

It's all about TIME



ANNUAL REPORT 2020

MISUMI Group Inc.



Customers

MISUMI Group's corporate customers number more than 300,000 around the world. In Japan and overseas, many customers continue to favor MISUMI.



MISUMI Group encompasses both manufacturing and distribution businesses, which are supported by a powerful business foundation. Our mission is to provide time-based value to customers by achieving reliable and quick delivery globally using this unique business model.

Business Model Transformation Toward a Production Materials Platform



The manufacturing business develops, manufactures and sells precision components for automated equipment used in FA* and tools and dies used at manufacturing sites.

MISUMI uses an original method to catalog MTO products that formerly had to be drawn for ordering. The convenient, reliable and quick delivery of online ordering by model number without drawings, as well as the provision of associated CAD system services and other features, resolves customer inefficiencies.

*Factory Automation



The distribution business handles a wide range of products from third-party brands to MISUMI's own branded products. The number of items handled in Japan exceeds 31 million, and the business is expanding globally.

Customer needs are being met for one-stop purchasing and management of production materials.

Business Foundation

The Source of MISUMI's Value Creation

The Reasons Why Customers Favor MISUMI

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For Sustainable Growth

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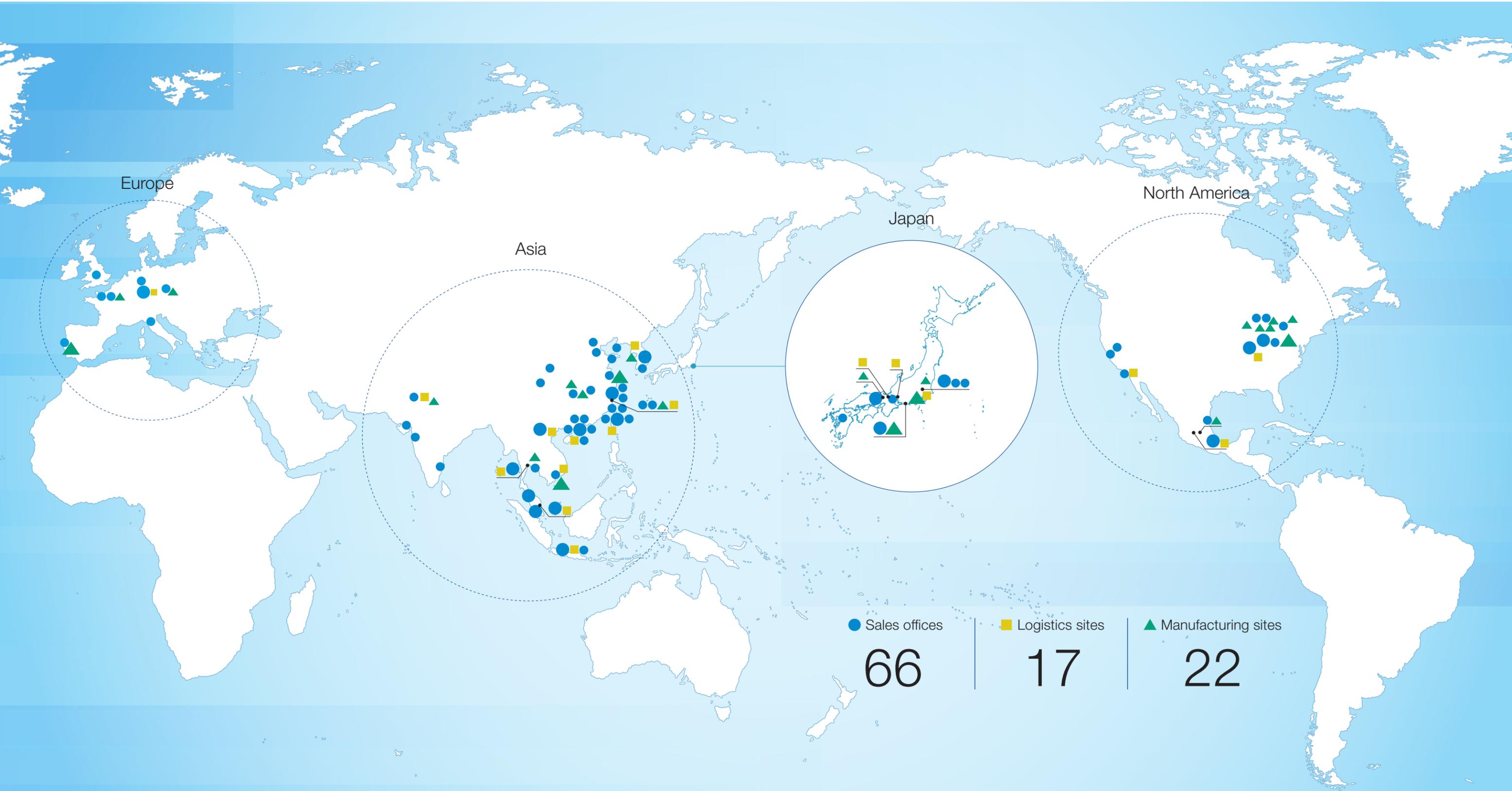
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Forward-looking statements:

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



● Sales offices	■ Logistics sites	▲ Manufacturing sites
66	17	22



Strengthening our management structure to accelerate business model innovation and drive sustainable growth

As of February 1, 2020, MISUMI Group transitioned to a management structure with two representative directors. Under the new structure, Kosuke Nishimoto was appointed Representative Director and Chairman, Ryusei Ono was appointed Representative Director and President.

As the advancement of digital manufacturing accelerates globally, two representative directors were appointed to strengthen the management structure in the pursuit of further accelerating the speed of business decision-making toward innovation of our business model for high quality (Q) at low cost (C) with reliable and quick delivery time (T), which is the strength of MISUMI, and with the aim of speeding up business growth.

By continuing to further evolve the reliable and quick delivery that is the advantage of MISUMI, we will provide time-based value to customers in the manufacturing industry and help to resolve their inefficiencies. We look forward to your continued understanding and support.

Kosuke Nishimoto
Representative Director and Chairman

Ryusei Ono
Representative Director and President

Innovation of business model in pursuit of reliable and quick delivery continues while responding to current environmental changes from a solid business foundation

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 factory automation equipment and the die sets required at manufacturing sites, and a “distribution business” that sells a wide range of products from production auxiliary materials to consumables, including products from third-party manufacturers.

At manufacturing sites, the start-up of a production line may be delayed if even one machine component is unavailable, thereby significantly impacting business plans. Many companies in the manufacturing industry conduct production activities in multiple countries and regions, and at present very few suppliers

can deliver identical components from manufacturers’ home countries to factories in other countries without delay.

We eliminate inefficiencies in customers’ processes for procuring production materials and ensure delivery dates by providing our reliable and quick delivery for customer orders. In other words, we provide our customers with time-based value propositions, which I believe to be our foremost mission. In order to accomplish this mission globally, we aim to be a company with competitive advantages not found in other companies, in terms of the business model, organization, business strategies and operations, by pursuing a time-based strategy.



Prolonged U.S.-China trade conflict and the COVID-19 pandemic affected business performance

The global economy during FY2019 was mired by harsh circumstances, namely the prolonged US-China trade conflict causing restraint on capital expenditures and operation; in addition to the impact caused by the spread of COVID-19 pandemic around the fiscal year end period.

Under such environment, with the highest priority being placed on ensuring the health and safety of our employees, MISUMI Group set up a response task force headquarter, monitoring the health status of our global employees and their families on a daily basis. In the meantime, we are fulfilling our supply responsibilities to our customers with best endeavors, in terms of production, logistics and customer support. In addition, innovations to our business model were sought by continuing to carefully select themes for making investments geared towards strengthening the IT and logistics infrastructure.

Despite our efforts, consolidated net sales decreased 5.6% year on year to ¥313.3 billion due to the slowdown in demand for production equipment and operations in Japan, a notable decline in demand in the Chinese market at the end of the fiscal year, and the slump in the automotive industry in North America and Europe throughout the year. Operating income was ¥23.6 billion, a decrease of 25.8% year on year, due to the decrease in sales volume and continued upfront investments which are carefully selected for sustainable growth. Ordinary income was ¥23.2 billion (26.9% decrease year on year), and net income attributable to owners of parent was ¥16.5 billion (31.3% decrease year on year).

Continue to strengthen and expand global customer base by innovating our business model and responding to environmental changes

On the other hand, by working to enhance its global reliable and quick delivery and to build an e-commerce model optimized for the manufacturing industry, MISUMI Group has established a competitive advantage and expanded its customer base worldwide, despite the severe environment. The number of corporate customers in Japan increased 9.2% year on year. Overseas customers were affected by a drop in China toward the end of the fiscal year, but continued to rise by nearly double digits in other regions, increasing 3.3% year on year overall.

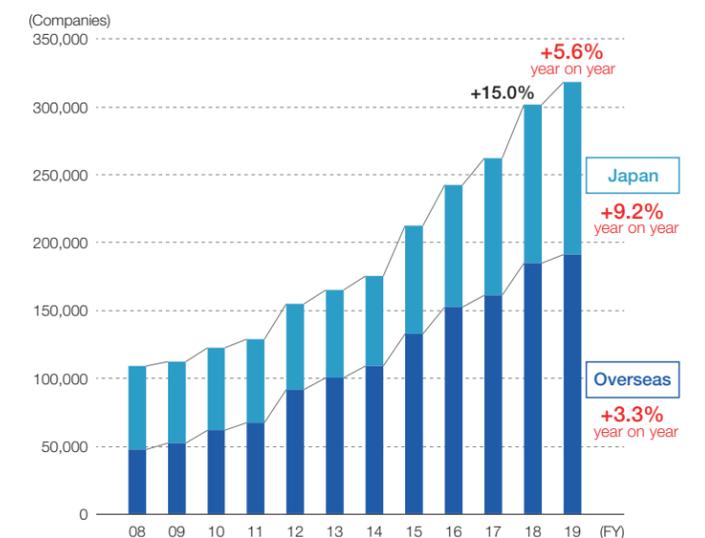
During the COVID-19 pandemic, we believe that responding to environmental changes as we fulfill our responsibility to supply products will further bolster and expand our customer base. Our customers, besides automobiles and electronics related, include many lifeline-related industries such as medical devices, pharmaceuticals and food manufacturing. We believe it is our social responsibility to supply products to these customers.

When the operation in China faced temporary suspension around the year end of FY2019, we were able to leverage our five-base global production structure to reorganize the supply chain in a timely manner and supply products from Japan and Vietnam. By responding to supply requests in each region with best endeavors to fulfill our responsibility as a “behind-the-scenes supporter for the manufacturing industry,” we received positive evaluations from our customers for how quickly we restored the supply network.

This solid business foundation has been built through various initiatives and investments conducted over a long period.

For our IT infrastructure, we completed the migration to a cloud network during FY2019 to enhance the reliability of our reliable and quick delivery and reduce the operating cost of our information systems. In addition to enhancing network reliability and flexibility using the cloud, we plan to start a complete renewal of our core system in FY2020.

Number of Customers



As for the logistics infrastructure, we newly established the Central Japan Distribution Center and relocated and expanded the East Japan Distribution Center as planned. At the East Japan Distribution Center, the warehouse area was doubled and further improvement in productivity and staff reductions were achieved using the automation know-how we have cultivated. By overhauling our logistics model for domestic deliveries and for export, we will further improve the reliability of our global reliable and quick delivery through expanded bases and high productivity. In addition, we have temporarily restrained investment by postponing the start-up of the site we had been planning in the United States to FY2020 in light of the current business environment.

Regarding initiatives in the manufacturing business, we expedited our response to digital manufacturing. For meviy, our service that enables instant quotations and orders by simply uploading 3D data for equipment and components used at the manufacturing sites, we have made further improvements in ways including broadening the product lineup and shortening delivery times. As a result, sales increased 240% during FY2019 and the number of domestic users exceeded 40,000 by the end of the fiscal year.

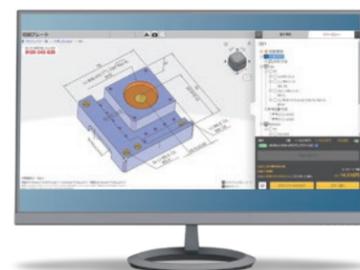
In addition, meviy received numerous major manufacturing industry awards, including the METI Minister's Award under the Minister of Economy, Trade and Industry's Awards Program for Individual and Other Contributors to Promotion of Informatization and the 62nd (2019) Best 10 New Products Award. meviy has

been held in high regard in various fields and is gaining recognition as a service that is revolutionizing the manufacturing industry with digital technology.

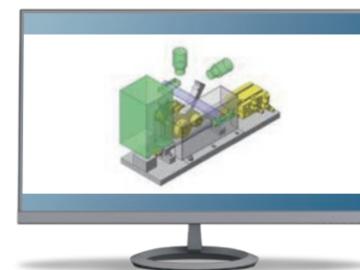
Furthermore, RAPiD Design began service in Europe in summer 2019, and the cumulative number of global users exceeds 72,000. This design support tool links MISUMI's standardized FA components data with 3D CAD software to significantly improve convenience from design to ordering. By eliminating the need to download CAD data for design for each step and by substantially reducing design time by enabling specification changes in CAD, RAPiD Design helps to improve customer productivity.

As for VONA business, the distribution business, we have further enhanced the product lineup. The number of global unique products has reached 31.0 million, the largest for the manufacturing industry. Particularly in Asian countries, we prioritized enhancing the product lineup and proactively increased inventory to strengthen our reliable and quick delivery. At the same time, we capitalized on demand from mass production plants by meeting customer needs with the rollout of half-day delivery service to almost all regions in Asia, and prepared a structure that anticipates the recovery of economic conditions. We will continue to pursue full differentiation and profitability improvement by utilizing MISUMI's manufacturing capabilities to provide additional processing or assembly of other companies' products during the distribution phase.

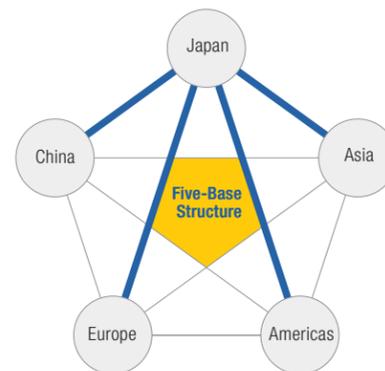
Screen shot of meviy cutting plates service



Screen shot of imported CAD data



Global Product Network



Global Total
31.0 million unique product items
 (As of March 31, 2020)

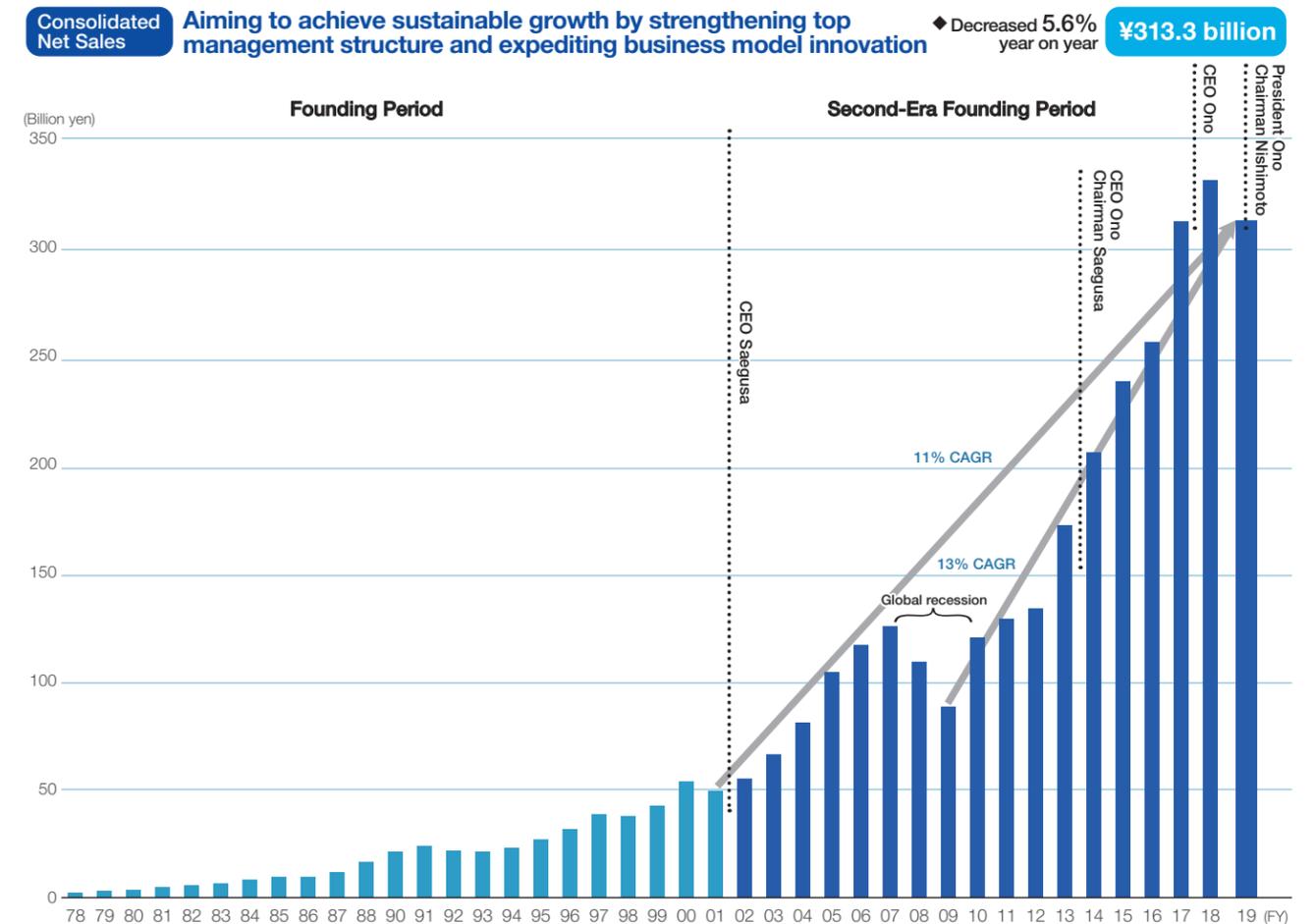
Continuing efforts for business model innovation aiming for further growth when business conditions recover

Uncertainty is increasing in the global economy, including Japan, due to the prolongation of the U.S.-China trade conflict and the impact of the COVID-19 pandemic.

Under such an environment, we will expedite business model innovation by strengthening the top management structure with the aim of sustainable growth.

We appreciate your ongoing support going forward.

Growth of MISUMI Group



Note: FY1989 has been omitted due to a change in the fiscal year end.

The Reasons Why Customers Favor MISUMI

Customers favor MISUMI because we are able to offer time-based value through the relentless pursuit of “reliable and quick delivery.” Our standard delivery time in Japan is two days, with an on-time delivery rate of 99.96%. We will continue to enhance our reliable and quick delivery system globally to help further raise the efficiency of our customers’ procurement of production materials.

Advantages of MTO

In MISUMI’s catalogs, component sizes can be specified at the micron level, and when these variations are included, we boast a product lineup of 80 sextillion (1 trillion × 80 billion) handled items. We can provide reliable and quick delivery of any component from this vast range anytime, anywhere and in any quantity.

Enhancing Global Reliable and Quick Delivery

Building a reliable and quick delivery system globally is crucial for further strengthening our competitiveness and ensuring a stable supply of products. To get a head start in responding to robust demand for automation, we will capture demand for quick delivery by expanding both production capacity at our five bases in Japan, China, Asia, the Americas and Europe, and our global distribution system.

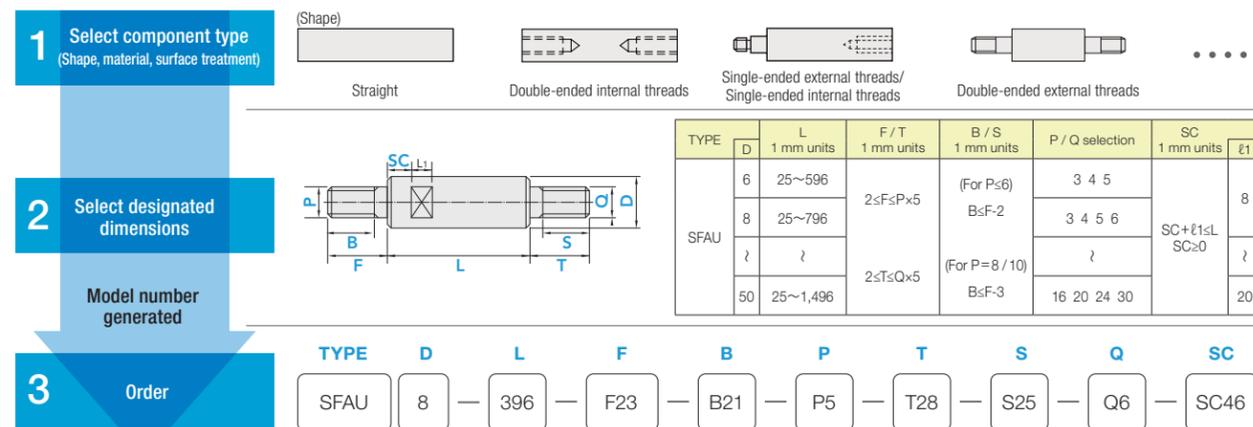
Fundamental Reform through Product Standardization

In MISUMI’s catalogs, components that were formerly special-order items are standardized, allowing customers to place orders simply by selecting the dimensions and specifications of components from the catalog. This enables a significant reduction in time compared to the conventional method of placing orders, which entails preparing diagrams of each component, one by one.

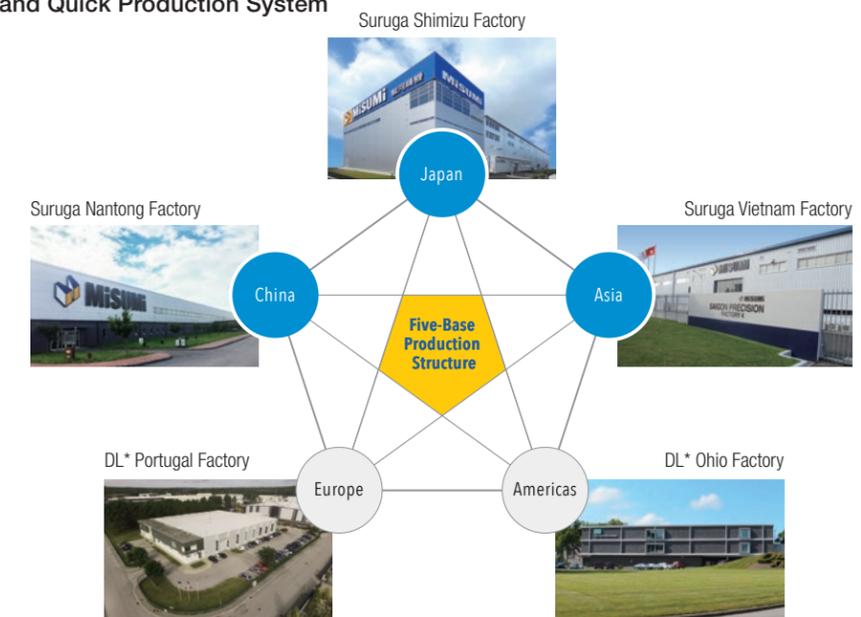
Business Foundation That Supports Reliable and Quick Delivery

We have established world-class competitiveness by realizing MISUMI’s unique “Q (high quality), C (low cost), T (reliable and quick delivery time)” business model at our manufacturing and logistics sites worldwide.

Procedure for Ordering Components from MISUMI Catalogs



Global Reliable and Quick Production System

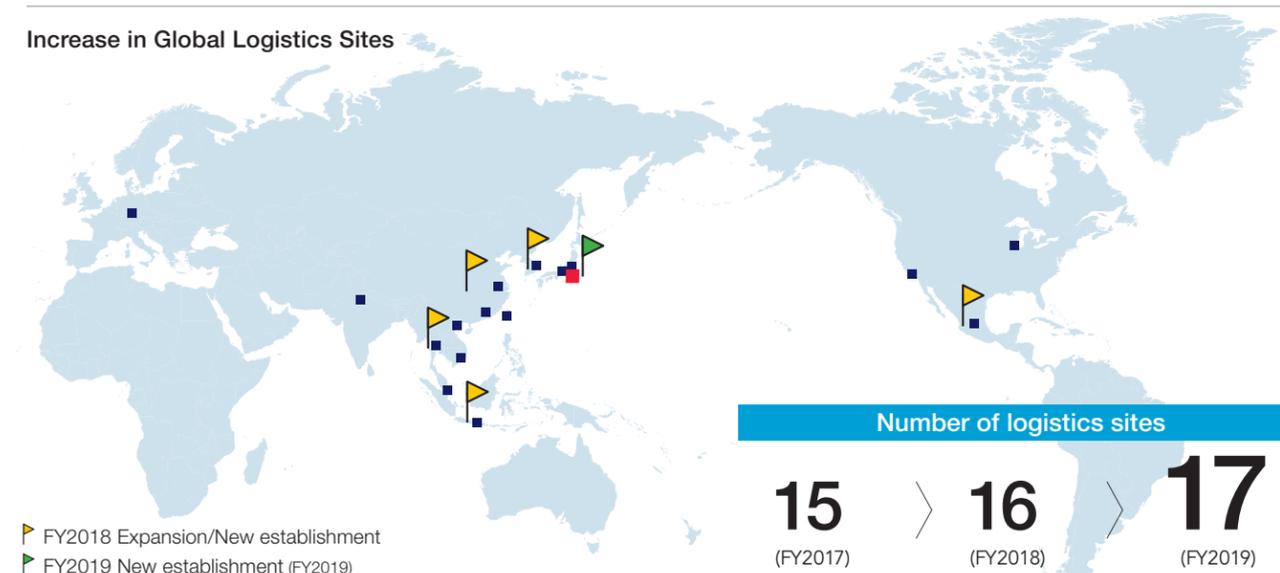
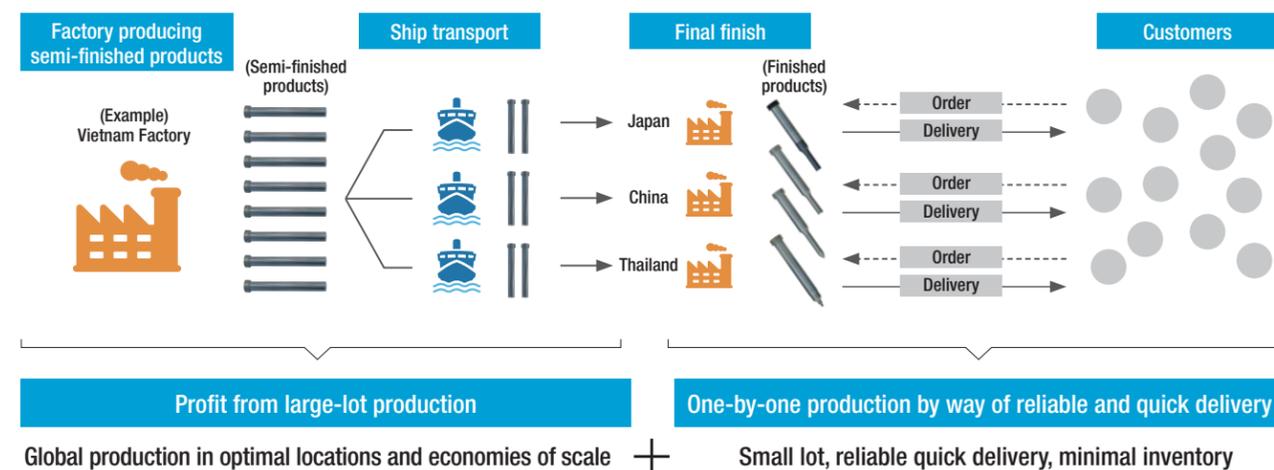


* Dayton Lamina Corporation

Uniting Our Two Contradictory Competitive Advantages

The key to reliably ship our extensive product variations with a short lead time while minimizing inventory is “semi-finished” parts. MISUMI’s unique approach to resolving this issue is to mass-produce partially completed products, or semi-finished parts, at large factories such as in Vietnam and finish them according to customer orders at points of purchase around the world, thus achieving low costs as well as ensuring reliable and quick delivery.

Increase in Global Logistics Sites

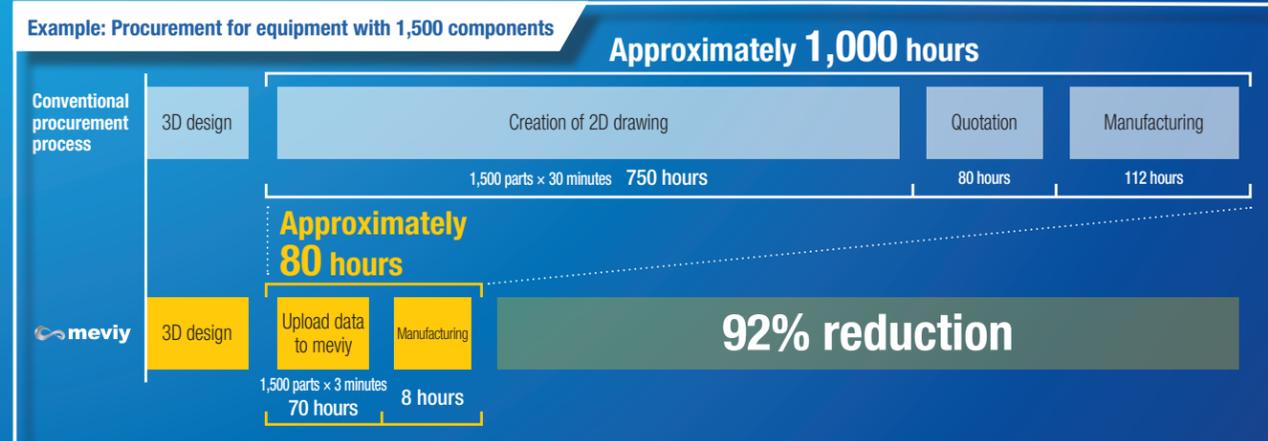


Feature

Digital Revolution for Components Procurement in the Manufacturing Industry

Despite the proliferation of 3D CAD in the manufacturing industry for equipment designing, many aspects of component procurement still rely on manual labor, such as preparation of blueprints, requests for quotation, confirmation of lead time and negotiation. By providing our revolutionary new online digital procurement service, meviy, we resolve these issues by using only data, without the need for manual intervention, to make the procurement process easier, even for complex components that are difficult to list in catalogs.

By simply uploading 3D data of components, it is possible to instantly obtain a quotation, place an order, and with shipping as early as one day, labor and time are significantly reduced. We will provide even greater time-based value to customers by rolling out meviy as a platform that enables components to be easily procured anywhere in the world.



Expansion of Product Range

The range of products that meviy handles has been continuously expanding to meet customer needs, from die components in 2016 to rapid prototypes in 2017 and sheet metal parts and machined plates in 2019.



Expansion of the Variety of Materials to Meet Market Needs



Transparent Resin Plates

Transparent resin plates are always in high demand to make it possible to see inside equipment and machinery. However, plates that require complex configuration and processing entail the time and trouble of in-house manufacturing, custom orders to resin processors and other issues. To solve this problem, we have started using meviy to handle transparent resin plates.



Thin Shim Plates

We have added two types of 0.05-1.0 mm thin sheet metal material to our shim plates, which are often used for fine adjustments to clearance, width and height adjustments, and for other issues that arise in equipment design. They can be procured through meviy.

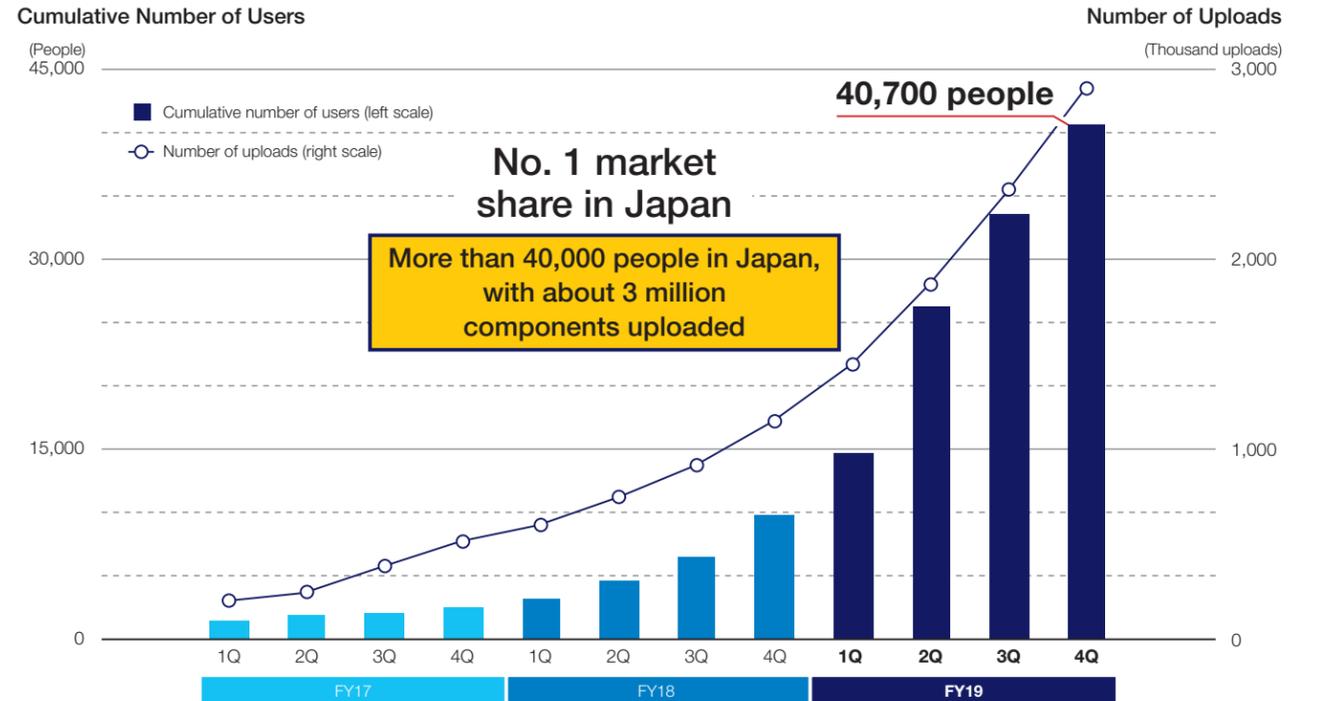


SS400 Annealed Material

This material, which is treated with anneal heat treatment to control machining distortion, is used for applications including components with complex design and high-precision components. Using meviy to order SS400 annealed material improves convenience by enabling bulk orders that include high-precision components in addition to conventional components.

Number of Users

There are currently more than 40,000 meviy users in Japan, with a repeat rate of over 80%. It has the largest market share in Japan* among on-demand manufacturing services. *Source: Techno Systems Research Co., Ltd. survey



Highly Regarded for Innovation

meviy, which uses digital technology to resolve issues in components procurement in the manufacturing industry, has received acclaim from many quarters for its innovations and contribution to the progress of our industrialized society.

Awards in FY2019

Awards Program for Individual and Other Contributors to Promotion of Informatization
Ministry of Economy, Trade and Industry (METI) Minister's Award
 For its pioneering role and remarkable results in advancing corporate digital transformation (DX)

CEATEC AWARD 2019 Smart X Category Grand Prix
 For its significant contribution to solving DX issues in Japan's manufacturing industry while further expanding the latent needs of its customers through its innovations

62nd Best 10 New Products Award
 Recognized as a product that contributes to the advancement of manufacturing and Japan's international competitiveness

49th Japan Industrial Technology Awards Ministry of Education, Culture, Sports, Science and Technology (MEXT) Minister's Award
 For bringing together integrated technologies to contribute to the advancement of Japanese industry and society

Impress DX Awards 2019 Application Category Grand Prix
 As an important service that realizes the "Connected Industries" advocated by METI



62nd Best 10 New Products Award



49th Japan Industrial Technology Awards Ministry of Education, Culture, Sports, Science and Technology (MEXT) Minister's Award

For Sustainable Growth

To play its part in the sustainable development of society, MISUMI Group contributes to society through its core businesses, while also recognizing and seeking to address issues related to the environment, society and governance.



Initiatives for the Environment

Basic Approach

MISUMI Group recognizes that environmental problems are important issues common to society as a whole. To fulfill its social responsibility, MISUMI Group considers the environment in its business activities as it strives to provide highly reliable products and services based on the Group-wide Environmental Policy

Environmental Policy

MISUMI Group Inc. and its operating companies' environmental efforts are based on the following policies.

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

Our activities comply with ISO 14001: 2015

▶ Environmentally Friendly Products

Concern about reducing environmental impact is increasing globally, and MISUMI Group is also experiencing stronger customer interest in environmentally friendly products.

One example of our response to such customer need 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 the choices are expanding.

MISUMI Group will continue to build its product lineup as the use of environmentally friendly products become more popular.



Non-halogen type cables

▶ Environmental ISO Activities

MISUMI Group consolidated subsidiaries SURUGA Production Platform Co., Ltd. and Dayton Lamina Corporation and other main manufacturing sites in Japan and overseas have received ISO 14001 certification and conduct management and operations in accordance with environmental activity policies.

▶ 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.



Single axis units

▶ Green Procurement Guidelines

MISUMI Group formulated its Green Procurement Guidelines in 2006 (revised in 2013) to ensure adherence to environmental chemicals legislation and other requirements.

The following is an introduction of initiatives being taken at SURUGA Production Platform, which is responsible for MISUMI Group's production function.

▶ Initiatives Being Taken at SURUGA Production Platform

At our subsidiary, SURUGA Production Platform, which carries out its business based on precision processing technology, product development and production activities with low environmental impact are being promoted under the slogan "Coexistence of Technology and Ecology."

Environmental Policy

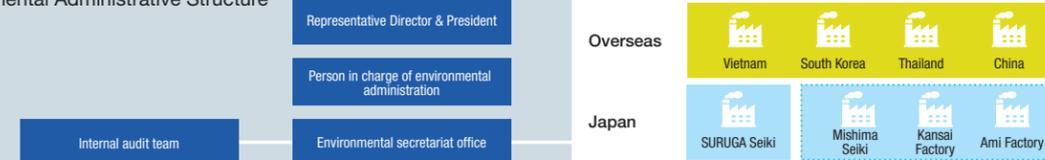
SURUGA Production Platform provides environmental education to stakeholders under the slogan "Coexistence of Technology and Ecology" and complies with environmental laws and regulations and other requirements agreed to by the SURUGA Production Platform. We have set up voluntary guidelines for the following six items and will work to further protect the environment to reduce environmental impact. In addition, we periodically conduct environmental impact assessments, set environmental objectives and goals, and continuously improve our environmental management system. The environmental policy is open to the public.

Environmental Action Policy

1. Product development and production activities with low environmental impact
2. Compliance with environmental laws and regulations and other requirements
3. Proper management and use of hazardous chemicals
4. Prevention of environmental pollution
 - 1) Leakage of oils and harmful substances
 - 2) Leakage of noise from the site boundary
5. Improvement of waste recycling rate
6. Promotion of energy saving

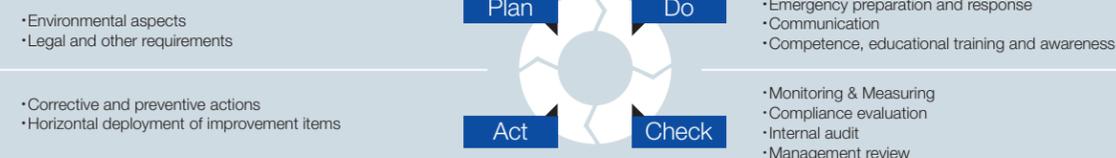
Environmental Management

Environmental Administrative Structure



Note: Production sites within the dotted box are expected to receive certification.

Structure of Environmental Action



Initiatives for Environmental Activities

Reduction of Waste

In order to promote recycling, waste is properly separated and the company-wide recycling rate is maintained at over 80%. We are also working on introducing new equipment and making process improvements in order to reduce the loss from defects that occur during the manufacturing process.



Introduction of Robots to Reduce Packaging Materials & Equipment and to Achieve Full Automation

The introduction of an automatic packing robot has made it possible to simplify packing materials and reduce work materials, thereby reducing environmental impact and realizing full automation of the workload.



Promoting Paperless Operations by Introducing Mobile Tablets

We are striving towards a paperless work environment through digitalization of data by introducing mobile tablets. In this way, we expect to reduce waste and improve business operations by reducing the number of documents and halving the document volume.



Compliance with the RoHS Directive/Green Procurement

In order to comply with the RoHS Directive and green procurement, we examine restrictions and banned substances of materials and parts for each business segment and promote substitutions accordingly. For example, precision positioning stages are being adapted by replacing brass components with low cadmium materials. In terms of our corporate activities, we recognize that global environmental preservation is of the utmost importance for earth and will act with sincerity to protect and improve the global environment.

Initiatives for Society

Basic Approach

Aiming for sustainable growth, MISUMI Group contributes to the development of society by establishing and promoting action policies within the Group to build strong relationships of trust with all stakeholders, including customers, suppliers, employees and local communities.

▶ About Materials Procurement



Procurement Efforts by SURUGA Production Platform

At the Procurement Division of SURUGA Production Platform, based on a fundamental policy of "Optimal Procurement" we purchase and secure a wide range of components, materials, parts, and equipment for our products that we provide in our Factory Automation, Die & Mold (Press and mold manufacturing), and Optical & Scientific Technology (OST) manufacturing businesses.

Procurement Policy Transparent Open-Door Policy

In order to ensure procurement of components, materials, parts, and equipment, we have sought appropriate suppliers worldwide fairly and equitably. In our selection of suppliers, we take into consideration the comprehensive corporate competence, including the organizational ability to make continuous improvement efforts, and the level of technology; along with quality (performance), cost (value), and delivery (scheduled date/time).

Mutual Trust and Mutual Advancement

We are eager to promote mutual advancement as well as to build a solid relationship of trust through close communication with our suppliers.

Environmental Consideration

We will contribute to our society through encouraging 'green' procurement to reduce environmental impact by promoting environment-friendly development, design, and manufacturing activities.

Regulatory Compliance and Maintaining Confidentiality

We promise to comply with laws and regulations related to procurement and take full measures to keep the information we collect confidential.

▶ Human Rights Policy

MISUMI Group companies respect the human rights of executives and employees, realizing and cultivating a safe and friendly work environment for executives and employees.

Executives and employees will take the initiative to cooperate in realizing and cultivating a safe and friendly work environment.

Respecting Human Rights

Human rights of individuals will be respected, and discrimination or harassment of people based on race, nationality, gender, religion, creed, birth, age, or physical disability is prohibited.



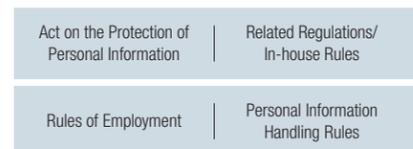
Providing a Safe and Friendly Work Environment

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.



▶ Harassment Prevention Policy

MISUMI Group Inc. clearly states in the Rules of Employment that harassment is prohibited, declaring "Zero Harassment" in the name of the President, and prohibits the following behavior.

- 1 Harassment related to childcare leave, nursing care leave, etc.
- 2 Sexual harassment
- 3 Power harassment

This applies to all employees working at MISUMI Group Inc., including full-time employees, contract employees, hourly-paid employees and temporary employees.

We have set up a consultation service counter regarding harassment in the workplace. If we receive a request for consultation, we will confirm the facts promptly and accurately and act to take care of the victim and take necessary action concerning the perpetrator. We will also take appropriate countermeasures to prevent recurrence.

In addition, harassment prevention training and seminars regarding harassment in the workplace are held globally.

▶ 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. For example, we have introduced measures to encourage employees to spend quality time with their family and colleagues on holidays, as well as an in-house massage facility that supports improved work efficiency through recovery from fatigue.

Cafeteria

In April 2018, a cafeteria was opened at the Iidabashi Head Office building with the concepts of "connecting" and "energizing." In addition to providing an environment where one can easily talk with superiors or colleagues, it is intended to help energize communication, as well as provide nutritionally balanced meals that support employees' health.



In-House Massage Facility

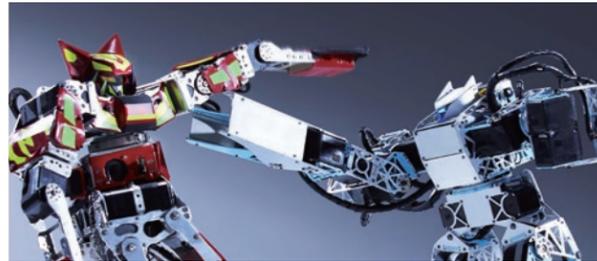
An in-house massage facility has been set up. It is used by many employees because it provides a convenient and efficient way to get a massage during lunch breaks and after work.



Recreational Facilities

A 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, which are available for use at corporate membership pricing. Employees use these facilities for various purposes, such as when traveling with their family and colleagues.

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



Since FY2016, MISUMI Group has been the main sponsor of “ROBO-ONE,” 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 held since 2002. The objective of the tournament is to improve manufacturing technologies and popularize biped robots. A wide range of people from students to professional engineers enter the tournament.

The robots throw punches and employ 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.

On February 8-9, 2020, MISUMI Presents the 36th ROBO-ONE was held at the National Museum of Emerging Science and Innovation in Koto-ward, Tokyo.

A total of 161 robots (ROBO-ONE: 81, Light: 69, Auto: 11) from Japan, South Korea and Taiwan participated in exciting matches.

At the tournament, the “MISUMI Award” was presented to robots that captivated spectators with their outstanding designs and dynamic movements.

In MISUMI Presents the 36th ROBO-ONE, the following three teams were selected for MISUMI Awards.

36th ROBO-ONE MISUMI Award Winners



Robot name: KaLMIA
Team name: Kobe Municipal High School of Science and Technology OB

Robot name: Neutrino-Rosso
Team name: Hida-Kamioka High School

Robot name: Itonoshima
Team name: Kyushu University Humanoid Project

▶ **Manufacturing Support for Student Groups**

In the MISUMI Student Manufacturing Support initiative, applications are accepted from a wide range of student groups that take on challenges in manufacturing at universities, technical colleges and other schools, and MISUMI products are provided free of charge. Support to more than 2,000 student groups has been provided since the program began in FY2008.

From FY2018, we have been supporting the activities of SAKURA Tempesta, a junior and senior high school team participating in the international FIRST® Robotics Competition (FRC). This team not only managed to participate in a world-class competition two years in a row, but also promotes the principle of providing many junior and senior high school students, especially women, with the opportunity to learn engineering, and jointly conveys the appeal of manufacturing.

MISUMI Group will continue to actively support students who are set to become the next generation of the manufacturing industry.

Partial Introduction of Groups Supported in FY2019

MISUMI Student Manufacturing Support (FY2019: 228 groups in total)

Team name : Kyushu Institute of Technology BC-ROBOP

Comment from a Student:

We are developing a “beach clean robot” for transporting waste that has washed up on shore, which is a problem on many coasts. I use MISUMI's products ordinarily, and in this support (program) I was provided with machine parts and tools for the robot's maintenance. I would like to continue to contribute to society and the community through manufacturing while utilizing MISUMI products.



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 to assemble 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/Senior high school team SAKURA Tempesta



Corporate Governance

Basic Approach to Corporate Governance

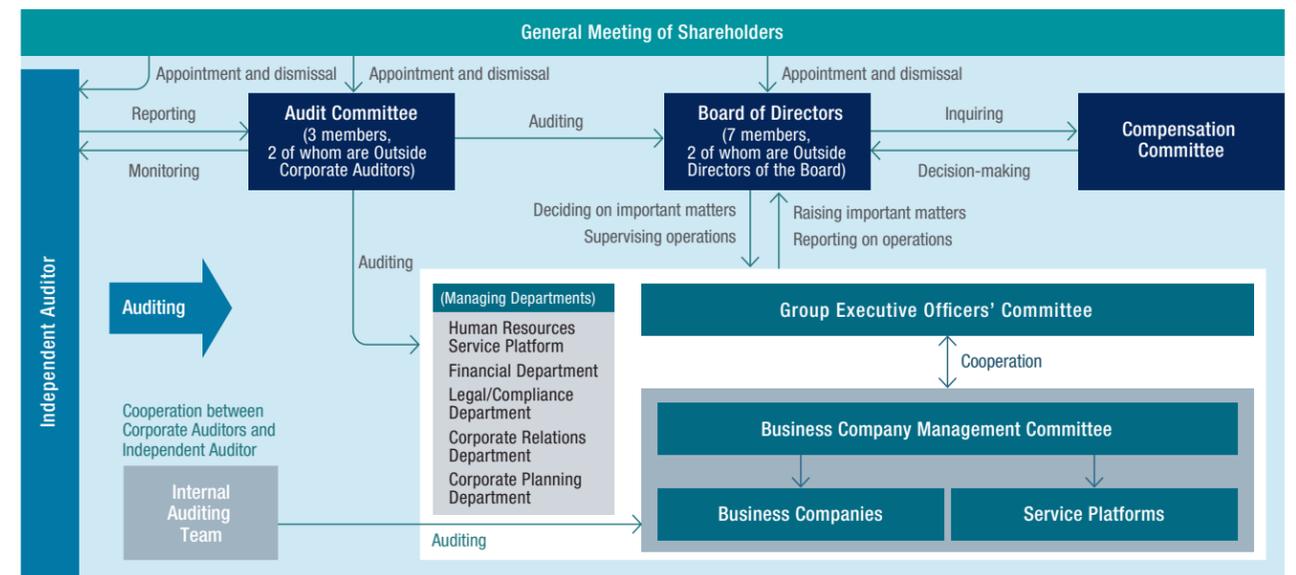
In 2015, MISUMI Group enacted and disclosed the MISUMI Group Corporate Governance Basic Policy with the aim of contributing to the Group's continuous growth and medium- to long-term enhancement of its corporate value.

(https://www.misumi.co.jp/english/company/governance_compliance/corporate_governance.html)

Said policy states that each principle provided in the Corporate Governance Code that became applicable at the Tokyo Stock Exchange as of June 2015 will be implemented.

Corporate Governance System

(As of November 19, 2020)



▶ **Corporate Management Body and Organization**

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

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 Companies and Service 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 seven Directors, including two 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.

Group Executive Officers' Committee/Business Company Management Committee

The Group Executive Officers' Committee is composed of five full-time Directors (excluding Outside Directors of the Board) from MISUMI Group Inc., and Representative Corporate Officers from Business Companies and Service Platforms. As a rule, they hold regular meetings once a month to reinforce both supervision and execution. “Business Companies” oversee MISUMI Group's business side, and “Service Platforms” were established and delegated authority and responsibility for business support and service functions. 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. In an effort to clarify the decision-making process, Business Company and other management meetings take place within MISUMI Group's respective Business Companies and Service Platforms.

Audit Committee

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

Compensation Committee

The Compensation Committee comprises two Outside Directors of the Board, the Representative Director and Chairman, and the Representative Director and President as an advisory body to the Board of Directors. The Committee's appointed Chairperson is an Outside Director. The Compensation Committee deliberates and makes decisions regarding appropriate standards for compensation of Directors and other officers through discussions among the members.

► Status of 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, Paragraphs 1 and 3. The decisions are as follows:

System for storing and managing information related to the execution of duties by MISUMI Group Inc.'s Directors	<ul style="list-style-type: none"> Minutes of important meetings such as Board of Directors' meetings and Group Executive Officers' Committee meetings shall be prepared according to laws and regulations, and shall be stored in a suitable manner.
Regulations and other systems related to controlling risk of loss of MISUMI Group Inc. and its subsidiaries	<ul style="list-style-type: none"> Regarding risks such as those related to compliance with the Act, the environment, information, export management and natural disasters by MISUMI Group Inc. and its subsidiaries (hereinafter collectively referred to as "MISUMI Group"), various regulations and Company rules and manuals shall be maintained to ensure a proper risk management system is in place. In the event of unforeseen contingencies related to MISUMI Group, a contingency countermeasures task force shall be established to swiftly respond to the situation, and progress shall be reported to the Board of Directors.
System for ensuring duties of executives such as the Directors of MISUMI Group Inc. and its subsidiaries are being executed efficiently	<ul style="list-style-type: none"> Management plans of MISUMI Group are ultimately approved at the Board of Directors' meetings, and their progress is checked at the Group Executive Officers' Committee meeting held during the following month. Important matters discovered during the progress check and the like are discussed at the Board of Directors' meeting, the Group Executive Officers' Committee meeting or other meetings. In the monthly Board of Directors' meeting, business performance reports are prepared, and the Board monitors business performance and advises and gives instructions on important matters.
System for ensuring execution of duties by employees of MISUMI Group Inc. and its subsidiaries, such as its Directors, is in compliance with laws and regulations as well as the Articles of Incorporation	<ul style="list-style-type: none"> Executives and employees of MISUMI Group shall abide by the MISUMI Group Code of Conduct, and ensure that they are in compliance with laws and regulations as well as the Articles of Incorporation. A system shall be established wherein duties can be implemented appropriately by MISUMI Group's decision-making rules, such as the official regulations of administrative authority. An Internal Reporting System shall be established that covers the entire MISUMI Group for early detection of violations against laws, regulations or Company rules, as well as behaviors that suggest violations, and ensure prevention of detrimental treatment of whistle-blowers.
System for ensuring the suitability of reports by the Directors of subsidiaries related to the execution of duties and other work in the corporate group comprising MISUMI Group Inc. and its subsidiaries	<ul style="list-style-type: none"> MISUMI Group Inc. shall have each of its subsidiaries report once a month on their business performance and state of implementation of duties. MISUMI Group Inc. shall ensure the suitability of duties of each of its subsidiaries through reports made by each subsidiary on its business performance and confirmation of progress on its management plan at the Group Executive Officers' Committee. An internal audit division shall regularly audit the work of each subsidiary. MISUMI Group shall not associate in any way with anti-social forces, stipulating as such within its Code of Conduct, and shall respond in a resolute manner, unified in this stance as a Group.

Matters related to employees that are to assist the work of MISUMI Group Inc. Corporate Auditors	<ul style="list-style-type: none"> Corporate Auditors shall be able to freely appoint auditing assistants, and the Corporate Auditors shall take part in matters including the relocation and evaluation of the auditing assistants. Auditing assistants shall carry out their auditing duties under the instructions of Corporate Auditors.
System related to reporting to Corporate Auditors of MISUMI Group Inc.	<ul style="list-style-type: none"> Corporate Auditors shall attend important meetings such as those of the Board of Directors and the Group Executive Officers' Committee. Directors and employees shall immediately report incidents or potential incidents that would have a serious impact on MISUMI Group to the corporate auditors. Executives of MISUMI Group shall submit reports related to the execution of their duties in an appropriate manner when requested by the Corporate Auditors. Corporate Auditors shall hold regular meetings with the Independent Auditor and internal auditing division to exchange opinions and information, and shall request reports from the Independent Auditor as needed. The section in charge of the Internal Reporting System shall submit regular reports to the Corporate Auditors regarding the state of internal reporting within MISUMI Group. Prevention of detrimental treatment of executives of MISUMI Group who have submitted reports to the Corporate Auditors shall be ensured.
Matters related to policies for accounting for expenses, etc. arising in the execution of duties by the Corporate Auditors of MISUMI Group Inc.	<ul style="list-style-type: none"> An annual budget will be set each year for expenses related to the Corporate Auditors performing their duties. In addition, any expenses necessary for the execution of the other duties by the Corporate Auditors will either be prepaid or reimbursed promptly upon request from the Corporate Auditors.

► Operation of the Internal Control System and Risk Management System

The "Basic Policy on the Internal Control System" on the preceding page is revised as deemed necessary, such as in response to changes in the environment outside of the Company. As mentioned previously, a decision was made at the Board of Directors' meeting on May 14, 2015 to adopt an amendment that reflects the revisions made in the Companies Act.

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

Major accomplishments related to the Internal Control System in FY2019 are as follows.

Status of Operation of the Internal Control System

- MISUMI Group Inc. held 14 Board of Directors' meetings (during FY2019). The Board of Directors' meetings and Group Executive Officers' Committee meetings play an important role in the important decision-making as a Group, and are suitably achieving the role of verification as well as supervision and instruction of implementation by the Business Companies, Service Platforms and subsidiaries.
- We regularly conduct a comprehensive risk evaluation related to operational execution, information, finance, human resources management, and legal matters at each main base of MISUMI Group. Based on the results of the evaluation, we clarify the main divisions responsible for significant risks and implement countermeasures. As one of our countermeasures against significant risks, we have prepared a business continuity plan (BCP) in the event of a disaster or other emergency, and in February 2020

we established a new headquarters for COVID-19 countermeasures based on the BCP and are making an appropriate response.

- We have conducted compliance training at MISUMI Group's important bases in an attempt to impart thorough knowledge regarding the MISUMI Group Code of Conduct and compliance with laws and regulations.
- We have established an Internal Reporting System for MISUMI Group as a whole, and are operating it appropriately.
- With regard to improvements and cooperation of the Corporate Auditors and the Audit Committee, we are continuously enriching the audit environment by setting up opportunities to interview members of the Board of Directors, including Outside Directors of the Board, and by cooperating with MISUMI Group's management divisions. In addition, operation of the Corporate Auditors' auditing assistant's system is stable.

Enactment of the MISUMI Group Code of Conduct

MISUMI Group Inc. enacted the MISUMI Group Code of Conduct as a guideline shared by the entire Group with the aim of achieving its social mission and becoming a trusted corporate entity. This Code of Conduct also includes strict adherence to laws and regulations, and along with a guideline, has been distributed to all employees to ensure

thorough knowledge thereof. Company regulations and rules, such as decision-making rules of Company business, are reviewed as deemed necessary in order to conduct business both appropriately and efficiently, and a system is maintained wherein lines of authority are clarified and a suitable system of checks and balances is in effect.

Enactment of a Basic Policy on Information Security

The "Basic Policy on Information Security," which states the basic approach to information and security of MISUMI Group, and Confidentiality Rules, which describe the basic rules, were enacted

and distributed to all MISUMI Group companies, along with "Information Security Guidelines," which set detailed procedures, in an attempt to ensure all employees are thoroughly knowledgeable about these matters.

Status of Execution of Internal and Other Audits

The Internal Auditing Team, which is a division that operates directly under the CEO, began reinforcing internal control to comply with the internal control reporting system of the Financial Instruments and Exchange Act (J-SOX). Also, every year MISUMI Group Inc. and all its subsidiaries are scrutinized for internal audit themes carrying high management risk. In doing so, we are ensuring that risk detection, improvement and preventative measures are in place, and striving to

reduce risk occurrence. Furthermore, a system for early detection of misconduct through the Internal Reporting System has also been established.

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

► Auditing of Corporate Auditors and Internal Audits

Two of the three Corporate Auditors of MISUMI Group Inc. are Outside Corporate Auditors, one of whom is an attorney and the other a certified public accountant. By carrying out audits from perspectives of those well-versed in laws and regulations as well as in accounting, they greatly enhance the transparency of corporate conduct and the reliability of financial reporting. Each Corporate Auditor conducts auditing activities in accordance with the policies and implementation plan determined at the Audit Committee meetings, and attends all important meetings related to management decision-making as permanent members, thus supporting corporate governance.

MISUMI Group Inc. has an Internal Auditing Team that operates directly under the Representative Director and Chairman as the Company's internal auditing division. The Internal Auditing Team

conducts an internal audit of the Executive Division, prepares an Internal Audit Report containing the findings and proposals to improve on them, and submits the report to the Representative Director and Chairman, as well as the Corporate Auditors and the division being audited. In the event that the findings include misconduct, a remediation plan is proposed and implemented, and the Internal Auditing Team audits the results of any improvement.

Corporate Auditors and the Internal Auditing Team share information at regular monthly meetings and in doing so, cooperate closely with the Independent Auditor to improve the effectiveness and efficiency of audits.

► Outside Directors and Outside Corporate Auditors

Functions and Roles Taken on by 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 seven Directors, two 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 FY2019 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 Audit Committee meetings and ask questions and provide advice regarding proposals and deliberations from the standpoint of having expert knowledge and experience.

Outside Directors

(As of November 19, 2020)

Outside Director	Reason for Appointment	Number of Board of Directors' Meetings Attended in the Fiscal Year Ended March 2020
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	11 out of 11
Arata Shimizu*	Ample experience and broad knowledge through his extensive career in strategic consulting and business management	—

* Appointed by resolution of the General Meeting of Shareholders held on June 16, 2020

Outside Corporate Auditors

(As of June 16, 2020)

Outside Corporate Auditor	Reason for Appointment	Number of Board of Directors' Meetings Attended in the Fiscal Year Ended March 2020	Number of Audit Committee Meetings Attended in the Fiscal Year Ended March 2020
Juichi Nozue	As an attorney, possesses legal expertise and experience	13 out of 14	19 out of 20
Nanako Aono	As a certified public accountant, possesses expertise in financial accounting and extensive insight as a manager and an auditor	14 out of 14	20 out of 20

Top Management (As of January 1, 2021)

Directors



Kosuke Nishimoto
Representative Director and
Chairman



Ryusei Ono
Representative Director and
President



Ichiro Otokozaawa
Executive Director



Toshinari Sato
CIO and
Executive Director



Tokuya Ikeguchi
Director



Yoichi Nakano
Outside Director



Arata Shimizu
Outside Director

Executive Officers

Kosuke Nishimoto
Representative Director and Chairman

Ryusei Ono
Representative Director and President

Ichiro Otokozaawa
Executive Director

Toshinari Sato
CIO and Executive Director and Representative Corporate Officer,
Digital Transformation System Platform

Tomoki Kanatani
Senior Corporate Officer and Representative Corporate Officer, President,
China Business Company

Shigetaka Shimizu
Senior Corporate Officer and Representative Corporate Officer, President,
Industrial Machinery Business Company

Mitsunobu Yoshida
Senior Corporate Officer and Representative Corporate Officer, President,
Industrial Digital Manufacturing Company

Corporate Officers

Takaaki Wada
Senior Corporate Officer and Representative Corporate Officer, President,
Die and Mold Business Company

Koichi Tsunematsu
Senior Corporate Officer and Representative Corporate Officer, President,
Europe Business Company

Toru Arakawa
Representative Corporate Officer, President,
VONA MRO Business Company

Hideka Shoji
Representative Corporate Officer, President,
VONA Electronics Business Company

Nobumasa Watanabe
Representative Corporate Officer, President,
OST Business Company

Nobuyoshi Kobayashi
Representative Corporate Officer, President, Asia Business Company

Ryuji Ohora
Representative Corporate Officer, President,
Americas Business Company

Rie Nakagawa
Representative Corporate Officer, User Service Platform

Michiaki Okamoto
Representative Corporate Officer, Logistics Platform

Takumi Toya
Representative Corporate Officer, Production Platform

Toru Takanami
CFO and Representative Corporate Officer, Finance Platform

Takako Sasaki
Representative Corporate Officer, Human Resources & Legal Platform

Kazumi Hagihira
Corporate Officer and General Manager

Akiyuki Ui
Senior Corporate Officer, Digital Transformation System Platform

Corporate Auditors

Hiroshi Miyamoto Corporate Auditor

Juichi Nozue Outside Corporate Auditor

Nanako Aono Outside Corporate Auditor

Advisor

Hiroshi Taguchi Special Advisor and Founder

Senior Chairman



Tadashi Saegusa
Senior Chairman /
Second-Era Founder

Ten-Year Summary of Financial Data (Consolidated)

MISUMI Group Inc. and consolidated subsidiaries Years ended March 31, 2011 – 2020

(Million yen)

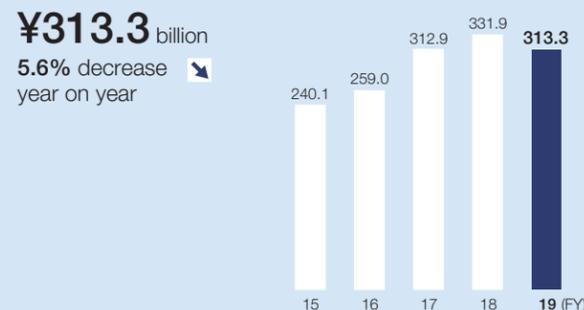
Years ended March 31:	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net sales	121,203	130,213	134,844	173,904	208,562	240,139	259,015	312,969	331,936	313,337
Factory Automation (FA) Business ^{5,6}	74,831	80,724	84,299	98,843						
Die Components Business ^{5,6}	26,622	27,686	37,020	56,310						
Electronics Business ^{5,6}	11,376	12,401	12,381	13,801						
Other Business ^{5,6}	5,798	6,415	6,747	7,654						
Adjustments ^{5,6}	2,576	2,987	△5,603	△2,704						
FA Business ⁶				82,377	99,094	109,654	84,669	105,184	109,230	99,403
Die Components Business ⁶				56,309	64,737	69,732	69,797	76,523	76,443	72,413
VONA Business ⁶				37,921	48,249	60,474	104,548	131,262	146,262	141,519
Adjustments ⁶				△2,703	△3,517	280	-	-	-	-
Operating income	15,563	16,646	16,809	18,989	23,759	25,691	27,127	34,848	31,874	23,640
Earnings before amortization	15,563	16,646	17,109	21,093	25,999	28,229	29,421	36,465	32,490	24,247
Income before income taxes (and minority interests)	15,409	17,022	15,890	18,964	22,943	25,004	26,071	34,516	31,815	23,245
Net income attributable to owners of parent	9,007	9,414	9,881	11,679	14,291	16,907	18,387	25,601	24,034	16,504
At year-end:										
Total assets ⁹	107,552	115,721	136,303	163,202	184,784	194,186	212,041	243,492	252,393	264,684
Total equity ¹	83,815	90,824	103,014	115,966	132,138	141,463	154,530	185,203	203,520	209,514
Interest-bearing debt ⁸	900	1,000	1,000	900	-	-	-	-	-	-
CAPEX, depreciation and amortization:										
Capital expenditures (CAPEX)	5,362	4,231	3,451	6,901	8,487	9,126	7,219	15,421	21,414	18,018
Depreciation and amortization	2,453	3,521	3,560	6,051	7,024	7,821	7,439	8,105	8,758	11,339¹⁰
Major indicators:										
Return on equity ³ (%)	11.3	10.8	10.2	10.7	11.5	12.4	12.4	15.1	12.4	8.0
Return on assets ³ (%)	15.4	15.2	12.6	12.7	13.2	13.2	12.8	15.2	12.8	8.8
Current ratio (%)	398.7	408.4	349.5	397.5	429.2	445.8	430.3	362.1	444.4	434.6
Interest coverage ratio ⁴ (times)	854.1	1,150.6	2,095.6	1,691.2	1,470.3	5,179.8	4,972.6	21,868.1	8,853.9	360.1
Per share data:										
Net income per share ² (yen)	33.72	35.05	36.76	42.94	52.28	61.65	66.94	91.01	84.80	58.18
Cash dividends per share ² (yen)	6.73	7.73	9.15	10.72	13.05	15.42	16.71	22.60	21.20	14.55
Equity per share ² (yen)	312.27	339.04	379.98	425.06	482.17	515.39	560.79	653.71	717.56	737.99
Cash flow per share ² (yen)	43.72	29.06	42.63	56.76	41.26	60.89	70.80	85.86	46.00	99.40
Stock valuations:										
Price/Earnings ratio (PER) (times)	20.4	19.1	23.5	22.2	30.9	26.1	30.1	32.1	32.5	40.5
Price/Cash flow ratio (PCFR) (times)	15.7	23.1	20.3	16.8	39.2	26.5	28.4	34.0	59.8	23.7
Price/Book value ratio (PBR) (times)	2.2	2.0	2.3	2.2	3.4	3.1	3.6	4.5	3.8	3.2
Number of customers (companies):										
In Japan (machine-related only) ⁷	60,936	61,648	63,007	64,955	66,230	79,571	90,223	100,598	116,238	126,975
Overseas	61,993	67,608	91,817	100,481	108,849	133,053	152,374	161,400	185,120	191,201
Total number of customer companies	122,929	129,256	154,824	165,436	175,079	212,624	242,597	261,998	301,358	318,176
Number of employees (persons):										
	4,831	5,615	7,238	8,038	8,876	9,628	10,167	11,241	12,300	12,138

Notes: 1. Amounts are rounded down to the nearest million yen.
2. After adjustment for stock split dated July 1, 2015.
3. ROE was calculated on the basis of net income attributable to owners of parent for the relevant period, and ROA was calculated on the basis of income before income taxes (and minority interests) for the relevant period.
4. Interest coverage ratio = Net cash provided by operating activities ÷ Interest payment
5. Figures for fiscal years prior to the year ended March 31, 2014 (FY2013) have been revised retroactively in accordance with changes in disclosure standards by segment.

6. Segments were changed in April 2014.
7. Stock for Diversified Businesses was transferred, so this former segment has been excluded from the report.
8. The convertible bonds with stock acquisition rights issued in October 2013 are not included in interest-bearing debt because they are interest-free.
9. Figure for the year ended March 31, 2018 (FY2017) has been revised retroactively in accordance with Partial Amendments to Accounting Standard for Tax Effect Accounting.
10. Excludes depreciation of right-of-use assets due to the application of IFRS 16 "Leases." The actual amount for the fiscal year ended March 31, 2020 was ¥1,731 million.

Financial Analysis

Net Sales (Billion yen)



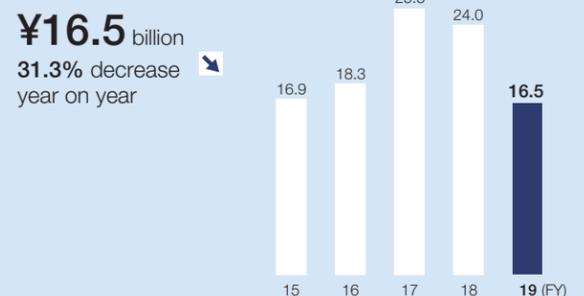
With the prolonged U.S.-China trade conflict and the impact of the COVID-19 pandemic, net sales decreased 5.6% year on year (3.9% on a local currency basis) to ¥313.3 billion.

FA Business: Manufacturing equipment demand continued to be sluggish; fully-fledged 5G demand was deferred

Die Components Business: Notwithstanding efforts being made to widen product areas, the automobile industry was stagnant in various regions

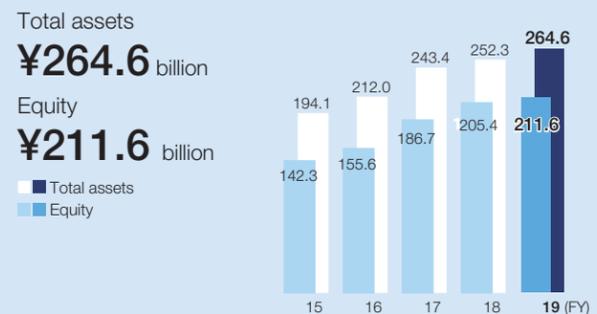
VONA Business: Market expansion in the United States, Asia and Europe could not compensate for the stagnant conditions in Japan and China

Net Income Attributable to Owners of Parent (Billion yen)



Net income attributable to owners of parent decreased 31.3% year on year to ¥16.5 billion, and the ratio of net income to net sales was 5.3%, compared to 7.2% in the previous fiscal year.

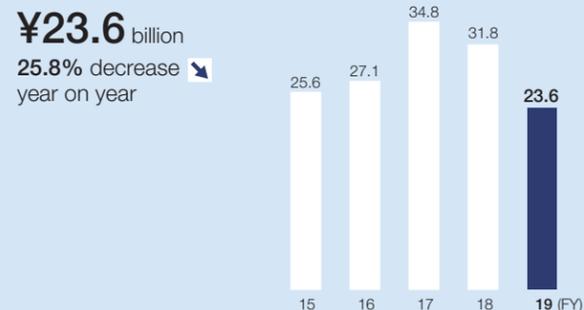
Total Assets and Equity (Billion yen)



Total assets were ¥264.6 billion, a 4.9% increase from the end of the previous fiscal year.

Equity was ¥211.6 billion, a 3.0% increase from the end of the previous fiscal year. Main factors to which this change is attributable were an increase in shareholders' equity due to an increase in retained earnings and a decrease in accumulated other comprehensive income, including foreign currency translation adjustments.

Operating Income (Billion yen)



Operating income decreased 25.8% year on year to ¥23.6 billion.

FA Business/Die Components Business: Careful selection of investments geared for growth, coupled with thorough cost reduction measures, could not counter the impact of a substantial sales decline

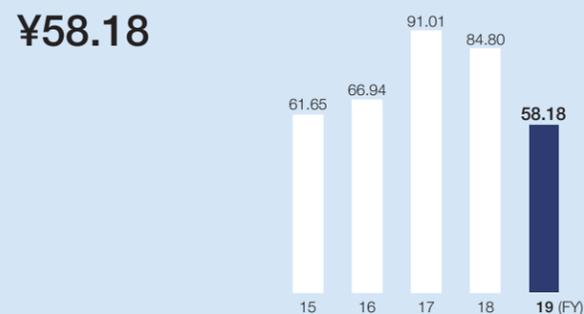
VONA Business: Decreased only slightly on a local currency basis due mainly to improvement in the gross profit margin

ROE (%)



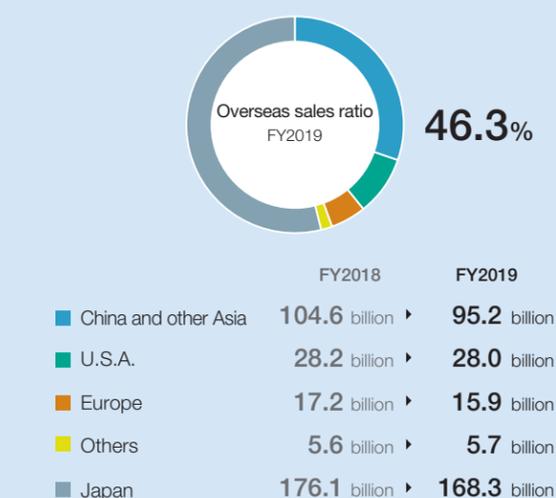
Return on equity (ROE) was 8.0%, a decrease of 4.4 percentage points from 12.4% in the previous fiscal year.

Earnings per Share (Yen)



Earnings per share decreased from ¥84.80 in the previous fiscal year to ¥58.18 due to the decrease in net income attributable to owners of parent. Cash dividends for the fiscal year were ¥14.55 per share, for a payout ratio of 25.0% and a dividend on equity ratio of 2.0%.

Net Sales by Region



Business and Other Risks

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

Please note that forward-looking statements provided are based on evaluations made by MISUMI Group at the end of FY2019.

Impact to earnings from market trends in specific industries

In the FA Business and Die Components Business, MISUMI Group primarily manufactures and sells products and goods to customers in the automotive and electronics (including liquid crystal panels and semiconductors) industries. Furthermore, in the VONA Business, MISUMI Group sells production auxiliary materials, including third-party brands and original MISUMI branded products related to production equipment to a wide range of customers in the manufacturing industry.

Thus, production and capital investment trends in these industries, as well as in the manufacturing industry in general, may impact the business performance of MISUMI Group.

Expansion of overseas business operations

MISUMI Group is actively pursuing business expansion overseas by strengthening the establishment of "Regional Business Companies" in China, Asia, Europe and the Americas. Political and economic changes in these regions may have a significant impact on local business operations. If business conditions do not progress according to plan, delays in the recovery of expenses and up-front investments may adversely affect the business performance and financial position of MISUMI Group.

In addition, given an increase in factors destabilizing overseas business expansion, including persisting U.S.-China trade conflict in FY2019, worsening business performance and revisions to capital expenditures by customers in affected regions may adversely affect the business performance and financial position of MISUMI Group.

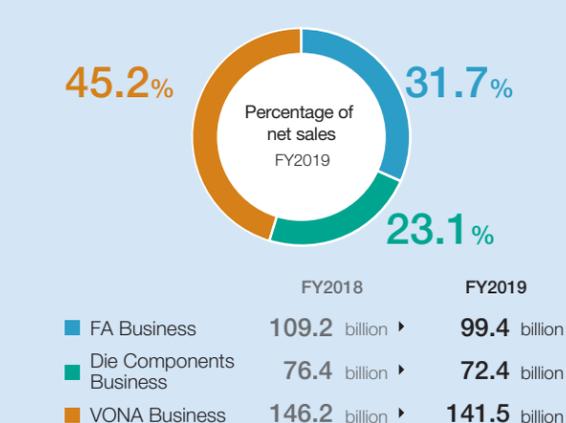
Quality control

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

Management of customer information

MISUMI Group handles a considerable amount of customer information as it conducts sales through e-catalogs via the Internet and through paper catalogs. Any information leaks could greatly impair trust in and cause economic losses for MISUMI Group.

Net Sales by Segment



MISUMI Group Inc. (the "Company") has established information management rules including the "Basic Policy on Information Security" and "Information Security Guidelines," and works to ensure that all Group companies are fully aware of them.

Natural disasters

Large earthquakes or other natural disasters or the spread of infectious disease could disrupt production or product and merchandise logistics and harm MISUMI Group's performance and financial position.

In addition, in response to the global COVID-19 pandemic that emerged at the beginning of 2020, the Company gives the highest priority to ensuring the health and safety of its employees while conducting production, logistics and customer support to fulfill its responsibility to supply its customers. However, if the situation becomes more serious or prolonged, it may affect the production and operations of the Company and its customers, and may adversely affect the business performance and financial position of MISUMI Group.

Impact due to system and Internet failure

MISUMI Group primarily operates over the Internet to accept product orders through its e-catalogs and to provide services related to 3D CAD systems. A major malfunction of the Internet or MISUMI Group's core system will impede product orders, production and distribution. This in turn is likely to negatively impact MISUMI Group's business performance and financial position.

Foreign exchange rate fluctuations

MISUMI Group conducts transactions using various currencies and based on a number of terms and conditions. Foreign currency denominated transactions and foreign currency claims/outstanding obligations are likely to be impacted by fluctuations in foreign currency rates. MISUMI Group is implementing measures such as forward exchange contracts to alleviate foreign exchange rate risk to a certain degree. However, this risk cannot be fully averted.

Human resources

MISUMI Group recognizes the necessity of recruiting, securing and training capable human resources at an appropriate time for its medium-to-long-term growth. However, competition in recruiting and securing capable human resources is intensifying. Failure to proceed as planned in recruiting and securing such capable human resources may adversely affect MISUMI Group's performance and business growth.

Consolidated Balance Sheet

MISUMI Group Inc. and Consolidated Subsidiaries
March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 44,440	¥ 41,753	\$ 408,340
Time deposits (Note 14)	7,207	8,931	66,221
Receivables:			
Trade notes (Note 14)	10,176	12,211	93,507
Trade accounts (Note 14)	53,002	55,042	487,015
Other	750	907	6,896
Allowance for doubtful receivables	(243)	(206)	(2,230)
Inventories (Note 4)	55,179	51,734	507,022
Other	5,884	5,249	54,062
Total current assets	176,395	175,621	1,620,833
PROPERTY, PLANT AND EQUIPMENT (Notes 18 and 19):			
Land	4,250	3,759	39,047
Buildings and structures	22,686	19,844	208,451
Machinery and vehicles	33,343	30,119	306,376
Right-of-use assets	6,856		62,999
Other	13,286	13,736	122,083
Total	80,421	67,458	738,956
Accumulated depreciation and impairment loss	(34,917)	(29,821)	(320,837)
Net property, plant and equipment	45,504	37,637	418,119
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 14)	6	6	57
Investments in unconsolidated subsidiaries and associated companies	200	208	1,833
Software	25,734	22,187	236,463
Deferred tax assets (Note 10)	5,737	5,346	52,716
Other assets	11,109	11,389	102,074
Total investments and other assets	42,786	39,136	393,143
TOTAL	¥264,685	¥252,394	\$2,432,095

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Payables:			
Trade notes and accounts (Note 14)	¥ 17,448	¥ 18,219	\$ 160,326
Accounts payable—other	9,962	10,150	91,533
Lease obligations (Notes 6 and 18)	1,663	1	15,284
Income taxes payable (Note 10)	2,659	2,775	24,430
Provision for bonuses (Note 2.n)	2,494	2,584	22,920
Other	6,366	5,791	58,493
Total current liabilities	40,592	39,520	372,986
LONG-TERM LIABILITIES:			
Lease obligations (Notes 6 and 18)	3,530	1	32,433
Liability for retirement benefits (Note 7)	6,008	5,426	55,208
Deferred tax liabilities (Note 10)	1,353	1,318	12,435
Other	1,572	704	14,437
Total long-term liabilities	12,463	7,449	114,513
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Notes 8, 9, 17 and 18):			
Common stock—authorized, 1,020,000,000 shares in 2020 and 1,020,000,000 shares in 2019 issued, 284,028,197 shares in 2020 and 283,756,497 shares in 2019	13,232	13,024	121,579
Capital surplus	23,586	23,378	216,730
Stock acquisition rights	1,561	1,332	14,343
Retained earnings	177,318	166,061	1,629,310
Treasury stock—at cost, 129,616 shares in 2020 and 129,626 shares in 2019	(78)	(78)	(718)
Accumulated other comprehensive income:			
Foreign currency translation adjustments	(4,455)	1,211	(40,938)
Defined retirement benefit plans	(89)	(76)	(813)
Non-controlling interests	555	573	5,103
Total equity	211,630	205,425	1,944,596
TOTAL	¥264,685	¥252,394	\$2,432,095

Consolidated Statement of Income

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2020	2019	2018	2020
NET SALES (Note 19).....	¥313,337	¥331,936	¥312,969	\$2,879,144
COST OF SALES	179,752	189,846	178,918	1,651,677
Gross profit	133,585	142,090	134,051	1,227,467
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	109,945	110,215	99,202	1,010,243
Operating income (Note 19)	23,640	31,875	34,849	217,224
OTHER INCOME (EXPENSES):				
Interest and dividend income	277	277	201	2,545
Interest expense	(78)	(2)	(1)	(720)
Exchange loss—net	(684)	(608)	(644)	(6,285)
Impairment loss (Notes 5 and 19).....	(465)		(261)	(4,269)
Gain on liquidation of subsidiaries and associates			99	
Other—net.....	91	274	274	834
Other expenses—net	(859)	(59)	(332)	(7,895)
INCOME BEFORE INCOME TAXES	22,781	31,816	34,517	209,329
INCOME TAXES (Note 10):				
Current	6,665	7,642	10,664	61,246
Deferred.....	(416)	76	(1,826)	(3,821)
Total income taxes	6,249	7,718	8,838	57,425
NET INCOME	16,532	24,098	25,679	151,904
NET INCOME ATTRIBUTABLE TO: Non-controlling interests	28	64	77	250
Owners of parent	¥ 16,504	¥ 24,034	¥ 25,602	\$ 151,654
		Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.v, 8 and 17):	2020	2019	2018	2020
Net income	¥58.18	¥84.80	¥91.01	\$0.53
Diluted net income	57.98	84.48	89.76	0.53
Cash dividends applicable to the year	14.55	21.20	22.60	0.13

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2020	2019	2018	2020
NET INCOME	¥16,532	¥24,098	¥25,679	\$151,904
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):				
Foreign currency translation adjustments	(5,697)	(105)	446	(52,343)
Defined retirement benefit plans	(13)	7	(26)	(118)
Share of other comprehensive income (loss) in associates	(6)	(12)	8	(58)
Total other comprehensive income (loss).....	(5,716)	(110)	428	(52,519)
COMPREHENSIVE INCOME (Note 16)	¥10,816	¥23,988	¥26,107	\$ 99,385
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16):				
Owners of the parent	¥10,825	¥23,961	¥26,005	\$ 99,463
Non-controlling interests	(9)	27	102	(78)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Thousands	Millions of Yen								Total Equity
		Common Stock	Capital Surplus	Stock Acquisition Rights	Non-Controlling Interests	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Foreign Currency Translation Adjustments	
BALANCE, APRIL 1, 2017	275,689	¥ 7,594	¥17,982	¥ 675	¥453	¥128,226	¥(77)	¥ 863	¥(57)	¥155,659
Net income attributable to owners of parent...						25,602				25,602
Cash dividends, ¥20.62 per share						(5,769)				(5,769)
Increase in treasury stock (364 shares)							(1)			(1)
Disposal of treasury stock (6 shares)							0			0
Issuance of new shares.....	7,751	5,219	5,219							10,438
Net change in the year								428	(26)	791
BALANCE, MARCH 31, 2018	283,440	12,813	23,201	987	530	148,059	(78)	1,291	(83)	186,720
Net income attributable to owners of parent...						24,034				24,034
Cash dividends, ¥21.29 per share (Note 8)...						(6,032)				(6,032)
Change in scope of consolidation										(34)
Increase in treasury stock (90 shares)							(0)			(0)
Issuance of new shares (Notes 9 and 18)...	316	211	211							422
Net change in the year								(80)	7	315
BALANCE, MARCH 31, 2019	283,756	13,024	23,378	1,332	573	166,061	(78)	1,211	(76)	205,425
Net income attributable to owners of parent...						16,504				16,504
Cash dividends, ¥18.50 per share (Note 8)...						(5,247)				(5,247)
Disposal of treasury stock (10 shares)							0			0
Issuance of new shares (Note 9)	272	208	208							416
Net change in the year								(5,666)	(13)	(5,468)
BALANCE, MARCH 31, 2020.....	284,028	¥13,232	¥23,586	¥1,561	¥555	¥177,318	¥(78)	¥(4,455)	¥(89)	¥211,630

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Stock Acquisition Rights	Non-Controlling Interests	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2019	\$119,668	\$214,819	\$12,238	\$5,264	\$1,525,872	\$(718)	\$ 11,129	\$(695)		\$1,887,577
Net income attributable to owners of parent...					151,654					151,654
Cash dividends, \$0.17 per share (Note 8)...					(48,216)					(48,216)
Disposal of treasury stock (10 shares)						0				0
Issuance of new shares (Note 9)	1,911	1,911								3,822
Net change in the year							(52,067)	(118)		(50,241)
BALANCE, MARCH 31, 2020.....	\$121,579	\$216,730	\$14,343	\$5,103	\$1,629,310	\$(718)	\$(40,938)	\$(813)		\$1,944,596

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MISUMI Group Inc. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2020	2019	2018	2020
OPERATING ACTIVITIES:				
Income before income taxes	¥22,781	¥31,816	¥34,517	\$209,329
Adjustments for:				
Income taxes paid	(7,025)	(9,383)	(8,667)	(64,546)
Income taxes refund	50	191	96	461
Depreciation and amortization	13,071	8,841	7,187	120,104
Amortization of goodwill			1,000	
Exchange (gain) loss	(75)	(15)	(862)	(690)
Impairment loss	465		261	4,269
Gain on liquidation of subsidiaries and associates			(99)	
Changes in assets and liabilities:				
(Increase) decrease in receivables	2,487	(1,529)	(7,638)	22,849
(Increase) decrease in inventories	(5,151)	(10,345)	(8,153)	(47,332)
Increase (decrease) in payables	(342)	(1,699)	2,333	(3,142)
Increase (decrease) in other current liabilities	1,128	(3,552)	3,563	10,367
Other—net	829	(1,277)	786	7,619
Total adjustments	5,437	(18,768)	(10,193)	49,959
Net cash provided by operating activities	28,218	13,048	24,324	259,288
INVESTING ACTIVITIES:				
Purchase of fixed assets	(18,018)	(21,414)	(15,421)	(165,565)
Proceeds from sales of fixed assets	51	46	40	472
Refund from time deposits	9,987	32,920	26,605	91,767
Payment into time deposits	(8,291)	(27,940)	(25,169)	(76,188)
Other—net (Note 18)	(388)	(567)	(942)	(3,567)
Net cash used in investing activities	(16,659)	(16,955)	(14,887)	(153,081)
FINANCING ACTIVITIES:				
Proceeds from issuance of stock	416	51	54	3,822
Repayments of lease obligations	(1,597)			(14,674)
Dividends paid	(5,247)	(6,032)	(5,769)	(48,216)
Other—net	0	(11)	(11)	0
Net cash used in financing activities	(6,428)	(5,992)	(5,726)	(59,068)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(2,444)	(61)	161	(22,456)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,687	(9,960)	3,872	24,683
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	41,753	51,713	47,841	383,657
CASH AND CASH EQUIVALENTS, END OF YEAR	¥44,440	¥41,753	¥51,713	\$408,340

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 2018 and 2019 financial statements to conform them to the classifications used in 2020.

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 ¥108.83 to \$1, the rate of exchange at March 31, 2020. 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, 2020 include the accounts of the Company and its 49 (45 as of March 31, 2019) subsidiaries (together, the “Group”).

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

One subsidiary, WUXI PARTS SEIKO PRECISION IND CO., LTD., is not consolidated in 2020 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; (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; (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, work in progress and supplies are principally stated at cost determined by the periodic average method (balance sheet amounts are written down on the basis of any decreased profitability).

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 loans or a reasonable estimate based on the financial condition of individual borrowers for doubtful and default loans.

h. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment held by domestic consolidated subsidiaries is computed principally by the declining-balance method. However, buildings (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	3 to 45 years
Machinery and vehicles	2 to 15 years

i. Right-of-Use Assets — As described in Note 3. CHANGES IN ACCOUNTING POLICIES, the Group has applied IFRS 16 “Leases” from the beginning of the year ended March 31, 2020 to certain foreign consolidated subsidiaries. With the application of IFRS 16, 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 in Note 13. 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. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

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

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

m. Retirement Plan — The Company and consolidated subsidiaries have funded/non-funded defined benefit plans and defined contribution plans for payments to terminated employees.

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

In May 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council (the “BAC”) in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

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

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

n. 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.

o. Asset Retirement Obligations — In March 2008, the ASBJ issued ASBJ Statement No. 18 “Accounting Standard for Asset Retirement Obligations,” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

p. Stock Options — On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, “Accounting Standard for Share-Based Payment,” and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

q. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993.

The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company has applied the revised accounting standard effective from the year ended March 31, 2009.

r. Derivative Financial Instruments — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign currency forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes. All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income.

s. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences. The Company and certain consolidated subsidiaries in Japan have applied a consolidated tax system.

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 or convertible bonds were converted.

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.

w. Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows:

- (1) Changes in Accounting Policies
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
- (2) Changes in Presentation
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
- (3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
- (4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.

x. Business Combinations — In October 2003, the BAC issued a Statement of Opinion, “Accounting for Business Combinations,” and in December 2005, the ASBJ issued ASBJ Statement No. 7, “Accounting Standard for Business Divestitures” and ASBJ Guidance No. 10, “Guidance on Accounting Standard for Business Combinations and Business Divestitures.”

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

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

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

y. Changes in Accounting Estimates — With regard to the standard for valuation of inventories, for a certain amount or more of merchandise for which a certain period of time has elapsed since the start of handling of stocks for sale and which is deemed unsellable in the future, the consolidated balance sheet amount had been calculated by, in principle, writing down the carrying amount of the inventories to zero.

From the year ended March 31, 2019, since data has been accumulated for a period of time sufficient to evaluate product life cycles and because it has become possible for the Group to understand the actual conditions of the life cycles in more detail with the more advanced inventory control system in and outside Japan, the Group decided to change the period of time for write-down of merchandise inventories in order to more appropriately reflect the decrease in profitability of inventories in the financial statements.

As a result, gross profit, operating income and income before income taxes for the year ended March 31, 2019 increased by ¥1,680 million.

z. Accounting estimates accompanying the spread of the COVID-19 pandemic — The spread of the COVID-19 pandemic has had an impact on capital investment demand in the manufacturing industry, as well as customers’ operations. It is assumed that the pandemic will continue to affect the business performance of the Group for a certain period of time in the year ending March 31, 2021 in making accounting estimates for the valuation of inventories, impairment accounting for long-lived assets, and the recoverability of deferred tax assets.

Due to the high uncertainty of this assumption, if the impact persists for a prolonged period, results based on actual figures in the future may differ from these estimates and assumption.

aa. Unapplied Accounting Standards

- (1) Accounting standards for revenue recognition
In March 2020, the ASBJ issued ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition” and the related guidance, ASBJ Guidance No. 30, “Implementation Guidance on Accounting Standard for Revenue Recognition.”
 - (a) Overview
This is a comprehensive standard concerning revenue recognition. Revenue is recognized through the following five steps:
Step 1: Identify the contracts with customers.
Step 2: Identify the performance obligations under the contracts.
Step 3: Determine the transaction prices.
Step 4: Allocate the transaction prices to the performance obligations under the contracts.
Step 5: Recognize revenue when or as each performance obligation is satisfied.
 - (b) Date to be adopted
The Company plans to adopt the statement and guidance from the beginning of the year ending March 31, 2022.

- (c) Effect of applying the above standards
Possible effects on the consolidated financial statements are currently under review.
- (2) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections—In March 2020, the ASBJ issued ASBJ Statement No. 24 “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.”
 - (a) Overview
The purpose of this accounting standard is to clarify the principles and provide an overview of the procedures of the accounting treatment adopted, in cases where the provisions of relevant accounting standards, etc. are unclear.
 - (b) Date to be adopted
The Company plans to adopt the standard from the end of the year ending March 31, 2021.
 - (3) Accounting Standard for Disclosure of Accounting Estimates—In March 2020, the ASBJ issued ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates.”
 - (a) Overview
The purpose of this accounting standard is to disclose information that will facilitate the understanding of the users of the financial statements, regarding items of accounting estimates recorded in the financial statements for the current fiscal year that have the risk of significantly impacting the financial statements for the following fiscal year.
 - (b) Date to be adopted
The Company plans to adopt the standard from the end of the year ending March 31, 2021.
 - (4) Leases
U.S. GAAP ASU 2016-02 “Leases (Topic 842)”.
 - (a) Overview
These accounting standards require a lessee to recognize assets and liabilities for all leases in principle.
 - (b) Date to be adopted
The Company plans to adopt the accounting standards from the year ending March 31, 2022.
 - (c) Effect of applying the above standards
Possible effects on the consolidated financial statements are currently under review.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied IFRS 16 “Leases” from the beginning of the year ended March 31, 2020 to certain overseas consolidated subsidiaries and records assets and liabilities on the consolidated balance sheet, in principle, for all leases as lessees’ accounting treatment. The Group adopts a method to recognize the cumulative effect of adoption of this new accounting standard, which is recognized as a transitional measure, on the initial date of adoption.

As a result of having applied this standard, “right-of-use assets” and “accumulated depreciation and impairment loss” under property, plant and equipment increased by ¥6,856 million (\$62,999 thousand) and ¥1,709 million (\$15,703 thousand), respectively, “lease obligations” under current liabilities increased by ¥1,662 million (\$15,275 thousand), and “lease obligations” under long-term liabilities increased by ¥3,529 million (\$32,425 thousand).

The application of this standard had no material effect on profit or loss in the financial results or on per share information for the year ended March 31, 2020.

Regarding the consolidated statement of cash flows for the year ended March 31, 2020, cash flows from operating activities increased by ¥1,597 million (\$14,674 thousand) and cash flows from financing activities decreased by the same amount.

4. INVENTORIES

Inventories at March 31, 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Merchandise.....	¥46,260	¥42,624	\$425,068
Finished goods	246	172	2,265
Materials.....	4,627	4,767	42,513
Supplies	1,654	1,798	15,200
Work in process	2,392	2,373	21,976
Total	¥55,179	¥51,734	\$507,022

5. IMPAIRMENT

For the year ended March 31, 2020, the Group recognized an impairment loss of ¥465 million (\$4,269 thousand) for the idle assets located in Tokyo. As a result of consideration of future collectability, the carrying amounts of the relevant assets were written down to the recoverable values and the decreased amounts were recorded as an impairment loss of ¥465 million (\$4,269 thousand) for software. As there is no possibility for sale or future use, the recoverable value is deemed zero.

For the year ended March 31, 2019, no impairment loss was recognized.

For the year ended March 31, 2018, the Group recognized an impairment loss of ¥261 million for the idle assets located in Tokyo. As a result of consideration of future collectability, the carrying amounts of the relevant assets were written down to the recoverable values and the decreased amounts were recorded as an impairment loss of ¥261 million for software. As there is no possibility for sale or future use, the recoverable value is deemed zero.

6. LONG-TERM DEBT

Lease obligations at March 31, 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Long-term lease obligations (repayment terms vary from 2021 through 2028, at the weighted-average annual percentage interest rate of 1.0%).....	¥5,193	¥2	\$47,717
Total	5,193	2	47,717
Less current portion.....	1,663	1	15,284
Long-term lease obligations, less current portion.....	¥3,530	¥1	\$32,433

The amounts to be repaid each fiscal year for long-term lease obligations as of March 31, 2020 are as follows:

Fiscal year ending March 31	2020	
	Millions of Yen	Thousands of U.S. Dollars
2021.....	¥1,663	\$15,284
2022.....	1,351	12,414
2023.....	830	7,625
2024.....	328	3,011
2025 and after.....	1,021	9,383
Total	¥5,193	\$47,717

7. RETIREMENT PLANS

The Company and certain consolidated subsidiaries had participated in the Social Welfare Pension Fund of Nippon Sheet Metal Presswork (the "Fund"), which is a multi-employer plan. However, ordinary dissolution of the Fund was resolved at a meeting of the board members of the Fund on August 4, 2014. On September 29, 2016, the dissolution was approved by the Minister for Health, Labour and Welfare and, as of March 31, 2020, the Fund is in the process of liquidation. No additional expenses are expected to arise from the dissolution of the Fund.

a. Defined Benefit Plan

(1) The changes in defined benefit obligations for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year.....	¥7,258	¥6,485	\$66,691
Current service cost.....	1,226	990	11,265
Interest cost.....	34	28	309
Actuarial losses.....	37	83	343
Benefits paid.....	(484)	(304)	(4,445)
Others.....	(69)	(24)	(629)
Balance at end of year.....	¥8,002	¥7,258	\$73,534

(2) The changes in plan assets for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year.....	¥1,832	¥1,607	\$16,835
Expected return on plan assets.....	171	28	1,576
Actuarial losses.....	(25)	(3)	(230)
Contributions from the employer.....	153	269	1,404
Benefits paid.....	(85)	(87)	(781)
Others.....	(52)	18	(478)
Balance at end of year.....	¥1,994	¥1,832	\$18,326

(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, 2020 and 2019 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Funded defined benefit obligations	¥2,913	¥2,734	\$26,769
Plan assets.....	(1,994)	(1,832)	(18,326)
	919	902	8,443
Unfunded defined benefit obligations.....	5,089	4,524	46,765
Net liability for defined benefit obligations.....	¥6,008	¥5,426	\$55,208

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Liability for retirement benefits.....	¥6,008	¥5,426	\$55,208
Net liability for defined benefit obligations	¥6,008	¥5,426	\$55,208

(4) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost.....	¥1,226	¥ 990	\$11,265
Interest cost	34	28	309
Expected return on plan assets	(171)	(28)	(1,576)
Recognized actuarial losses.....	43	105	393
Others	(16)	(2)	(141)
Net periodic benefit costs	¥1,116	¥1,093	\$10,250

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Actuarial differences	¥(19)	¥11	\$(172)
Total	¥(19)	¥11	\$(172)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized actuarial differences	¥133	¥114	\$1,217
Total	¥133	¥114	\$1,217

(7) Plan assets as of March 31, 2020 and 2019

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

	2020	2019
Cash and cash equivalents	29%	29%
General accounts	71	71
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 years ended March 31, 2020 and 2019 were set forth as follows:

	2020	2019
Discount rate	0.44% – 0.50%	0.32% – 0.50%
Expected rate of return on plan assets.....	1.56%	1.75%

b. Multi-Employer Plan

For the years ended March 31, 2020 and 2019, there was no required amount of contribution paid to the Social Welfare Pension Fund under the multi-employer plan which is accounted for in the same way as the defined contribution plan.

As of March 31, 2020, the above-mentioned Fund is currently in the process of liquidation, after ordinary dissolution of the Fund was resolved at a meeting of its board members on August 4, 2014, and the dissolution was approved by the Minister for Health, Labour and Welfare on September 29, 2016.

c. Defined Contribution Plan

The amounts required to be contributed to the defined contribution plan are ¥240 million (\$2,210 thousand) and ¥225 million for the years ended March 31, 2020 and 2019, respectively.

8. 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, 2020

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 13, 2019	Common stock	¥3,117	\$28,641	Retained earnings	¥10.99	\$0.10	March 31, 2019	June 19, 2019
Board of Directors meeting on October 28, 2019	Common stock	¥2,130	\$19,574	Retained earnings	¥ 7.51	\$0.07	September 30, 2019	December 3, 2019

Year ended March 31, 2019

Resolution	Class of shares	Millions of Yen	Paid from	Yen	Record date	Effective date
		Total dividends		Dividends per share		
General Meeting of Shareholders on June 14, 2018	Common stock	¥3,139	Retained earnings	¥11.08	March 31, 2018	June 20, 2018
Board of Directors meeting on October 29, 2018	Common stock	¥2,893	Retained earnings	¥10.21	September 30, 2018	December 4, 2018

Dividends with Record Dates Falling in the Year Ended March 31, 2020, but with Effective Dates Falling in the Year Ended March 31, 2021

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 16, 2020	Common stock	¥1,999	\$18,365	Retained earnings	¥7.04	\$0.06	March 31, 2020	June 22, 2020

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.

9. STOCK OPTIONS

Information related to the stock options for the year ended March 31, 2020 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option (1)	6 directors	1,440,000 shares	2012.7.3	¥631 (\$5.80)	From August 1, 2014 to July 31, 2021
2012 Stock Option (2)	33 employees of the Group	375,000 shares	2012.7.3	¥631 (\$5.80)	From August 1, 2014 to July 31, 2021
2014 Stock Option (1)	5 directors	39,000 shares	2014.11.7	¥ 1 (\$0.01)	From November 8, 2014 to November 7, 2044
2014 Stock Option (2)	4 directors	133,800 shares	2014.11.7	¥ 1 (\$0.01)	From November 7, 2017 to November 6, 2024
2014 Stock Option (3)	58 employees of the Group	117,300 shares	2014.11.7	¥ 1 (\$0.01)	From November 7, 2017 to November 6, 2024
2016 Stock Option (1)	5 directors	31,400 shares	2016.2.25	¥ 1 (\$0.01)	From February 26, 2016 to February 25, 2046
2016 Stock Option (2)	5 directors	170,500 shares	2016.2.25	¥ 1 (\$0.01)	From February 25, 2019 to February 24, 2026
2016 Stock Option (3)	69 employees of the Group	135,400 shares	2016.2.25	¥ 1 (\$0.01)	From February 25, 2019 to February 24, 2026
2016 Stock Option (4)	5 directors	28,500 shares	2016.10.3	¥ 1 (\$0.01)	From October 4, 2016 to October 3, 2046
2016 Stock Option (5)	5 directors	181,800 shares	2016.10.3	¥ 1 (\$0.01)	From October 3, 2019 to October 2, 2026
2016 Stock Option (6)	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

(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:

	2012 Stock Option (1)	2012 Stock Option (2)	2014 Stock Option (1)	2014 Stock Option (2)	2014 Stock Option (3)	2016 Stock Option (1)	2016 Stock Option (2)	2016 Stock Option (3)	2016 Stock Option (4)	2016 Stock Option (5)
(Shares)										
For the Year Ended March 31, 2019										
Non-vested:										
March 31, 2018—outstanding...							170,500	117,500		181,800
Granted.....										
Canceled.....										
Vested.....							170,500	117,500		
March 31, 2019—outstanding...										181,800
Vested:										
March 31, 2018—outstanding...	75,600	56,100	30,300	17,700	65,700	24,600				23,100
Vested.....							170,500	117,500		
Exercised.....	18,900	9,000	8,400		10,500	6,500	131,800	19,000	7,700	
Canceled.....								8,600		
March 31, 2019—outstanding...	56,700	47,100	21,900	17,700	55,200	18,100	38,700	89,900	15,400	
For the Year Ended March 31, 2020										
Non-vested:										
March 31, 2019—outstanding...										181,800
Granted.....										
Canceled.....										
Vested.....										181,800
March 31, 2020—outstanding...										
Vested:										
March 31, 2019—outstanding...	56,700	47,100	21,900	17,700	55,200	18,100	38,700	89,900	15,400	
Vested.....										181,800
Exercised.....	18,900	9,900		17,700	18,600		28,300	28,000		107,900
Canceled.....										
March 31, 2020—outstanding...	37,800	37,200	21,900		36,600	18,100	10,400	61,900	15,400	73,900
Yen (U.S. Dollars)										
Exercise price.....	¥631 (\$5.80)	¥631 (\$5.80)	¥ 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.....	¥141 (\$1.30)	¥141 (\$1.30)	¥1,172 (\$10.77)	¥1,136 (\$10.44)	¥1,136 (\$10.44)	¥1,483 (\$13.63)	¥1,428 (\$13.12)	¥1,428 (\$13.12)	¥1,876 (\$17.24)	¥1,809 (\$16.62)

	2016 Stock Option (6)	2017 Stock Option (1)	2017 Stock Option (2)	2017 Stock Option (3)	2018 Stock Option (1)	2018 Stock Option (2)	2018 Stock Option (3)	2019 Stock Option (1)	2019 Stock Option (2)	2019 Stock Option (3)
(Shares)										
For the Year Ended March 31, 2019										
Non-vested:										
March 31, 2018—outstanding...	160,300		98,600	137,300						
Granted.....					12,100	77,500	168,000			
Canceled.....	27,600			16,000			1,700			
Vested.....					12,100					
March 31, 2019—outstanding...	132,700		98,600	121,300		77,500	166,300			
Vested:										
March 31, 2018—outstanding...		16,700								
Vested.....					12,100					
Exercised.....		5,200								
Canceled.....										
March 31, 2019—outstanding...		11,500			12,100					

For the Year Ended March 31, 2020										
Non-vested:										
March 31, 2019—outstanding...	132,700		98,600	121,300		77,500	166,300			
Granted.....								18,100	76,400	175,100
Canceled.....				11,900			15,800			11,500
Vested.....	132,700							18,100		
March 31, 2020—outstanding...			98,600	109,400		77,500	150,500		76,400	163,600
Vested:										
March 31, 2019—outstanding...		11,500			12,100					
Vested.....	132,700							18,100		
Exercised.....	42,400									
Canceled.....	2,200									
March 31, 2020—outstanding...	88,100	11,500			12,100			18,100		

	Yen (U.S. Dollars)									
Exercise price.....	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)
Fair value price at grant date.....	¥1,809	¥2,786	¥2,726	¥3,073	¥3,147	¥3,126	¥2,345	¥2,652	¥2,626	¥2,644
	(\$16.62)	(\$25.60)	(\$25.05)	(\$28.24)	(\$28.92)	(\$28.72)	(\$21.55)	(\$24.37)	(\$24.13)	(\$24.29)

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

The Assumptions Used to Measure Fair Value of Stock Options Granted for the Year Ended March 31, 2020

Resolved on June 20, 2019 (Granted on July 5, 2019)

Estimate method: Black-Scholes option pricing model
Volatility of stock price: 33.57%
Estimated remaining outstanding period: 5.2 years
Estimated dividend: ¥21.20 per share
Risk-free interest rate: (0.26)%

- Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from April 2014 to July 2019.
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.
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.

Resolved on June 20, 2019 (Granted on July 5, 2019)

Estimate method: Black-Scholes option pricing model
Volatility of stock price: 32.65%
Estimated remaining outstanding period: 6.5 years
Estimated dividend: ¥21.20 per share
Risk-free interest rate: (0.26)%

- Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from January 2013 to July 2019.
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.

Resolved on October 17, 2019 (Granted on November 1, 2019)

Estimate method: Black-Scholes option pricing model
Volatility of stock price: 33.42%
Estimated remaining outstanding period: 6.5 years
Estimated dividend: ¥18.50 per share
Risk-free interest rate: (0.27)%

- Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from May 2013 to November 2019.
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.

10. 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 years ended March 31, 2020 and 2019.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2020 and 2019, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Devaluation of inventories.....	¥ 991	¥ 929	\$ 9,108
Accrued enterprise tax.....	201	151	1,842
Provision for bonuses.....	530	579	4,866
Unrealized income.....	562	472	5,165
Liability for retirement benefits.....	1,922	1,737	17,660
Depreciation.....	569	782	5,233
Tax losses carried forward.....	662	787	6,082
Other—net.....	1,814	1,585	16,672
Subtotal.....	7,251	7,022	66,628
Valuation allowance on tax losses carried forward*.....	(354)	(733)	(3,250)
Valuation allowance on total deductible temporary differences.....	(287)	(182)	(2,641)
Subtotal.....	(641)	(915)	(5,891)
Deferred tax assets.....	6,610	6,107	60,737
Deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment.....	(80)	(81)	(731)
Valuation of intangible assets.....	(1,146)	(1,274)	(10,530)
Other—net.....	(1,000)	(724)	(9,195)
Deferred tax liabilities.....	(2,226)	(2,079)	(20,456)
Net deferred tax assets.....	¥ 4,384	¥ 4,028	\$ 40,281

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

Millions of Yen							
2020							
	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	Total
Tax losses carried forward*1 ...	¥ 81	¥ 116	¥ 85	¥ 33	¥ 22	¥ 325	¥ 662
Valuation allowance	¥ (81)	¥(116)	¥ (85)	¥ (33)	(6)	(33)	(354)
Deferred tax assets.....					¥ 16	¥ 292	¥ 308 *2

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

*2 Deferred tax assets of ¥308 million were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of ¥662 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							
2019							
	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	Total
Tax losses carried forward*1 ...	¥ 107	¥ 165	¥ 135	¥ 132	¥ 31	¥ 217	¥ 787
Valuation allowance	¥(107)	(111)	¥(135)	¥(132)	¥ (31)	¥(217)	(733)
Deferred tax assets.....		¥ 54					¥ 54

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

Thousands of U.S. Dollars							
2020							
	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	Total
Tax losses carried forward*1 ...	\$744	\$1,065	\$786	\$301	\$204	\$2,982	\$6,082
Valuation allowance	\$(744)	\$(1,065)	\$(786)	\$(301)	(54)	(300)	(3,250)
Deferred tax assets.....					\$150	\$2,682	\$2,832 *2

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

*2 Deferred tax assets of \$2,832 thousand were recorded for the tax losses carried forward (multiplied by the normal effective statutory tax rate) of \$6,082 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 years ended March 31, 2020 and 2019, is as follows:

	2020	2019
Normal effective statutory tax rate.....	30.6%	30.6%
(Adjustments)		
Directors' bonus expenses not deductible for income tax purposes	0.1	0.0
Entertainment and other expenses not deductible for income tax purposes.....	0.0	0.1
Inhabitants tax on per capita basis.....	0.1	0.2
Decrease in valuation allowance	0.7	(0.4)
Difference in applicable tax rates for subsidiaries	(2.6)	(3.4)
Effect of change in statutory tax rate.....	0.2	
Tax credit.....	(0.9)	(2.7)
Other—net	(0.8)	(0.1)
Actual effective tax rate.....	27.4%	24.3%

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,556 million (\$14,298 thousand), ¥1,614 million and ¥1,845 million for the years ended March 31, 2020, 2019 and 2018, respectively.

12. COMMITMENTS

The Group has entered into commitment 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, 2020 and 2019 are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Credit lines	¥15,000	¥15,000	\$137,830
Credit lines Used			
Credit lines Unused	¥15,000	¥15,000	\$137,830

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.

13. 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, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within one year	¥ 3,899	¥1,478	\$ 35,823
Due after one year	17,536	2,731	161,131
Total	¥21,435	¥4,209	\$196,954

The balance in the year ended March 31, 2020 increased due mainly to the relocation and expansion of logistics bases.

As overseas consolidated subsidiaries adopting the IFRS have applied IFRS 16 "Leases" from the year ended March 31, 2020, operating leases of the said subsidiaries are included only in amounts for the year ended March 31, 2019.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group conducts planning and selling in its parts business, which consists of "FA," "Die Components," and "VONA." The capital investment plan for ongoing business is principally financed by 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, 2020 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 15. DERIVATIVES does 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, 2020 and 2019 are as follows:

	Millions of Yen		
	2020		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents.....	¥ 44,440	¥ 44,440	
Time deposits.....	7,207	7,207	
Trade notes receivable.....	10,176	10,176	
Trade accounts receivable.....	53,002	53,002	
Trade notes payable and accounts payable.....	(17,448)	(17,448)	
Derivatives, net.....	(5)	(5)	

	Millions of Yen		
	2019		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents.....	¥ 41,753	¥ 41,753	
Time deposits.....	8,931	8,931	
Trade notes receivable.....	12,211	12,211	
Trade accounts receivable.....	55,042	55,042	
Trade notes payable and accounts payable.....	(18,219)	(18,219)	
Derivatives, net.....	(76)	(76)	

	Thousands of U.S. Dollars		
	2020		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents.....	\$408,340	\$408,340	
Time deposits.....	66,221	66,221	
Trade notes receivable.....	93,507	93,507	
Trade accounts receivable.....	487,015	487,015	
Trade notes payable and accounts payable.....	(160,326)	(160,326)	
Derivatives, net.....	(44)	(44)	

Financial instruments for which fair values cannot be reliably determined are excluded from the table above.

Valuation methods of fair values of financial instruments and information on derivatives are as follows:

Cash and cash equivalents, and time deposits

The carrying values of cash and cash equivalents, and time deposits approximate fair value because of their short maturities.

Trade notes receivable and trade accounts receivable

The carrying values of trade notes receivable and trade accounts receivable approximate fair value because of their short maturities.

Trade notes payable and accounts payable

The carrying values of trade notes payable and trade accounts payable approximate fair value because of their short maturities.

Derivatives

Please refer to Note 15. DERIVATIVES.

(b) Financial instruments whose fair value cannot be reliably determined as of March 31, 2020 and 2019

	Carrying Amount		
	Millions of Yen	2019	Thousands of U.S. Dollars
	2020		2020
Unlisted stocks.....	¥6	¥6	\$57

(5) Maturity analysis for financial assets subsequent to March 31, 2020 and 2019

	Millions of Yen			
	2020			
	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.....	¥ 44,440			
Time deposits.....	7,207			
Trade notes receivable.....	10,176			
Trade accounts receivable.....	53,002			
Total.....	¥ 114,825			

	Millions of Yen			
	2019			
	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.....	¥ 41,753			
Time deposits.....	8,931			
Trade notes receivable.....	12,211			
Trade accounts receivable.....	55,042			
Total.....	¥ 117,937			

	Thousands of U.S. Dollars			
	2020			
	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.....	\$ 408,340			
Time deposits.....	66,221			
Trade notes receivable.....	93,507			
Trade accounts receivable.....	487,015			
Total.....	\$1,055,083			

15. DERIVATIVES

Derivative transactions to which hedge accounting is not applied at March 31, 2020 and 2019 are as follows:

	Millions of Yen			
	2020			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	¥ 1,694		¥ 4	¥ 4
Selling	¥ 1,022		¥ (9)	¥ (9)

	Millions of Yen			
	2019			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	¥ 1,635		¥ (20)	¥ (20)
Selling	¥ 3,072		¥ (35)	¥ (35)
Non-deliverable forward contracts:				
Selling	¥ 173		¥ (21)	¥ (21)

	Thousands of U.S. Dollars			
	2020			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain /Loss
Foreign currency forward contracts:				
Buying	\$ 15,562		\$ 35	\$ 35
Selling	\$ 9,392		\$ (79)	\$ (79)

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

16. COMPREHENSIVE INCOME (LOSS)

Reclassifications and income from tax effects attributable to other comprehensive income (loss) for the years ended March 31, 2020, 2019 and 2018 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2020	2019	2018	2020
Foreign currency translation adjustments:				
Adjustments arising during the year.....	¥(5,697)	¥(105)	¥545	\$(52,343)
Reclassification adjustments to profit or loss			(99)	
Amount before income tax effect.....	(5,697)	(105)	446	(52,343)
Income tax effect.....				
Total	(5,697)	(105)	446	(52,343)
Defined retirement benefit plans:				
Adjustments arising during the year.....	(46)	(12)	(62)	(422)
Reclassification adjustments to profit and loss	27	23	25	250
Amount before income tax effect.....	(19)	11	(37)	(172)
Income tax effect.....	6	(4)	11	54
Total	(13)	7	(26)	(118)
Share of other comprehensive income (loss) in associates:				
Adjustments arising during the year.....	(6)	(12)	8	(58)
Total other comprehensive income (loss)	¥(5,716)	¥(110)	¥428	\$(52,519)

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS"), for the years ended March 31, 2020, 2019 and 2018 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	
Year ended March 31, 2020				
Basic EPS—				
Net income available to common shareholders	¥16,504	283,701	¥58.18	\$0.53
Effect of dilutive securities—				
Stock options		951		
Diluted EPS—				
Net income for computation.....	¥16,504	284,652	¥57.98	\$0.53
Year ended March 31, 2019				
Basic EPS—				
Net income available to common shareholders	¥24,034	283,426	¥84.80	
Effect of dilutive securities—				
Stock options		1,086		
Diluted EPS—				
Net income for computation.....	¥24,034	284,512	¥84.48	
Year ended March 31, 2018				
Basic EPS—				
Net income available to common shareholders	¥25,602	281,294	¥91.01	
Effect of dilutive securities—				
Stock options		967		
Convertible bonds.....	(78)	2,083		
Diluted EPS—				
Net income for computation.....	¥25,524	284,344	¥89.76	

18. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2020 and 2019, the difference between exchange receipts and payments from loans to foreign subsidiaries of ¥(96) million (\$885 thousand), ¥59 million, and ¥(501) million, respectively, are included in "Other—net" of INVESTING ACTIVITIES.

For the years ended March 31, 2020 and 2019, the amounts of assets and obligations for lease transactions are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Right-of-use assets	¥6,856		\$62,999
Accumulated depreciation of right-of-use assets	(1,709)		(15,703)
Lease obligations.....	¥5,193	¥2	\$47,717

(Note) Overseas consolidated subsidiaries adopting the IFRS have applied IFRS 16 "Leases" from the year ended March 31, 2020, and the above right-of-use assets and lease obligations were recorded for lease transactions concluded by the said subsidiaries.

Significant non-cash transactions resulting from exercise of stock acquisition rights attached to convertible bonds for the year ended March 31, 2019 are as follows:

	Millions of Yen	
	2019	
Increase in capital from exercise of stock acquisition rights.....	¥	56
Increase in earned legal reserve from exercise of stock acquisition rights.....		56
Decrease in convertible bonds from exercise of stock acquisition rights.....	¥	112

19. 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., 49 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 or MRO (consumables) as well as production equipment.

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

	Millions of Yen					
	2020					
	Reportable Segments			Total	Adjustments	Consolidated
FA Business	Die Components Business	VONA Business				
Net sales:						
Sales to customers.....	¥99,403	¥72,414	¥141,520	¥313,337		¥313,337
Total	99,403	72,414	141,520	313,337		313,337
Segment profit.....	12,578	5,010	6,052	23,640		23,640
Segment profit before amortization of goodwill* ...	¥12,578	¥ 5,617	¥ 6,052	¥ 24,247		¥ 24,247

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

	Millions of Yen					
	2019					
	Reportable Segments			Total	Adjustments	Consolidated
FA Business	Die Components Business	VONA Business				
Net sales:						
Sales to customers.....	¥109,231	¥76,443	¥146,262	¥331,936		¥331,936
Total	109,231	76,443	146,262	331,936		331,936
Segment profit.....	18,836	6,110	6,929	31,875		31,875
Segment profit before amortization of goodwill* ...	¥ 18,836	¥ 6,725	¥ 6,929	¥ 32,490		¥ 32,490

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

	Millions of Yen					
	2018					
	Reportable Segments			Total	Adjustments	Consolidated
FA Business	Die Components Business	VONA Business				
Net sales:						
Sales to customers.....	¥105,184	¥76,523	¥131,262	¥312,969		¥312,969
Total	105,184	76,523	131,262	312,969		312,969
Segment profit.....	20,172	5,870	9,010	35,052	¥(203)	34,849
Segment profit before amortization of goodwill* ...	¥ 20,172	¥ 7,487	¥ 9,010	¥ 36,669	¥(203)	¥ 36,466

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

	Thousands of U.S. Dollars					
	2020					
	Reportable Segments			Total	Adjustments	Consolidated
FA Business	Die Components Business	VONA Business				
Net sales:						
Sales to customers.....	\$913,382	\$665,386	\$1,300,376	\$2,879,144		\$2,879,144
Total	913,382	665,386	1,300,376	2,879,144		2,879,144
Segment profit.....	115,578	46,032	55,614	217,224		217,224
Segment profit before amortization of goodwill* ...	\$115,578	\$ 51,607	\$ 55,614	\$ 222,799		\$ 222,799

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

(4) Details of adjustments

	Operating income			
	Millions of Yen			Thousands of U.S. Dollars
	2020	2019	2018	2020
Total of reportable segments.....	¥23,640	¥31,875	¥35,052	\$217,224
Other			(203)	
Operating income in consolidated statement of income.....	¥23,640	¥31,875	¥34,849	\$217,224

(5) Information by region

Millions of Yen							
2020							
	Japan	China	Asia	America	Europe	Others	Total
Net Sales.....	¥ 168,331	¥ 50,407	¥ 44,872	¥ 28,002	¥ 16,000	¥ 5,725	¥ 313,337

Millions of Yen							
2019							
	Japan	China	Asia	America	Europe	Others	Total
Net Sales.....	¥ 176,127	¥ 56,838	¥ 47,849	¥ 28,236	¥ 17,256	¥ 5,630	¥ 331,936

Thousands of U.S. Dollars							
2020							
	Japan	China	Asia	America	Europe	Others	Total
Net Sales.....	\$1,546,734	\$463,171	\$412,317	\$257,301	\$147,017	\$ 52,604	\$2,879,144

Millions of Yen						
2020						
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment.....	¥ 16,202	¥ 8,019	¥ 7,761	¥ 4,928	¥ 8,594	¥ 45,504

Millions of Yen						
2019						
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment.....	¥ 14,368	¥ 7,890	¥ 8,440	¥ 3,263	¥ 3,676	¥ 37,637

Thousands of U.S. Dollars						
2020						
	Japan	China	Vietnam	America	Others	Total
Property, plant and equipment.....	\$148,876	\$ 73,682	\$ 71,313	\$ 45,280	\$ 78,968	\$ 418,119

(6) Impairment losses by reportable segment

For the years ended March 31, 2020 and 2018, impairment loss was not allocated to reportable segments.

The amounts of impairment loss were ¥465 million (\$4,269 thousand) and ¥261 million for the years ended March 31, 2020 and 2018, respectively.

There are no applicable matters for the year ended March 31, 2019.

Independent Auditors' Report

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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, 2020, 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, 2020, 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.

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.

Company Profile and Stock Information

(As of March 31, 2020)

Company Overview

Trade name	MISUMI Group Inc.	Stock listing	First Section of the Tokyo Stock Exchange (Code: 9962)
Established	February 23, 1963	Fiscal year	From April 1 through March 31 of the following calendar year
Headquarters	Iidabashi First Building, 5-1, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8583, Japan	Annual general shareholders' meeting	June
Common stock	13,231 million yen	Description of business	Development of Group management strategies, administration, and all functions related to Group management
		Website	https://www.misumi.co.jp/english/

Stock Information

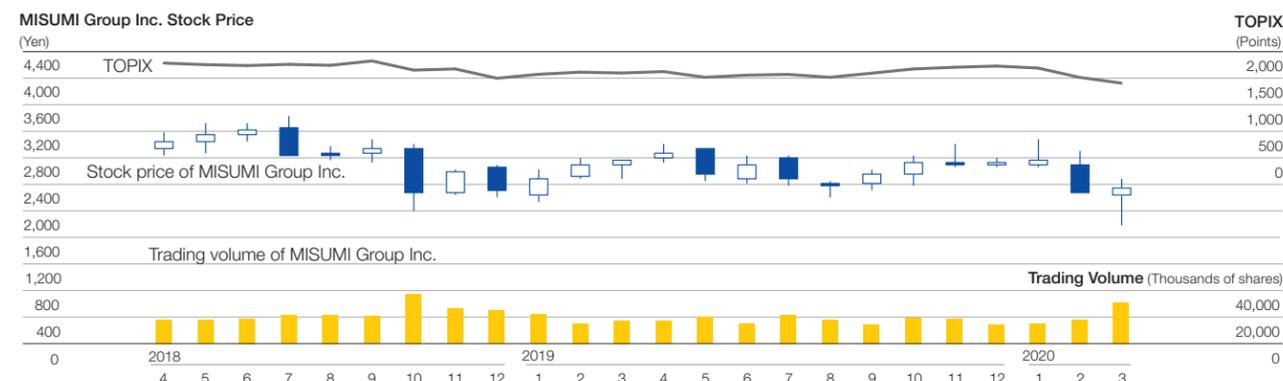
Total number of authorized shares	1,020,000,000 shares
Total number of issued shares	284,028,197 shares
Number of shareholders	5,498

Major Shareholders

Name	Number of shares held (thousands)	Percentage of shares outstanding (%)
Japan Trustee Services Bank, Ltd.	47,262	16.65
The Master Trust Bank of Japan, Ltd.	30,660	10.80
SSBTC CLIENT OMNIBUS ACCOUNTTrust & Custody Services Bank, Ltd.	14,505	5.11
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	3.76
RBC IST 15 PCT LENDING ACCOUNT	9,228	3.25
THE BANK OF NEW YORK MELLON 140044	5,623	1.98
THE BANK OF NEW YORK MELLON 140051	5,315	1.87
BBH FOR MATTHEWS ASIA DIVIDEND FUND	5,234	1.84
BNYM AS AGT/CLTS 10 PERCENT	5,161	1.82
JP MORGAN CHASE BANK 38515	4,893	1.72

Notes: 1. Calculations of percentage of shares outstanding exclude treasury shares.
2. Percentages of shares owned are rounded to the second decimal point.

Monthly Stock Price Range/Trading Volume



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

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 judgement 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 judgement. 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.

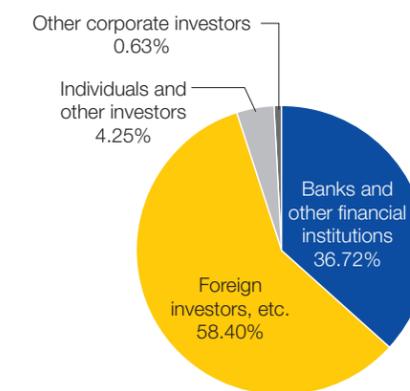
Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

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

June 24, 2020

Composition of Shareholders



Stock Splits

Date	Before	After
May 1994	1	1.2
May 1995	1	1.1
May 1996	1	1.1
November 1997	1	1.1
May 2000	1	1.1
August 2001	1	1.1
May 2004	1	1.5
April 2006	1	2.0
July 2015	1	3.0