer base through “global reliable and quick delivery.”

**Representative Director, President and CEO
Ryusei Ono**

Highest first half sales to date while investments for growth made ahead of schedule impacted upon profits

The global economy trended towards deceleration during the cumulative second quarter of FY2018 (the first half of FY2018), except for the United States, as capital investments in the manufacturing industry became cautious due to trade conflict concerns. In China, import and export growth began to slow down. Similarly, in Asia and Europe, business climate in the manufacturing industry is slowing down. In addition, the manufacturing industry in Japan showed signs of bearish tendency, given economic conditions such as soaring raw material prices, and increasing concerns relating to trade conflicts between the United States and China are exacerbating uncertainties in production machinery and

automotive related sectors.

Even in such business environment, MISUMI Group is accelerating the business transformation towards production materials platform by globally expanding its manufacturing and distribution businesses as well as business foundations such as IT. During FY2018, we are working to strengthen our global reliable and quick delivery system by promoting local production for optimal procurement and expanding logistics sites in Japan and overseas. We also proceeded ahead of schedule in the establishment of EC websites within respective regions to respond to each country’s needs. These measures have been driving factors in providing high

convenience to our customers, and we are seeing a year on year increase in customer numbers in Japan and overseas markets.

As a result, consolidated net sales was ¥166.6 billion, an increase of 9.3% year on year, highest first half result for seven consecutive periods. In terms of profit, operating income was ¥15.8 billion, a decrease of 15.9% year on year, and 19.7% short of the initial plan because of the investment in the IT infrastructure required for our business model transformation and the enhancement of our personnel and organization. Ordinary income was ¥15.9 billion, a decrease of 14.3%, and net income attributable to owners of parent was ¥11.5 billion, a decrease of 11.2%, as profits decreased year on year compared to the most profitable first half period. These performance figures are the result of our investments made ahead of schedule for further growth as mentioned earlier, and responding to the acceleration of digitization within the global manufacturing industry.

Consolidated business results

	FY2017		FY2018	
	1H	Full year	1H	Full year (Forecast)
Net sales	¥152.4 billion	¥312.9 billion	¥166.6 billion	¥343.0 billion
Operating income	¥18.9 billion	¥34.8 billion	¥15.8 billion	¥35.0 billion
Ordinary income	¥18.6 billion	¥34.6 billion	¥15.9 billion	¥35.2 billion
Net income attributable to owners of parent	¥13.0 billion	¥25.6 billion	¥11.5 billion	¥25.7 billion

Continuing assertive management approach towards business model transformation

There are growing concerns of a prolonged trade conflict between China, an important market for MISUMI, and the United States. But we recognize that automation demand in the manufacturing industry is bullish in the medium term. Meanwhile, considering the risk of a slowdown in the Chinese economy, an increasing number of our customers are reconsidering the current situation whereby their production operations are concentrated in and dependent on China. In other words, expansion of production sites outside China and further cost reductions have once again become a focal point for the global manufacturing industry. Under these circumstances, MISUMI Group’s management is at times facing the situation of making difficult decisions and must be cautious thereof. However, we will continue the assertive management approach towards business model transformation that we have been undertaking. Moreover, we intend to pursue further growth centered on global reliable and quick delivery.

We have slightly revised our full-year consolidated earnings forecast for FY2018 based on slowdown of business sentiments within the manufacturing industry. We are expecting net sales of ¥343.0 billion, a year on year growth of 9.6%. This is a downward revision of 5% from the plan made at the beginning of the fiscal year. The forecast for operating income has been set at ¥35.0 billion, which is a downward revision of 11.8% from our initial plan resulting to be about the same amount as in the previous fiscal year. We will maintain our profit increasing trend while continuing to take measures for sustainable growth.

Message from the CEO

Establishing a MISUMI model that is considered resilient, even during a recessionary period

Next, I will explain progress of major initiatives taken in the first half will be explained as well as our future business development.

The Factory Automation (FA) Business has been underperforming slightly with respect to its initial sales target in all regions except Europe. We are reinforcing and reviewing the supply capabilities that support our global reliable and quick delivery model, while looking closely

at the impact of reduced demand in the smartphone and automotive sectors and trade conflicts. Expansion and extension of production sites in Japan and the rest of Asia, the Americas and Europe are proceeding almost according to plan. However, the Nantong Factory in China has revised its extension plan and is prioritizing efforts to reduce costs.

As a strategy considering the digital model shift within the manufacturing industry, MISUMI Group undertook full-scale

rollout of Rapid Design, a design support software, in the first half of FY2018. Initial rollout began in Japan and China, and the number of users is steadily increasing. During the second half, we intend to roll out in South Korea, the Americas and Europe.

In the VONA*1 Business, we increased the number of items handled in all countries from 24.6 million to a total of 28.4 million over the past year, remaining one of the world's largest distributors for the manufacturing industry. We will launch this business in Malaysia during FY2018 and we are planning a full-scale rollout in India in FY2019. As we steadily expand our sales territory, we intend to thoroughly differentiate ourselves with our reliable and quick delivery, additional processing and assembly as well as introducing private brand of third party products.

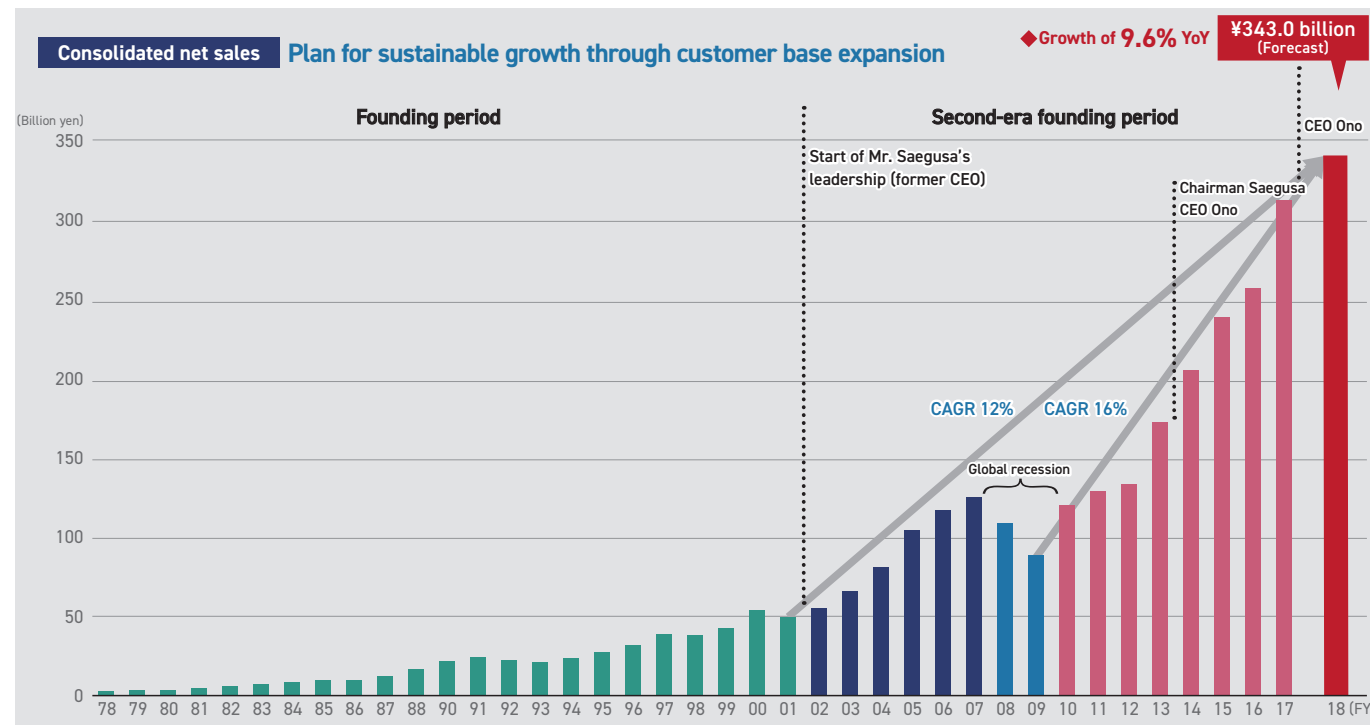
For our IT infrastructure, we are conducting a rollout ahead of schedule for our new EC websites, which are optimized for customer needs by region. In addition, we are steadily progressing with the construction of the world's largest database of production materials. We also intend to migrate the core system to the cloud network to enhance the credibility of our reliable and quick delivery.

In the previous fiscal year, we started providing MISUMI's mobile application to support the operational efficiency of people working at manufacturing sites without a PC environment. In China, where it was first introduced, the number of downloads increased 9.1 fold and sales through the application rose 12 fold over the past year. We will begin offering the application in South Korea, Thailand and Vietnam during FY2018.

Our investment plan based on this business development has been progressing largely as planned in the first half of FY2018. If we achieve MISUMI Group's planned consolidated net sales of ¥343.0 billion for FY2018, the compound annual growth rate will be 16% since 2009, when the world economy was undergoing global recession. Even if the economy worsens in the future, I would like to demonstrate a MISUMI model that is considered resilient to recession. We intend to achieve sustainable growth through the expansion of our customer base leveraging global reliable and quick delivery and the proactive investment to evolve our business model.

*1 VONA: Variation & One-stop by New Alliance. A business that sells and distributes production facilities related components, production auxiliary materials, maintenance, repair and operations (MRO) consumables from third-party brands alongside MISUMI branded products.
*2 Adjusted for the stock split implemented on July 1, 2015.

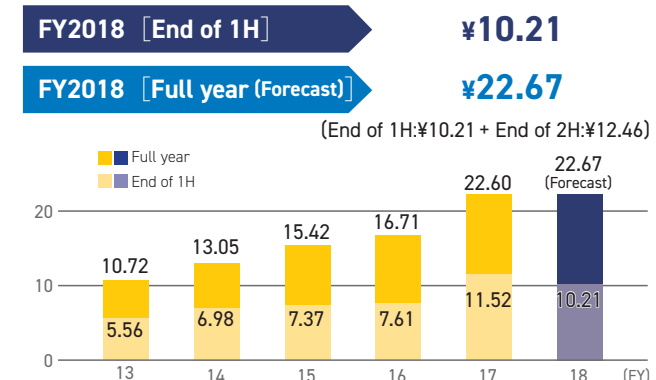
Growth of the MISUMI Group



3 Note: FY1989 has been omitted as this is year we changed our book closing period.

Dividends per share*2 (Yen)

Dividends are determined based on a dividend payout ratio of 25%. Although the interim dividend per share decreased ¥1.31 year on year to ¥10.21, we expect annual dividends per share to be ¥22.67, an increase of ¥0.07 year on year.

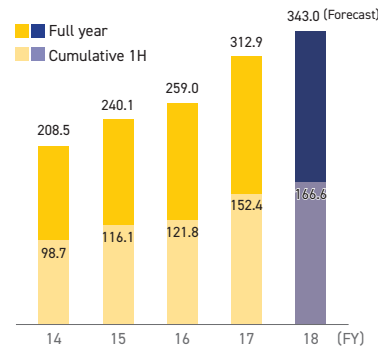


Financial Highlights

Net sales (Billion yen)

¥166.6 billion

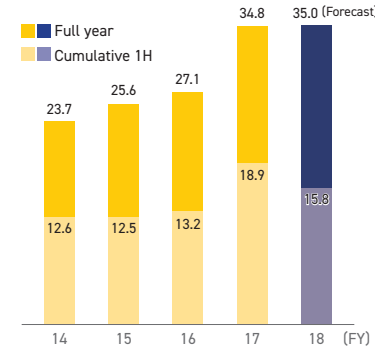
Growth of 9.3% YoY



Operating income (Billion yen)

¥15.8 billion

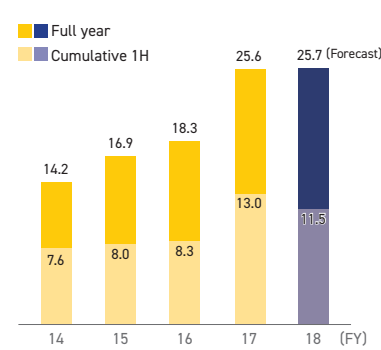
Decrease of 15.9% YoY



Net income attributable to owners of parent (Billion yen)

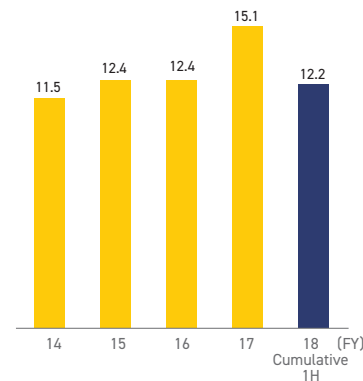
¥11.5 billion

Decrease of 11.2% YoY



ROE (%)

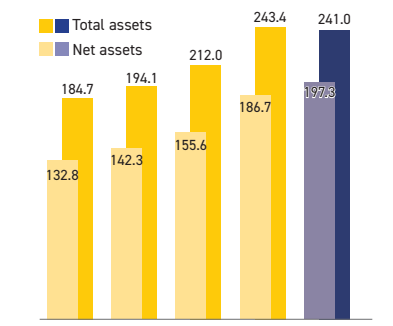
12.2%



Total assets and Net assets (Billion yen)

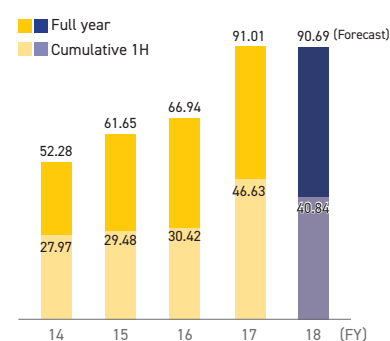
Total assets
¥241.0 billion

Net assets
¥197.3 billion



Basic earnings per share* (Yen)

¥40.84



*Adjusted for the stock split implemented on July 1, 2015.

For detailed information, please refer to the Investor Relations section of the MISUMI Group website.
[Website] <https://www.misumi.co.jp/english/ir/>

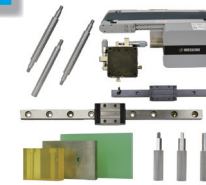
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Search



Breakdown of results by business segment

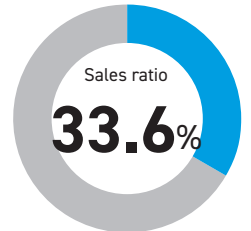
FA Business



Develops and provides high-precision mechanical components used in automation equipments, precision production equipment utilized at production sites.

Net sales FY2017 - 1H ¥51.7 billion → FY2018 - 1H ¥56.0 billion

Operating income FY2017 - 1H ¥10.5 billion → FY2018 - 1H ¥9.7 billion



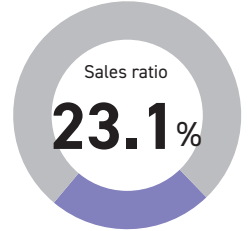
Die Components Business



Develops and provides standardized components and precision components incorporated in press dies and molds, which are required predominantly for processing mainly in the automotive and electronics sectors.

Net sales FY2017 - 1H ¥38.6 billion → FY2018 - 1H ¥38.4 billion

Operating income FY2017 - 1H ¥2.7 billion → FY2018 - 1H ¥3.2 billion



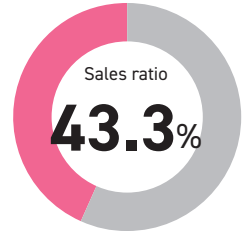
VONA Business



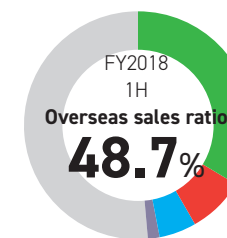
Sale offerings for a broad product lineup including production auxiliary materials and consumables such as tools and gloves used at production sites. This constitutes a distribution business handling third-party manufacturer's products alongside MISUMI branded products.

Net sales FY2017 - 1H ¥62.0 billion → FY2018 - 1H ¥72.1 billion

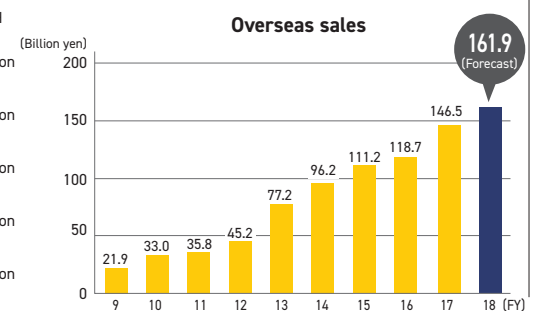
Operating income FY2017 - 1H ¥5.8 billion → FY2018 - 1H ¥3.1 billion



Breakdown of results by region



Region	FY2017 - 1H	FY2018 - 1H
China and other Asia	¥49.8 billion	¥56.3 billion
U.S.A.	¥13.3 billion	¥13.4 billion
Europe	¥7.5 billion	¥8.6 billion
Others	¥2.5 billion	¥2.7 billion
Japan	¥79.2 billion	¥85.4 billion



Overview of the Consolidated Financial Statements

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

Consolidated balance sheet (Million yen)

Item	As of September 30, 2018	As of March 31, 2018
Assets		
Current assets	172,104	179,904
Cash and deposits	54,139	65,502
Notes and accounts receivable - trade	66,589	67,817
Other	51,375	46,584
Non-current assets	68,952	63,587
Total assets	241,056	243,492
Liabilities		
Current liabilities	36,254	49,684
Long-term liabilities	7,421	7,087
Total liabilities	43,676	56,772
Net assets		
Shareholders' equity	192,506	183,994
Accumulated other comprehensive income	3,096	1,208
Stock acquisition rights	1,216	986
Non-controlling interests	561	529
Total net assets	197,380	186,719
Total liabilities and net assets	241,056	243,492

Consolidated statement of income (Million yen)

Item	2018.4.1 - 2018. 9.30	2017.4.1 - 2017. 9.30
Net sales	166,668	152,465
Operating income	15,896	18,902
Ordinary income	15,970	18,627
Net income attributable to owners of parent	11,573	13,040

Consolidated statement of cash flows (Million yen)

Item	2018.4.1 - 2018. 9.30	2017.4.1 - 2017. 9.30
Cash flows from operating activities	2,306	7,621
Cash flows from investment activities	(8,815)	1,264
Cash flows from financing activities	(3,106)	(2,487)
Effect of exchange rate change on cash and cash equivalents	445	799
Net increase (decrease) in cash and cash equivalents	(9,169)	7,197
Cash and cash equivalents at beginning of period	51,713	47,840
Cash and cash equivalents at end of period	42,544	55,038

Topics

Global rollout of new EC websites

MISUMI Group is renewing its EC websites to meet customer needs that differ by country. We shifted to new EC websites in China and the United States in the first half of FY2018, as well as in South Korea in October. We are also planning to continue this rollout in Europe and other regions.

The new EC websites dramatically increase product search speed and enhance convenience by providing website designs that customers in each country are accustomed to using.

In addition, when adding new functionality to websites in each country, it is now possible to carryout development in a shorter timeframe compared to before, enabling immediate responsiveness to customer demands.

Our overseas customer ratio has grown to over 60%. By creating EC websites tailored to customer needs in each country, we will steadily expand our customer base.



Company Information

Company overview (As of September 30, 2018)

Trade name	MISUMI Group Inc.
Established	February 23, 1963
Headquarters	Iidabashi First Bldg., 5-1, Koraku 2-chome, Bunkyo-ku, Tokyo
Common stock	12,812 Million yen
Principal businesses	Establish and administer management strategy for the MISUMI Group of companies and provide other functions required by management of the group
Number of employees	12,165 (MISUMI Group consolidated basis)
URL	https://www.misumi.co.jp/



MISUMI Group top management (As of December 1, 2018)

Directors	Representative Director, President and CEO	Ryusei Ono	Senior Chairman	Tadashi Saegusa
	Executive Vice President and Director	Tokuya Ikeguchi		
	CFO and Executive Director	Ichiro Otokozawa		
	CIO and Executive Director	Toshinari Sato		
	Outside Director	Takehiko Ogi		
	Outside Director	Kosuke Nishimoto		

Corporate Officers	MISUMI Group Inc.		Business Companies and Service Platforms	
	Representative Director, President and CEO	Ryusei Ono	Representative Corporate Officer, President, China Business Company	Tomoki Kanatani
	Executive Vice President and Director	Tokuya Ikeguchi	Representative Corporate Officer, President, Asia Business Company	Shigetaka Shimizu
	CFO and Executive Director	Ichiro Otokozawa	Representative Corporate Officer, President, Europe Business Company	Takako Sasaki
	CIO and Executive Director	Toshinari Sato	Representative Corporate Officer, President, FA Business Company	Rie Nakagawa
	Senior Corporate Officer	Takaaki Wada	Representative Corporate Officer, VONA Business Company VONA Electronics Global Business Group	Shigehito Nakamura
	Senior Corporate Officer	Takeshi Marui	Representative Corporate Officer, VONA Business Company VONA Mechanical Global Business Group	Takao Kosaka
	Senior Corporate Officer	Koichi Tsunematsu	Representative Corporate Officer, VONA Business Company VONA Tool & Supply Global Business Group	Masakazu Kato
	Corporate Officer	Makoto Ariga	Representative Corporate Officer, President, 3D2M Business Company	Mitsunobu Yoshida
	Corporate Officer	Kazumi Hagihira	Representative Corporate Officer, Logistics Service Platform	Michiaki Okamoto
	Corporate Officer	Hiroshi Shiraishi	Representative Corporate Officer, Production Service Platform	Takumi Toya

Corporate Auditors	Corporate Auditor	Hiroshi Miyamoto	Founders	Senior Chairman and Second-Era Founder	Tadashi Saegusa
	Outside Corporate Auditor	Juichi Nozue		Special Advisor and Founder	Hiroshi Taguchi
	Outside Corporate Auditor	Nanako Aono			

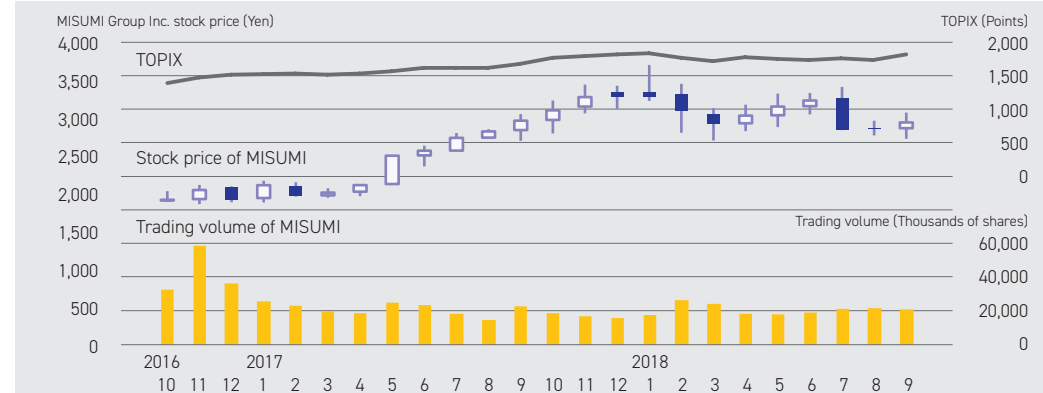
The Company's Stock (As of September 30, 2018)

Total number of authorized shares	1,020,000,000 shares
Total number of issued shares	283,524,157 shares
Number of shareholders	6,439
Major shareholders	

Name of shareholder	Number of shares held (thousands)	Percentage of shares outstanding (%)
Japan Trustee Services Bank, Ltd.	44,878	15.83%
The Master Trust Bank of Japan, Ltd.	24,575	8.67%
STATE STREET BANK AND TRUST COMPANY	13,359	4.71%
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%
STATE STREET BANK AND TRUST COMPANY 505223	6,027	2.13%
RBC IST 15 PCT LENDING ACCOUNT	6,013	2.12%
BBH FOR MATTHEWS ASIA DIVIDEND FUND	5,869	2.07%
THE BANK OF NEW YORK MELLON 140044	5,779	2.04%
Hiroshi Taguchi	5,530	1.95%
GIC PRIVATE LIMITED	4,678	1.65%

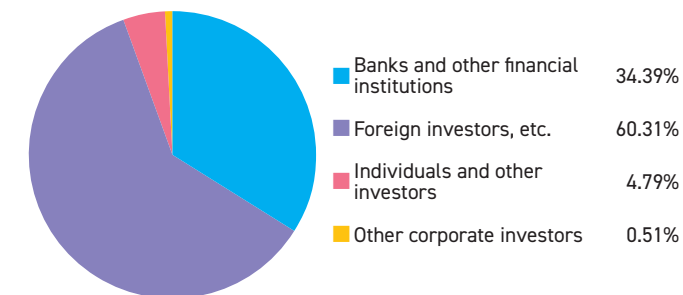
Note: Percentages of shares owned are rounded to the second decimal point.

Stock price



Shareholder composition

By type of shareholder



By number of shares owned

(1 trading unit = 100 shares)

