

MISUMI Group Inc.
FY2018 (ending March 2019)
Full year earnings report

May 10, 2019
Representative Director, President and CEO
Ryusei Ono

FY18 full year earnings overview

FX rates (vs Yen)	FY17 actual	FY18 actual
USD	110.9 yen	110.7 yen
EUR	129.4 yen	128.4 yen
RMB	16.7 yen	16.5 yen

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FY18 market conditions and MISUMI's initiatives

"Digital manufacturing" trend remains unchanged
Automation needs are evident worldwide

Currently however,

Equipment demand has weakened due to sluggish automobile and smartphone sales

Unpredicted US-China trade conflict has prolonged, and willingness to invest in manufacturing decelerated month after month

MISUMI

- **Continued to make innovation to the business model adapted to digital manufacturing**
- **Responded to demand decrease by delaying the operational start of newly established sites**

A year in which offense and defense were balanced for sustainable growth

FY18 full year earnings overview

Customer number increase secured YoY sales growth amid abrupt slowdown namely in China and South Korea

Investment for business model innovation continued, whilst thoroughly managing expenses accordingly to the decreased demand

Category	FY17	FY18			
		Plan	Actual	Percentage change	
	Actual			YoY	vs plan
Net sales	312,969	335,200	331,936	+6.1%	▲1.0%
Operating income (before amortization of goodwill, etc.)*	36,465	33,400	32,490	▲10.9%	▲2.7%
Margin	11.7%	10.0%	9.8%	▲1.9pt	▲0.2pt
Operating income	34,848	32,800	31,874	▲8.5%	▲2.8%
Margin	11.1%	9.8%	9.6%	▲1.5pt	▲0.2pt
Ordinary income	34,679	32,800	31,815	▲8.3%	▲3.0%
Net income	25,601	23,500	24,034	▲6.1%	+2.3%

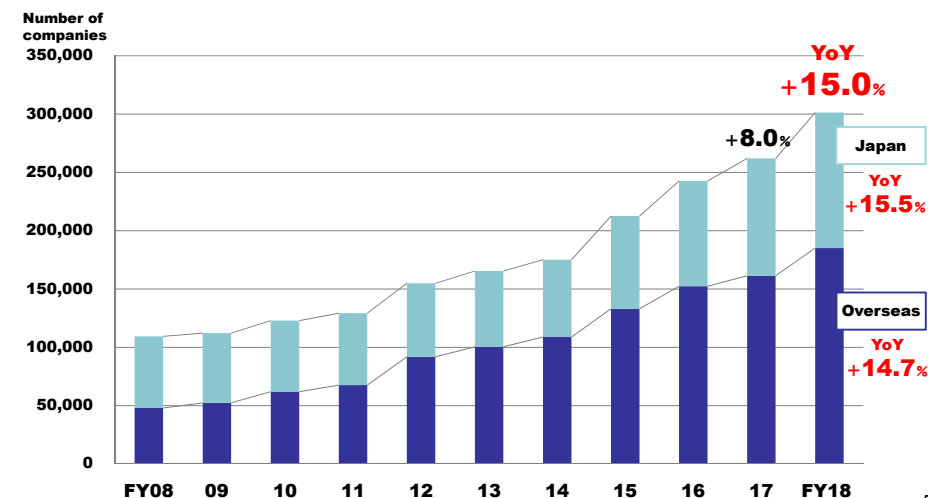
*Operating income before the amortization of goodwill and other intangible fixed assets associated with the acquisition of Dayton Lamina Corporation (DL)

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Transition of customer numbers

Reliable quick delivery and revamped EC websites tailored to customers' needs accelerated customer number growth

Despite demand slowdown, customer base steadily expanded demonstrating MISUMI's resilience to recession



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FY18 sales by business segment

FA : slowdown in China and S. Korea were offset by sales in Southeast Asia and Europe, and growth was secured in Japan

Die components : automotive demand in Japan, China and the U.S. slowed down, while market share in Asia grew

VONA : sales growth continued in Japan, along with sales driven by overseas expansion in SE Asia

Category	FY17	FY18		
		Actual	Actual	YoY
	Yen basis			Local currency basis
Total	312,969	331,936	+6.1%	+6.5%
FA business	105,184	109,230	+3.8%	+4.2%
Die components business	76,523	76,443	▲0.1%	+0.6%
VONA business	131,262	146,262	+11.4%	+11.7%

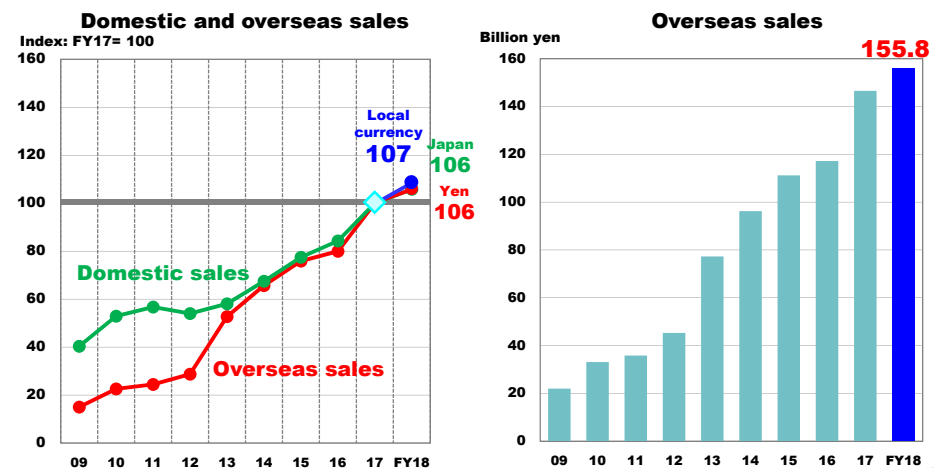
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FY18 domestic and overseas sales

Japan : VONA business growth continues, FA business sales slightly increased

Overseas : VONA was the growth driver in SE Asia while FA drove growth in Europe

Overseas sales grew 7.2% on a local currency basis, overseas sales ratio was 47%



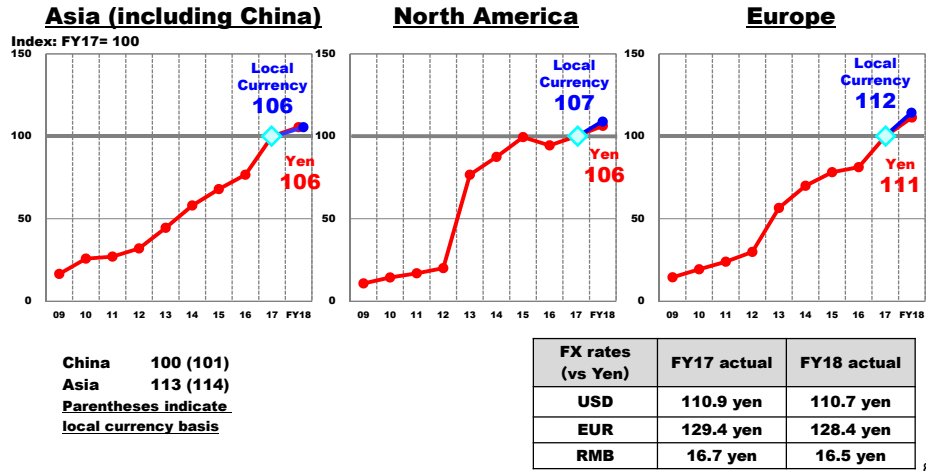
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FY18 sales by region (local currency basis)

Asia : reaped demand generated from mass production factories of automotive and electronics sector in SE Asia

North America : sales contribution from FA product lineup expansion in the automotive sector and market development in Mexico

Europe : superiority of reliable and quick delivery paved way to cultivate new customers from a broad range of industries



FY18 operating income by business segment

Continued to strengthen upfront investments for business model innovation

FA : maintained high profitability notwithstanding the impact of increased costs

Die components : profit increased owing to decrease in amortization of goodwill

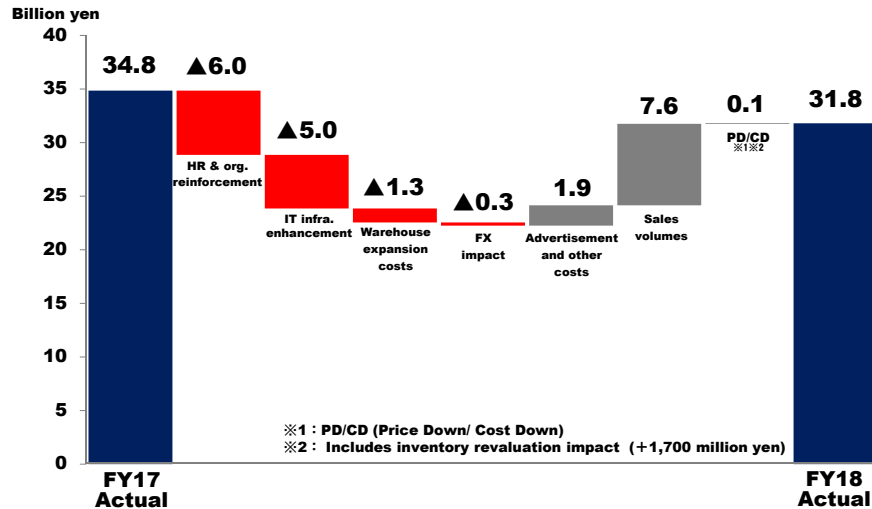
VONA : prioritized global expansion, namely SE Asia

Category	FY17		FY18			
	Actual	Margin	Actual		YoY	
			Margin	Yen basis	Local currency basis	
Total	34,848	11.1%	31,874	9.6%	▲8.5%	▲7.6%
FA business	20,171	19.2%	18,835	17.2%	▲6.6%	▲6.0%
Die components business	5,869	7.6%	6,109	8.0%	+4.1%	+5.1%
VONA business	9,010	6.9%	6,929	4.7%	▲23.1%	▲21.3%
Other factors and adjustments	▲203	-	-	-	-	-

FY18 operating income analysis (YoY)

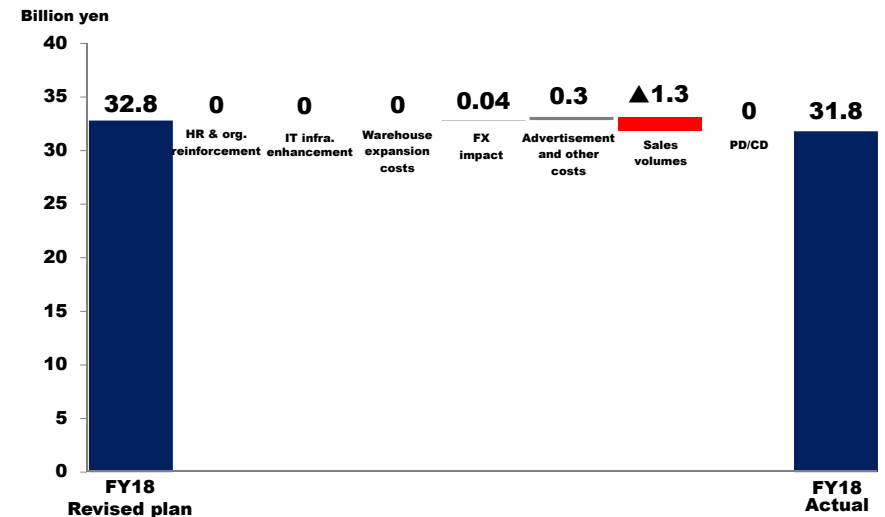
Continued to reinforce the business foundation of organization, IT and logistics sites expansion

Maintained high profitability from sales increase and reduction of advertisement and other costs



FY18 operating income analysis (compared to revised plan)

Thorough expense management was carried out in anticipation of declining demand in 2H, but could not cover the profound sales shortfall



FY19 full year consolidated earnings forecasts

FX rates (vs Yen)	FY18 actual	FY19 full-year plan
USD	110.7 yen	108.0 yen
EUR	128.4 yen	124.0 yen
RMB	16.5 yen	16.2 yen

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FY19 outlook and MISUMI's initiatives

China's economy continues to be opaque due to concerns over prolonged US-China trade conflict

Industry substituting smartphones that drove FA business has not yet appeared

In the short term, concerns over global economic slowdown is likely to intensify

However, advancements in digital manufacturing is accelerating

Long term: **business model innovation** adapted to digital manufacturing

Short term: **primarily dealing with temporary decrease in demand**

This is the year **MISUMI business model's true value** is put to the test

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FY19 full year earnings forecasts

Sales are projected to post a record high for nine consecutive years

Improvements will be made to profitability, whilst strengthening business model innovation initiatives

Million yen

Category	FY18	FY19	
	Actual	Plan	YoY
Net sales	331,936	355,000	+6.9%
Operating income (before amortization of goodwill, etc.)*	32,490	36,000	+10.8%
Margin	9.8%	10.1%	+0.3pt
Operating income	31,874	35,400	+11.1%
Margin	9.6%	10.0%	+0.4pt
Ordinary income	31,814	35,200	+10.6%
Net income	24,034	25,900	+7.8%

* Operating income before the amortization of goodwill and other intangible fixed assets associated with the acquisition of Dayton Lamina Corporation of North America (DL).

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FY19 sales forecasts by business segment

Growth will be maintained in FA and Die components by increasing the customer base leveraging the superiority of reliable and quick delivery

VONA will continue to grow by proactively increasing inventoried products to satisfy customers' quick delivery needs

Million yen

Category	FY18	FY19		
	Actual	Plan	YoY	
			Yen basis	Local currency basis
Total	331,936	355,000	+6.9%	+8.2%
FA business	109,230	113,033	+3.5%	+4.7%
Die components business	76,443	79,089	+3.5%	+5.4%
VONA business	146,262	162,879	+11.4%	+12.2%

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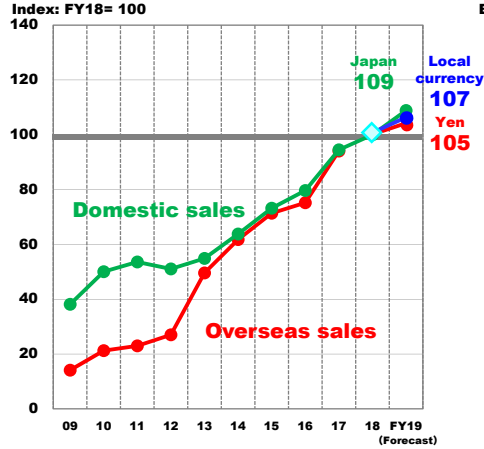
FY19 sales forecasts by business segment

Japan : VONA business continues to be the growth driver

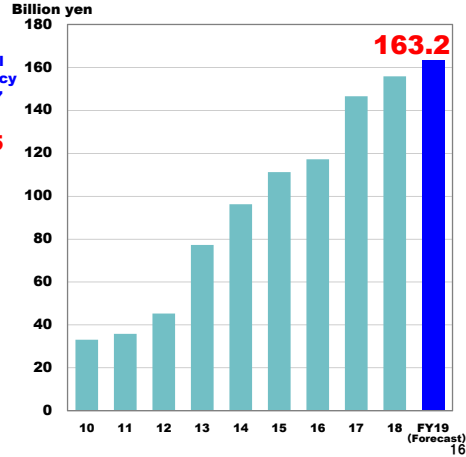
Overseas : China and S. Korea continues to grow at a low rate while VONA business in Asia continues to expand

Overseas sales is expected to increase by 7.4% on a local currency basis, with an overseas sales ratio of 46%

Domestic and overseas sales



Overseas sales



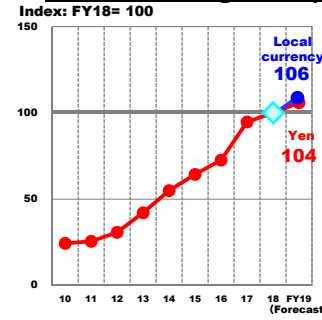
FY19 sales forecast by region (local currency basis)

Asia : increasing customer numbers and customers' demand by targeting mass production factories

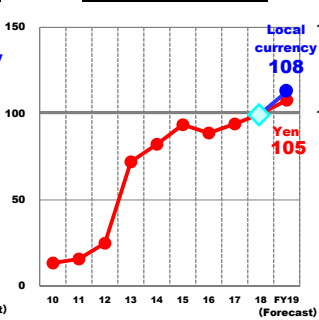
N. America : FA customer penetration sought by increasing product lineup and meeting regional standards; expansion of business in Mexico

Europe : reaping auto-related demand by strengthening reliable and quick delivery

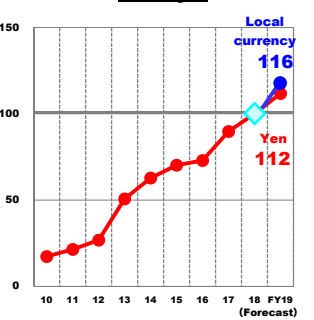
Asia (including China)



North America



Europe



China 102 (104)
Asia 106 (109)
Parentheses indicate local currency basis

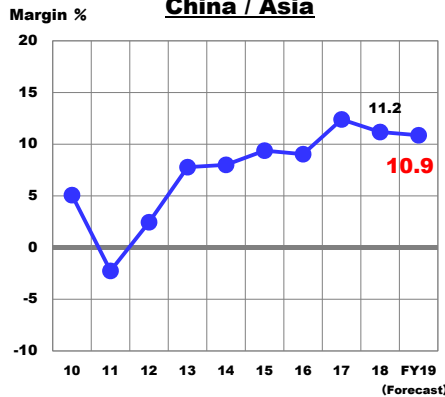
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FY19 operating income forecasts by region

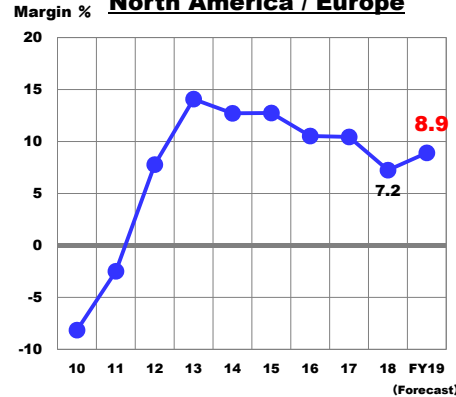
Continue to strengthen the business foundation within each region striving for business model innovation

Maintain profitability by thoroughly improving production efficiency and lowering procurement costs

China / Asia



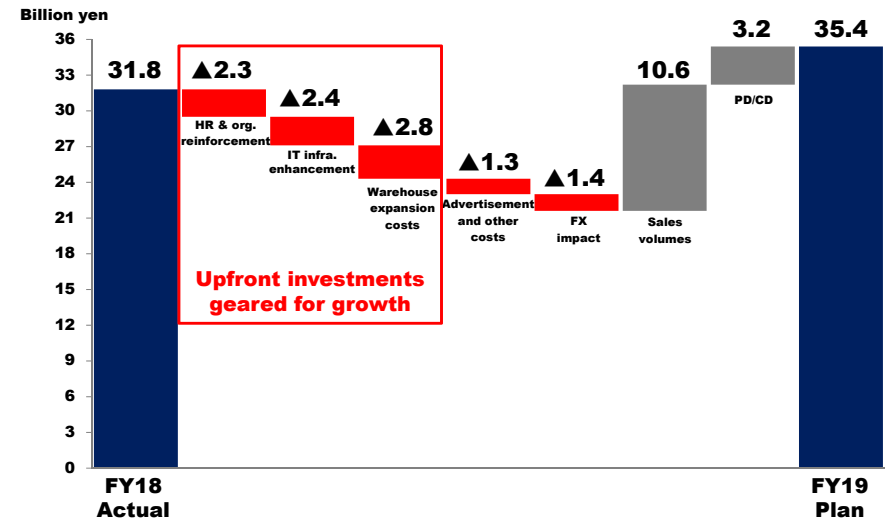
North America / Europe



FY19 operating income analysis (YoY)

Continue to deploy upfront investments for logistics sites expansion in Central Japan, East Japan, the U.S. and Europe

Projecting profit increase by sales volume increase and reduction of production / procurement costs

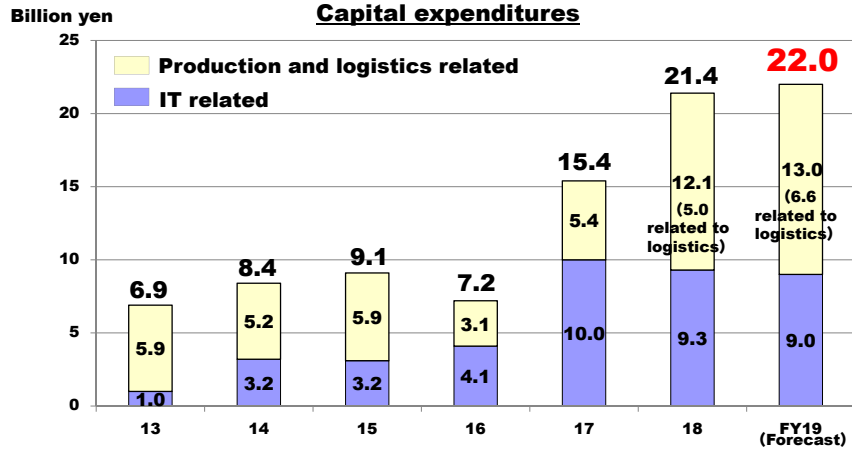


* 1. Based on operating income by region
2. Beginning with FY12, operating income (margin) is disclosed as two regions: Americas & Europe and China & rest of Asia
3. Calculation based on operating income before the amortization of goodwill and other intangible fixed assets associated with the acquisition of Dayton Lamina Corporation (DL)

Investment plan

Continuing to make investments to strengthen the business foundation by striving for business model

Further reinforcements to the global reliable quick delivery system will be attained by expanding logistics sites among other initiatives

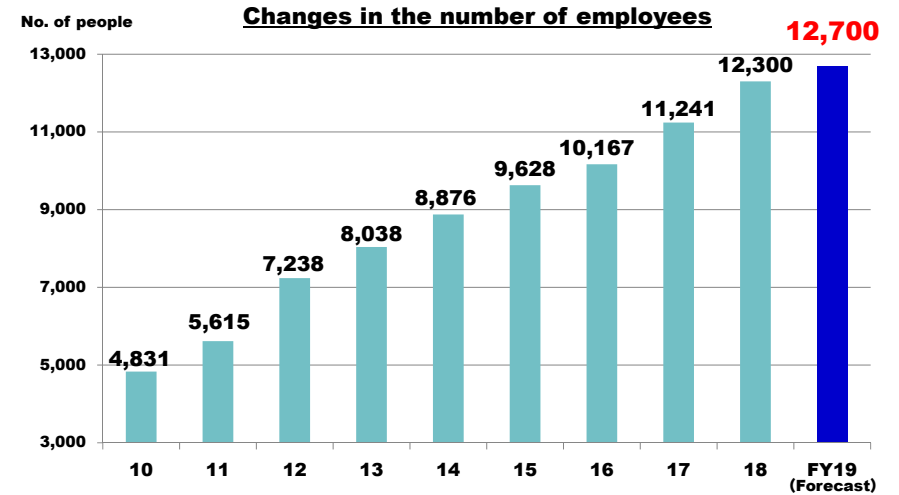


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Recruitment plan

Organizational reinforcement shall continue as business expansion progress globally, all the while pursuing efficiency

In Japan, East Japan Distribution Center relocation and floor space expansion is scheduled, and the organizational reinforcement is planned

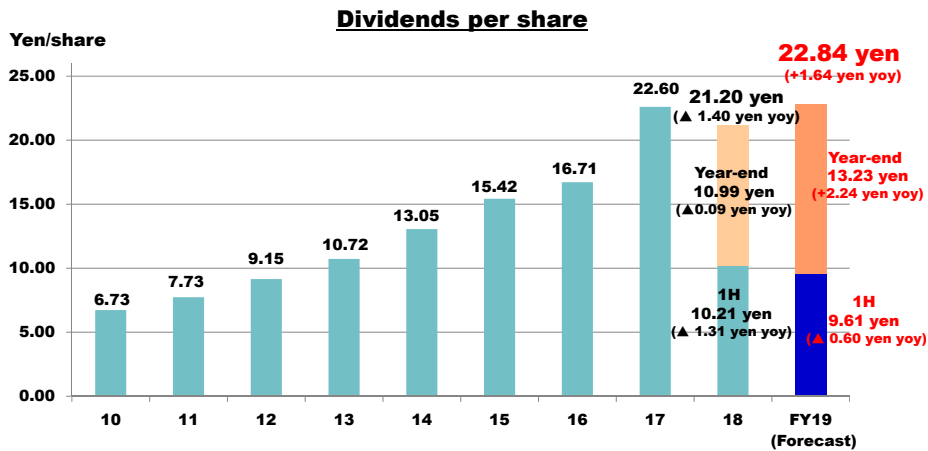


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Shareholder return

Scheduled to pay a full-year dividend of 21.20 yen per share for FY18

Annual dividend for FY19 is expected to be 22.84 yen per share (payout ratio of 25%)

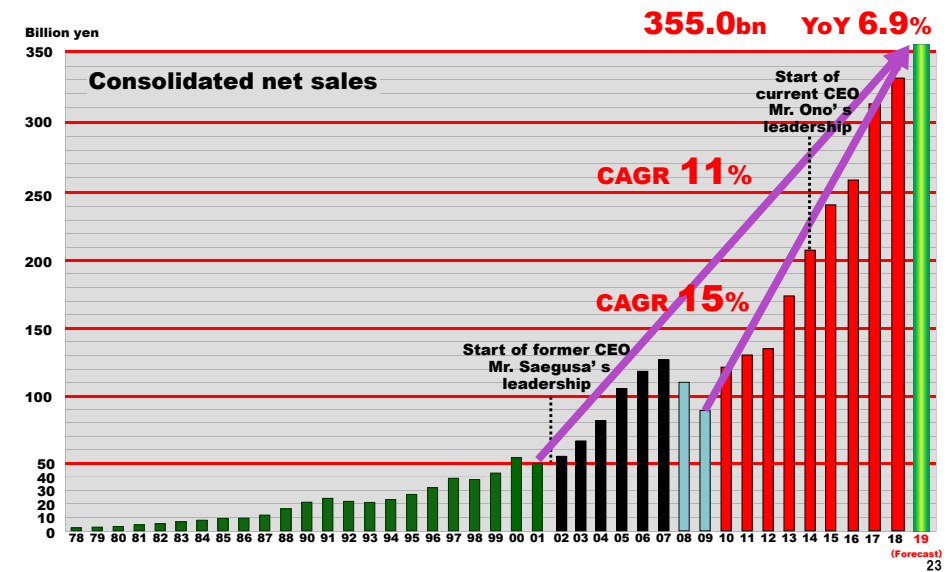


* Effective July 1, 2015, we executed a 3-for-1 stock split. Past DPS amounts have been adjusted to reflect the split

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Summary

Aiming to achieve sustainable growth via strategic management and through our own unaided efforts



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