

## **MISUMI Spends a Total of \$200 Million on Acquisitions Including Dayton, America's Largest Maker of Die Components**

### **The Deal Accelerates Our Global Deployment of the MISUMI QCT Model for Short Delivery Times with No Minimum Quantity Requirements**

At a board meeting held October 17, 2012, our board of directors approved MISUMI's acquisition of all shares in Dayton Progress Corporation (Dayton), known for its brands DAYTON and PCS, as well as the components business (AD Components Business) of The Anchor Danly Company (AD), known for its brands DANLY IEM, Anchor Lamina and LEMPCO, for a total amount of \$200 million (¥15.6 billion at ¥78/\$). As a result, MISUMI has entered into an acquisition agreement with the owner of both companies, Connell Limited Partnership of Boston (Connell).

Dayton was founded in 1946. AD Components Business was founded in 1922. Both boast long histories as leading manufacturers of die components in the US and European markets. Furthermore, their production methods leverage product standardization and product blanks, practices that promise a great deal of compatibility with MISUMI's short lead-time production system. Moreover, the companies possess strong technological capabilities and customer service regimes, as well as solid customer bases in the US and Europe.

By standardizing high-precision mechanical components, the MISUMI Group established in Japan the MISUMI QCT Model, which delivers high quality (Q) at low cost (C) with short delivery times (T) and no minimum quantity requirements. Since new management took over in 2002, MISUMI has placed a strategic focus on the overseas business. In 2004, we accelerated international expansion with the acquisition of the manufacturer SURUGA SEIKI. As a result, we have grown international sales eight-fold in the past 10 years. International sales grew to 27.5% of total sales from 8.6% over the same time period.

The primary objective of this acquisition is to accelerate global deployment of the MISUMI QCT Model. We have already established our MISUMI QCT Model and built out a supply regime capable of delivering on short lead times primarily in Japan, China and the rest of Asia. The acquisition of Dayton and AD Components Business, who have already achieved a short-delivery time production regime in the US and Europe, establishes a global short delivery-time supply regime virtually overnight and should accelerate MISUMI's global business expansion.

Additionally, die components makers Dayton and AD Components Business boast solid customer bases in the US and Europe, particularly among the Big 3 automakers in North America and European automakers. We hope to grow sales by targeting these customer bases with the MISUMI brand in not only the die components business but also the factory automation (FA) business as well.



Moreover, while MISUMI already enjoys a large share of the market in die components in Japan and the rest of Asia, Dayton and AD Components Business have large market shares in the US and Europe. The acquisition of these businesses solidifies our position as the No. 1 global supplier of die components. Additionally, we can expect synergies in a variety of aspects of the business, from cross-selling our complementary product offerings to bolstering cost competitiveness by leveraging economies of scale in production volumes and materials sourcing.

Moving forward, the MISUMI Group will aim to become the leading player providing behind-the-scenes support to the world's manufacturing industry by deploying our MISUMI QCT Model globally and strengthening competitiveness—in terms of both cost and delivery times—to beat out the competition in local markets.

## 1. The Significance of This Acquisition

### International Expansion for the MISUMI Group

Since new management took over in 2002, the MISUMI Group has positioned global markets as a growth driver and placed a strong focus on international business expansion. Starting with making inroads into the Chinese market, we have accelerated our expansion overseas by acquiring SURUGA SEIKI and its manufacturing capabilities, built out the front-end (paper and electronic catalogs, sales offices and logistics centers) and back-end (production capabilities) infrastructure needed to complete our MISUMI QCT Model in each market we entered.

As a result, international sales grew from ¥4.4 billion in FY2001 to ¥35.8 billion in FY2011, an eightfold increase in 10 years. International sales grew to account for 27.5% of consolidated sales of ¥130.2 billion.

### An Overview of Dayton and AD Components Business

Boasting a history of 60 years, Dayton led the world in standardizing die components for metal stamping. After starting operations in the US, the company has since deployed its business globally, into Europe and Asia, added product offerings in mold components and mold base parts for plastic injection molding applications, and achieved the leading market share in die components in the US and a high market share in Europe.

Based in Canada, AD has a history of more than 80 years and is North America's largest maker of die components and die sets for automotive applications. The company boasts an overwhelming product lineup and a solid customer base comprising leading US automotive OEMs and suppliers. As part of this deal, MISUMI is acquiring AD's die components business (AD Components Business), which operates in the same business space as our structural die components business.

Since long ago, Dayton and AD Components Business have advanced the standardization of mechanical components, starting in the US and European markets. They operate production regimes utilizing product blanks and enjoy deep brand penetration among customers, backed by their technical support and customer service.



## Objectives of the Acquisition

### ① Accelerate global deployment of the MISUMI QCT Model

- Dayton and AD Components Business have strength in short lead-time production utilizing product blanks. MISUMI can deploy these production assets as part of MISUMI's back-end infrastructure for not only die components, but also our FA businesses. We have already built out a short lead-time supply regime in Japan, China and the rest of Asia. This acquisition establishes a global short delivery-time supply regime virtually overnight and should accelerate MISUMI's global business expansion.
- Moreover, MISUMI can leverage their strong customer bases as sales channels to drive further penetration of the MISUMI brand in the US and Europe.

### ② Solidify our Position as the No. 1 Global Supplier of Die Components

- MISUMI already enjoys a large share of the market in die components in Japan and the rest of Asia, while Dayton and AD Components Business have large market shares in the US and Europe. The acquisition of these businesses solidifies our position as the No. 1 global supplier of die components.
- MISUMI's global market share of die components leaps from 12% pre- to 20% post-acquisition, putting a lot of distance between ourselves and the number two player, whose share will be less than half ours. (Market shares are our own calculations, based on regions we do business in.)

### ③ Synergies

#### Front end

- Product specifications from Dayton and AD Components Business complement MISUMI's offerings strongly, creating a much more expansive lineup of die components. Moreover, we can leverage each other's sales channels to grow sales globally.
- The customer will see a dramatic improvement in convenience, with the ability to purchase from a rich lineup of die component products on short delivery times from anywhere in the world.
- Leveraging the footprint Dayton and AD Components Business have in Europe and Central and South America will enable MISUMI to accelerate business deployment in these markets.

#### Back end

- Dayton and AD Components Business have production bases located in the US and Europe. In addition to greater economies of scale, MISUMI can strengthen cost competitiveness by building a globally optimized production and sourcing network.
- We plan to introduce MISUMI's production innovations and know how to achieve substantial productivity improvements at Dayton and AD Components Business.



## 2. An Overview of the Acquisition

MISUMI will acquire all shares in the Connell Industrial Tool Corporation, the holding company that wholly owns Dayton and the AD Components Business, from its owner, Connell.

The total cost of the acquisition is \$200 million (¥15.6 billion at ¥78/\$), the full amount of which will come from funds on hand. The amount of advisory fees resulting from this acquisition will be disclosed once the fees have been determined.

Upon completing legal procedures in the US and other necessary procedures, the acquisition will be completed at some time during FY2012 3Q (Oct-Dec 2012).

## 3. Post-acquisition Business Operations Regime and Direction

We plan to leave current management in place and achieve synergies with the MISUMI Group.

We also plan to continue the product specifications and five brands owned by Dayton and AD Components Business (DAYTON, PCS, DANLY IEM, Anchor Lamina, and LEMPCO).

## 4. An Overview of the Acquisition Targets and Their Owner

### Overview of Dayton (acquisition target)

Company name	Dayton Progress Corporation
Representative name and title	Alan Shaffer (Chairman, President & CEO)
Headquarters	Ohio, US
Major sales offices	US, Mexico, Portugal, Germany, UK, France, Czech Republic, Japan
Major manufacturing sites	US, Canada, Mexico, Portugal, Czech Republic, Japan
Establishment	1946
Capital*	\$31 million
Total assets*	\$79 million
Sales (FY2011)*	\$134 million
Number of employees*	About 1,000
Business description	Manufacture and sale of die components
Relationship with MISUMI	No noteworthy capital, personnel or trading relationship exists between the company and MISUMI.
Ownership of voting rights	Pre-acquisition: 0%. Post-acquisition: 100%

\*Dayton Progress Corporation group as a whole.

### Overview of AD Components Business (The Anchor Danly Company's components business)



(acquisition target)

Headquarters	Michigan, US
Major sales offices	US, China
Major manufacturing sites	US, China
Establishment	1922
Total assets	\$30 million
Sales (FY2011)	\$52 million
Number of employees	About 300
Business description	Manufacture and sale of die components
Relationship with MISUMI	No noteworthy capital, personnel or trading relationship exists between the company and MISUMI.
Ownership of voting rights	Pre-acquisition: 0%. Post-acquisition: 100%

Overview of Connell (owner of the acquisition targets)

Company name	Connell Limited Partnership of Boston
Representative name and title	Francis A. Doyle (CEO)
Headquarters	Massachusetts, US
Establishment	1985
Business description	Family Owned Company
Relationship with MISUMI	No noteworthy capital, personnel or trading relationship exists between the company and MISUMI.

## 5. Schedule

- Approved by MISUMI's Board of Directors: October 17, 2012
- Acquisition agreement concluded: October 17, 2012
- Closing date: At a later date to be determined between October and December 2012

## 6. Impact on MISUMI's Business Performance Results

If the acquisition is completed as anticipated, both companies will be made subsidiaries approximately during the FY2012 3Q (Oct-Dec). The impact of this acquisition on consolidated business performance in FY2012 is negligible, so we currently have no plans to revise our forecasts. Moving forward, we will provide prompt notification if something requiring disclosure arises.