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Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [Japanese GAAP]



May 11, 2017

Company name: MISUMI Group Inc.
Ticker Code: 9962

Stock exchange listing: Tokyo Stock Exchange
URL: <http://www.misumi.co.jp>

Representative: Ryusei Ono, Representative Director, President and CEO

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Scheduled date of Annual General Meeting of Shareholders: June 15, 2017

Scheduled date of dividend payments: June 21, 2017

Scheduled date of filing securities report: June 23, 2017

Preparation of supplemental explanatory materials: Yes (materials for institutional investors)

Holding of financial results meeting: Yes (meeting for institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2017	259,015	7.9	27,127	5.6	26,462	5.3	18,387	8.8
March 31, 2016	240,139	15.1	25,690	8.1	25,119	7.6	16,907	18.3

(Note) Comprehensive income: Fiscal year ended March 31, 2017: ¥16,141 million (27.0%)
Fiscal year ended March 31, 2016: ¥12,711 million (31.8)%

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2017	66.94	64.70	12.4	13.0	10.5
March 31, 2016	61.65	57.94	12.4	13.3	10.7

(Reference) Equity in earnings of associates:

Fiscal year ended March 31, 2017: ¥52 million

Fiscal year ended March 31, 2016: ¥47 million

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. Basic earnings per share and diluted earnings per share were calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	212,041	155,658	72.9	560.79
As of March 31, 2016	194,186	142,333	72.8	515.39

(Reference) Shareholders' equity: As of March 31, 2017: ¥154,530 million
As of March 31, 2016: ¥141,462 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2017	19,508	(6,056)	(4,008)	47,840
March 31, 2016	16,714	(9,470)	(3,581)	39,204

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2016	Yen –	Yen 7.37	Yen –	Yen 8.05	Yen 15.42
Fiscal year ended March 31, 2017	–	7.61	–	9.10	16.71
Fiscal year ending March 31, 2018 (Forecast)	–	9.17	–	10.43	19.60

	Amount of dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
Fiscal year ended March 31, 2016	Million yen 4,231	% 25.0	% 3.1
Fiscal year ended March 31, 2017	4,597	25.0	3.1
Fiscal year ending March 31, 2018 (Forecast)		25.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter-end (Cumulative)	138,000	13.3	14,800	11.3	14,500	10.6	10,100	21.0	36.65
Full year	290,000	12.0	31,700	16.9	31,100	17.5	21,600	17.5	78.39

* Notes:

- (1) Changes in significant consolidated subsidiaries during the fiscal year (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None

(Note) For details, please refer to page 14 of the attached document, “3. Consolidated Financial Statements and Primary Notes (5) Notes to the Consolidated Financial Statements (Changes in accounting policies).”

(3) Total number of shares outstanding (common shares)

1) Total number of shares outstanding at the end of the fiscal year (including treasury stock):

As of March 31, 2017: 275,689,140 shares

As of March 31, 2016: 274,606,752 shares

2) Total number of treasury stock at the end of the fiscal year:

As of March 31, 2017: 129,178 shares

As of March 31, 2016: 128,812 shares

3) Average number of shares outstanding during the fiscal year:

Fiscal year ended March 31, 2017: 274,691,800 shares

Fiscal year ended March 31, 2016: 274,250,265 shares

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. The total number of shares outstanding (common shares) was calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2017	16,869	24.6	4,689	42.9	5,091	37.1	5,075	40.3
March 31, 2016	13,543	2.3	3,282	1.2	3,715	17.6	3,617	17.7

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2017	18.48	17.78
March 31, 2016	13.19	11.01

(Note) The Company executed a three-for-one stock split of its common stock effective July 1, 2015. Basic earnings per share and diluted earnings per share were calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2017	85,943	53,956	62.0	193.36
March 31, 2016	77,167	51,656	66.5	186.95

(Reference) Shareholders' equity: As of March 31, 2017: ¥53,281 million

As of March 31, 2016: ¥51,313 million

* The report of consolidated financial results is outside the scope of audit.

* Explanation on the appropriate use of forecasts and other notes

- The earnings forecasts and other forward-looking statements herein are based on information available to the Company at the time of preparation and certain assumptions deemed to be reasonable, and actual results may differ significantly from the forecasts due to various factors. For the assumptions on the earnings forecasts and notes on their use, please refer to "1. Overview of Business Results, etc. (4) Future Outlook" on page 5 of the attached document.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year

In the consolidated fiscal year, major economies around the world, including Japan, continued to generally trend slowly toward recovery. In the United States, the economy continued to rebound underpinned by consumer spending and inventory investments. In China, there were signs that economic growth had picked back up owing in part to benefits from various government policies and a strong increase in consumer spending. Meanwhile, at home there were indications that consumer spending and capital investments had bounced back. In addition, there was an improvement to corporate earnings and employment trends.

Amid this economic environment, the MISUMI Group is leveraging its unique business, encompassing both manufacturing and distribution operations. The goal of the group is to contribute to the manufacturing industry worldwide while simultaneously accelerating business expansion by widening its business infrastructure globally and eliminating customer inefficiency. In an effort to address a new wave of manufacturing that positions IT at its core, we improved our competitive strength by continuing to implement Internet strategies.

In addition, we strengthened our global reliable, short delivery system. As a localization strategy, we are promoting local production-local procurement initiatives, with the goal of providing optimal sourcing. There was unfavorable impact from forex fluctuations, however, thanks to the aforementioned initiatives and other measures, our consolidated earnings growth was propelled by an increase in sales mainly in the Factory Automation (FA) Business, where we benefitted from a rise in demand in the automotive industry and electronics industry, and growth in the VONA Business, which benefited from an increase in customer base and an expansion in the number of manufacturers for which we distribute products.

Reflecting this performance, we achieved record highs for net sales and profits across the board. We posted consolidated net sales of ¥259,015 million, a rise of 7.9% year-on-year. In the profit front, we recorded operating income of ¥27,127 million, an increase of 5.6%, and ordinary income of ¥26,462 million, a growth of 5.3%. Net income attributable to owners of parent totaled ¥18,387 million, an increase of 8.8%.

(Million yen)

	Net Sales			Operating Income		
	Previous Consolidated fiscal year	Current Consolidated fiscal year	Percentage Change (%)	Previous Consolidated fiscal year	Current Consolidated fiscal year	Percentage Change (%)
Factory Automation (FA) Businesses	76,369	84,669	10.9	12,159	14,417	18.6
Die Components Businesses	69,732	69,797	0.1	3,464	3,097	(10.6)
VONA Business	93,758	104,548	11.5	10,249	9,950	(2.9)
Adjustments	279	—	—	—182	—338	—
Total	240,139	259,015	7.9	25,690	27,127	5.6

• Business performance at our reportable segments

We revised our reportable segments at the start of the fiscal year. For the purpose of year-on-year comparisons, we reclassified our reportable segment in the previous fiscal year under the new reportable segments. For details see 3. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Segment information).

① Factory Automation (FA)

In the FA Business, demand is increasing globally for reliable, short delivery times for FA components. In light of this, we are steadily instilling the MISUMI model to actively secure brisk demand for automation in the automotive and electronics related industries. Reflecting this, despite the unfavorable impact from forex fluctuation, we posted segment sales of ¥84,669 million (up 10.9% from a year earlier) on contribution from an expansion in sales in Japan, China, and other parts of Asia. Consequently, operating income was ¥14,417 million (up 18.6% from a year earlier).

② Die Components

In the Die Components Business, although sales momentum was brisk in China, other parts of Asia, and Europe, in part reflecting activities to expand sales to the automotive related industry, our major customers, segment sales were ¥69,797 million (up 0.1% from a year earlier), due in part to unfavorable impact from forex fluctuations. Operating income was ¥3,097 million (down 10.6% from a year earlier), partly attributable to unfavorable forex impact and an increase in costs associated with business expansion.

③ VONA

The VONA Business is the MISUMI Group's distribution business. Operations consist of the third-party products as well as MISUMI brand products. Our product lineup ranges from components for production equipment to materials for production activities and maintenance, repair and operations (MRO) consumable parts. We expanded our product lineup. We now handle parts from 2,900 manufacturers, which boosted the total number of products we distribute to 17.5 million products. We posted segment sales of ¥104,548 million (up 11.5% from a year earlier), owing to the aforementioned undertakings and benefits from aggressive sales expansion tactics. Meanwhile, operating income was ¥9,950 million (down 2.9% from a year earlier).

(2) Overview of Financial Position for the Fiscal Year

• Assets, liabilities and net assets

1) Assets

Total assets as of the end of fiscal year were ¥212,041 million, up ¥17,855 million (9.2%) compared to the previous year-end. Current assets were ¥160,281 million, up ¥19,486 million (13.8%). This increase was mainly attributable to an increase of ¥10,288 million (19.5%) in cash and deposits, an increase of ¥8,474 million (17.2%) in notes and accounts receivable - trade, an increase of ¥2,742 million (12.1%) in merchandise and finished goods. Non-current assets were ¥51,759 million, down ¥1,631 million (3.1%). Property, plant and equipment were ¥27,874 million, down ¥1,306 million (4.5%). Intangible assets decreased ¥702 million (3.6%) to ¥19,012 million. Investments and other assets increased ¥377 million (8.4%) to ¥4,873 million.

2) Liabilities

Total liabilities were ¥56,382 million, up ¥4,529 million (8.7%) compared to the previous year-end. Current liabilities were ¥37,246 million, up ¥5,661 million (17.9%). This increase was mainly attributable to increases of ¥3,081 million (51.8%) in account payable - other, an increase of ¥2,560 million (17.8%) in notes and accounts payable - trade. Long-term liabilities were ¥19,135 million, down ¥1,131 million (5.6%).

As a result, the current ratio was 4.3 times, and the Company maintained high stability.

3) Net assets

Total net assets were ¥155,658 million, up ¥13,325 million (9.4%) compared to the previous year-end. Shareholders' equity increased ¥15,249 million (11.0%) mainly due to an increase of ¥14,056 million (12.3%) in retained earnings. Accumulated other comprehensive income including foreign currency translation adjustments decreased ¥2,181 million (73.0%).

As a result, the equity ratio was 72.9%, compared to the 72.8% marked at the end of the previous year.

(3) Overview of Cash Flows for the Fiscal Year

• Cash flows

At the end of the fiscal year, cash and cash equivalents amounted to ¥47,840 million, an increase of ¥8,636 million compared to the previous year-end.

1) Cash flows from operating activities

Cash inflows from operating activities were ¥19,508 million, an increase of ¥2,794 million compared to the previous year.

The breakdown of cash flows from operating activities is as follows. Income before income taxes was ¥26,071 million. Depreciation and amortization was ¥5,901 million. Amortization of goodwill was ¥1,707 million. A decrease in provision of bonuses was ¥170 million. An increase in notes and accounts receivable - trade was ¥8,785 million. An increase in inventories was ¥4,453 million. An increase in notes and accounts payable - trade was ¥2,851 million. Income taxes paid were ¥9,454 million.

2) Cash flows from investing activities

Cash outflows from investing activities were ¥6,056 million, a decrease of ¥3,413 million compared to the previous year. The breakdown of cash flows from investing activities is as follows. The purchase of fixed assets was ¥7,219 million. Payments into time deposits were ¥31,743 million. Refund from time deposits was ¥30,285 million.

3) Cash flows from financing activities

Cash outflows from financing activities were ¥4,008 million, an increase of ¥426 million compared to the previous year. The main item of cash flows from financing activities was dividends paid of ¥4,299 million.

(Reference) Trend of cash flow indicators

	Fiscal year ended March 2013	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2016	Fiscal year ended March 2017
Equity ratio (%)	75.6	71.1	71.5	72.8	72.9
Equity ratio (market value basis) (%)	172.0	159.4	239.8	227.7	261.5
Interest-bearing debt to cash flow ratio (%)	8.7	72.3	106.3	67.4	53.3
Interest coverage ratio (times)	2,095.6	1,691.2	1,470.3	5,179.8	4,972.6

1. Equity ratio: Shareholders' equity / Total assets

2. Equity ratio (market value basis): Total market capitalization / Total assets

3. Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

4. Interest coverage ratio: Cash flows / Interest expenses

Notes:

1. All indicators are calculated using consolidated financial figures.

2. Total market capitalization is calculated by multiplying the closing share price at the end of the fiscal year with the number of outstanding shares (excluding treasury stock) as of that date.

3. Cash flows are cash flows from operating activities stated in the consolidated statements of cash flows. Interest-bearing debt includes bonds with subscription rights to shares. Interest expenses are interest expenses paid stated in the consolidated statements of cash flows.

(4) Future Outlook

Major economies around the world, including Japan, are expected to continue on a modest trajectory toward recovery. However, the outlook is likely to remain murky. There are a number of uncertainties overseas and fluctuations in the finance and capital markets such as impact from the United States' move to normalize financial policy and economic sentiment in emerging economies in Asia, including China. In addition, geopolitical risks should also be closely monitored.

Amid this market environment, the MISUMI Group plans to move forward the expansion of its product lineup and the strengthening of its cost competitiveness. In addition, we also look to reinforce our global reliable, short delivery system and further expand our business operations in the global market to increase our market share.

Reflecting these strategies, in the fiscal year ending March 31, 2018, MISUMI Group aims for another consecutive year of record-high net sales, operating income, and net income attributable to owners of parent. We forecast net sales of ¥290.0 billion, operating income of ¥31.7 billion (operating income prior to depreciation and goodwill amortization of ¥33.3 billion*), and net income attributable to owners of parent of ¥21.6 billion.

(Forex assumptions: ¥108/USD, ¥116/EUR, ¥15.8/RMB)

*(Note)

Operating income factors in the amortization of goodwill and other intangible assets related to the acquisition of Dayton Lamina Corporation.

[Considerations related to estimated earnings]

The outlook for the year ending March 2018 and the future posted in this document has been prepared on the basis of information that is available at the current point in time, such as the domestic and foreign economic climate, changes in the exchange rates of various currencies, and other factors that may affect business performance, that has been determined as logical by MISUMI Group Inc., but include risks and uncertainties. Therefore, please refrain from making investment decisions solely on the basis of such outlook. The actual business performance may differ greatly from this outlook based on various factors.

Such factors include the economic climate, market trends and exchange rates that affect MISUMI Group Inc.

(5) Significant Events Concerning Going Concern Assumption

Not applicable

2. Basic Policy Regarding Selection of Accounting Standards

The Group intends to consider adopting the International Financial Reporting Standards (IFRS) in view of the trend of the ratio of foreign shareholders and the trend in IFRS adoption by other companies in Japan from now on.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	52,891	63,179
Notes and accounts receivable - trade	49,373	57,847
Merchandise and finished goods	22,706	25,448
Work in process	1,894	2,215
Raw materials and supplies	5,458	5,646
Deferred tax assets	2,604	3,010
Income taxes receivable	1,067	780
Other	5,055	2,454
Allowance for doubtful accounts	(257)	(301)
Total current assets	140,795	160,281
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,408	17,373
Accumulated depreciation	(6,797)	(7,662)
Buildings and structures, net	10,611	9,711
Machinery, equipment and vehicles	23,271	24,662
Accumulated depreciation	(12,213)	(13,207)
Machinery, equipment and vehicles, net	11,057	11,454
Land	3,725	3,712
Construction in progress	2,124	1,240
Other	6,072	6,352
Accumulated depreciation	(4,411)	(4,596)
Other, net	1,661	1,756
Total property, plant and equipment	29,180	27,874
Intangible assets		
Software	6,159	9,568
Goodwill	3,457	1,011
Other	10,097	8,432
Total intangible assets	19,714	19,012
Investments and other assets		
Investment securities	27	6
Deferred tax assets	1,886	1,924
Other	2,703	3,138
Allowance for doubtful accounts	(122)	(195)
Total investments and other assets	4,495	4,873
Total non-current assets	53,391	51,759
Total assets	194,186	212,041

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,414	16,974
Accounts payable - other	5,951	9,033
Income taxes payable	3,847	3,332
Provision for bonuses	2,383	2,286
Provision for directors' bonuses	310	242
Other	4,679	5,378
Total current liabilities	31,585	37,246
Long-term liabilities		
Bonds with subscription rights to shares	11,268	10,388
Deferred tax liabilities	3,462	2,663
Liability for retirement benefits	3,992	4,509
Other	1,544	1,573
Total long-term liabilities	20,267	19,135
Total liabilities	51,853	56,382
Net assets		
Shareholders' equity		
Common stock	6,996	7,593
Capital surplus	17,385	17,982
Retained earnings	114,169	128,226
Treasury stock	(76)	(76)
Total shareholders' equity	138,475	153,724
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(6)	—
Foreign currency translation adjustments	3,065	863
Defined retirement benefit plans	(72)	(57)
Total accumulated other comprehensive income	2,986	805
Stock acquisition rights	342	675
Non-controlling interests	527	453
Total net assets	142,333	155,658
Total liabilities and net assets	194,186	212,041

(2) Consolidated Statement of Income and Comprehensive Income

Consolidated Statement of Income

For the Fiscal Year Ended March 31, 2017 and 2016

(Millions of yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net sales	240,139	259,015
Cost of sales	139,096	151,564
Gross profit	101,043	107,451
Selling, general and administrative expenses	75,352	80,323
Operating income	25,690	27,127
Non-operating income		
Interest income	253	192
Share of profit of entities accounted for using equity method	47	52
Subsidy income	—	49
Miscellaneous income	235	217
Total non-operating income	536	511
Non-operating expenses		
Interest expenses	3	4
Sales discounts	66	69
Foreign exchange losses	911	909
Contribution for establishing an educational institute	—	100
Miscellaneous loss	126	93
Total non-operating expenses	1,108	1,176
Ordinary income	25,119	26,462
Extraordinary income		
Gain on reversal of foreign currency translation adjustment resulting from liquidation of foreign subsidiary	109	—
Total extraordinary income	109	—
Extraordinary losses		
Loss on business restructuring	225	391
Total extraordinary losses	225	391
Income before income taxes	25,003	26,071
Income taxes - current	8,858	8,601
Income taxes - deferred	(805)	(888)
Income taxes	8,053	7,713
Net income	16,950	18,357
Net income(loss) attributable to non-controlling interests	42	(29)
Net income attributable to owners of parent	16,907	18,387

Consolidated Statement of Comprehensive Income
For the Fiscal Year Ended March 31, 2017 and 2016

(Millions of yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net income	16,950	18,357
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	(13)	6
Foreign currency translation adjustments	(4,192)	(2,225)
Defined retirement benefit plans	(28)	14
Share of other comprehensive income (loss) in associates	(4)	(11)
Total other comprehensive income	(4,238)	(2,216)
Comprehensive income	12,711	16,141
Comprehensive income attributable to		
Owners of parent	12,700	16,206
Non-controlling interests	11	(64)

(3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	6,840	17,229	100,947	(73)	124,944
Changes of items during fiscal year					
Issuance of new shares	155	155	—	—	311
Dividends of surplus	—	—	(3,684)	—	(3,684)
Net income attributable to owners of parent	—	—	16,907	—	16,907
Purchase of treasury stock	—	—	—	(3)	(3)
Disposal of treasury stock	—	0	—	0	0
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during fiscal year	155	156	13,222	(3)	13,531
Balance at end of fiscal year	6,996	17,385	114,169	(76)	138,475

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustment	Defined retirement benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	7	7,230	(43)	7,194	228	516	132,883
Changes of items during fiscal year							
Issuance of new shares	—	—	—	—	—	—	311
Dividends of surplus	—	—	—	—	—	—	(3,684)
Net income attributable to owners of parent	—	—	—	—	—	—	16,907
Purchase of treasury stock	—	—	—	—	—	—	(3)
Disposal of treasury stock	—	—	—	—	—	—	0
Net changes of items other than shareholders' equity	(13)	(4,165)	(28)	(4,207)	113	11	(4,082)
Total changes of items during fiscal year	(13)	(4,165)	(28)	(4,207)	113	11	9,449
Balance at end of fiscal year	(6)	3,065	(72)	2,986	342	527	142,333

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	6,996	17,385	114,169	(76)	138,475
Changes of items during fiscal year					
Issuance of new shares	596	596	—	—	1,193
Dividends of surplus	—	—	(4,299)	—	(4,299)
Net income attributable to owners of parent	—	—	18,387	—	18,387
Effect resulting from change of accounting period of certain consolidated subsidiaries	—	—	(30)	—	(30)
Purchase of treasury stock	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during fiscal year	596	596	14,056	(0)	15,249
Balance at end of fiscal year	7,593	17,982	128,226	(76)	153,724

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustment	Defined retirement benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	(6)	3,065	(72)	2,986	342	527	142,333
Changes of items during fiscal year							
Issuance of new shares	—	—	—	—	—	—	1,193
Dividends of surplus	—	—	—	—	—	—	(4,299)
Net income attributable to owners of parent	—	—	—	—	—	—	18,387
Effect resulting from change of accounting period of certain consolidated subsidiaries	—	—	—	—	—	—	(30)
Purchase of treasury stock	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	6	(2,201)	14	(2,181)	332	(74)	(1,923)
Total changes of items during fiscal year	6	(2,201)	14	(2,181)	332	(74)	13,325
Balance at end of fiscal year	—	863	(57)	805	675	453	155,658

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes	25,003	26,071
Depreciation and amortization	6,029	5,901
Amortization of goodwill	1,892	1,707
Increase (decrease) in liability for retirement benefits	402	538
Increase (decrease) in provision for bonuses	966	(170)
Increase (decrease) in provision for directors' bonuses	(27)	(67)
Increase (decrease) in allowance for doubtful accounts	52	100
Interest and dividend income	(253)	(192)
Interest expenses	3	4
Share-based compensation expenses	162	395
Foreign exchange losses (gains)	(42)	633
Share of (profit) loss of entities accounted for using equity method	(47)	(52)
Gain on reversal of foreign currency translation adjustments resulting from liquidation of foreign subsidiary	(109)	—
Loss on business restructuring	225	391
(Increase) decrease in notes and accounts receivable - trade	(6,344)	(8,785)
(Increase) decrease in inventories	(1,916)	(4,453)
Increase (decrease) in accounts payable - other	(637)	2,092
(Increase) decrease in consumption taxes refund receivable	66	307
Increase (decrease) in notes and accounts payable - trade	1,586	2,851
(Increase) decrease in other assets	(156)	(151)
Increase (decrease) in other liabilities	(700)	898
Subtotal	26,156	28,020
Interest and dividend income received	305	233
Interest expenses paid	(3)	(3)
Income taxes refund	778	713
Income taxes paid	(10,524)	(9,454)
Net cash provided by operating activities	16,714	19,508

(Millions of yen)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Cash flows from investing activities		
Proceeds from sales and redemption of marketable securities	1,600	23
Purchase of fixed assets	(9,126)	(7,219)
Proceeds from sales of fixed assets	496	4
Payments into time deposits	(24,597)	(31,743)
Refund from time deposits	24,348	30,285
Collection of loans receivable	36	21
Payments for lease and guarantee deposits	(400)	(608)
Proceeds from collection of lease and guarantee deposits	268	316
Other, net	(2,096)	2,862
Net cash used in investing activities	(9,470)	(6,056)
Cash flows from financing activities		
Repayments of long-term loans payable	(45)	—
Increase (decrease) in short-term bank loans, net	(110)	—
Proceeds from issuance of stock	262	291
Purchase of treasury stock	(3)	(0)
Proceeds from disposal of treasury stock	0	—
Dividends paid	(3,684)	(4,299)
Net cash used in financing activities	(3,581)	(4,008)
Effect of exchange rate change on cash and cash equivalents	(1,724)	(25)
Net increase (decrease) in cash and cash equivalents	1,937	9,417
Cash and cash equivalents at beginning of fiscal year	37,267	39,204
Net increase (decrease) in cash and cash equivalents resulting from change in fiscal year of consolidated subsidiaries	—	(781)
Cash and cash equivalents at end of fiscal year	39,204	47,840

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Changes in accounting policies)

(Change in depreciation method for property, plant and equipment)

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 32, June 17, 2016) from the fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The impact of this change on the consolidated financial statements for the fiscal year is immaterial.

(Additional information)

(Changes in matters concerning fiscal year of consolidated subsidiaries)

To more accurately disclose our consolidated financial results, starting from the fiscal year, MISUMI (CHINA) PRECISION MACHINERY TRADING CO., LTD and other 27 consolidated subsidiaries, which officially settle their accounts on December 31st of each year, will conduct a provisional book-closing on March 31, in line with our fiscal year, to facilitate our preparation of consolidated financial statements. Accordingly, we prepared our consolidated financial statements for the fiscal year (April 1, 2016-March 31, 2017). Note that profits/losses posted in the January 1, 2016-March 31, 2016 quarter have been reflected as a change in retained earnings.

(Accounting treatment in relation to adoption of consolidated taxation system)

During the fiscal year, the Company and certain consolidated subsidiaries in Japan filed for approval for the adoption of the consolidated taxation system, and the application of the consolidated taxation system is to start from the next fiscal year. Therefore, in accordance with the Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1) (ASBJ PITF No. 5, January 16, 2015) and the Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2) (ASBJ PITF No. 7, January 16, 2015), the Company has applied accounting procedures based on the application of the consolidated taxation system from the fiscal year.

(Changes in presentation)

Not applicable

(Changes in accounting estimates)

Not applicable

(Segment information)

[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 has operational headquarters for each product or service in MISUMI Corporation. Each operational headquarters plans overall strategies for both domestic and overseas markets and conducts business related to its own products or services.

Accordingly, the Group comprises segments by product or service based on the operational headquarters, and there are 3 reportable segments: “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 press 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 computing net sales and segment income by reportable segment

Accounting treatment applied for reportable business segments is largely consistent with those described in “Basis of Presentation of Consolidated Financial Statements” except for adjustments for the difference of the closing date of consolidated subsidiaries from the consolidated closing date.

Income of reportable segments is presented on an operating income basis.

3. Net sales and segment income by reportable segment

For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	76,369	69,732	93,758	239,859	279	240,139
Internal sales to other segments	–	–	–	–	–	–
Total	76,369	69,732	93,758	239,859	279	240,139
Segment income	12,159	3,464	10,249	25,873	(182)	25,690

Segment income before amortization of goodwill*	12,159	6,001	10,249	28,410	(182)	28,228
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*(Note)

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

(Note) For the Group's internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Sales to customers	84,669	69,797	104,548	259,015	–	259,015
Internal sales to other segments	–	–	–	–	–	–
Total	84,669	69,797	104,548	259,015	–	259,015
Segment income	14,417	3,097	9,950	27,465	(338)	27,127

Segment income before amortization of goodwill*	14,417	5,391	9,950	29,759	(338)	29,421
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*(Note)

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

(Note) For the Group's internal management, assets (or liabilities) are not allocated to reportable segments. Thus, assets (or liabilities) by reportable segment are not presented.

4. Differences between the total amount of reportable segments and the amounts in consolidated statement of income, and major breakdown of such differences (reconciliation)

(Millions of yen)

Net sales	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Total of reportable segment	239,859	259,015
Adjustments due to the different closing date of consolidated subsidiaries from the consolidated closing date	(708)	—
Other	988	—
Net sales in consolidated statement of income	240,139	259,015

(Millions of yen)

Income	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Total of reportable segment	25,873	27,465
Adjustments due to the different closing date of consolidated subsidiaries from the consolidated closing date	(257)	—
Other	75	(338)
Operating income in consolidated statement of income	25,690	27,127

5. Matters concerning changes in reportable segments

Following the changes in the Group's organizational management structure, a portion of "FA Business" was classified to "VONA Business" from this fiscal year.

Net sales and segment income by reportable segment for the previous fiscal year have been recategorized under the new classification.

[Supplementary information]

For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

1. Information by product and service

Information by product and service is not presented because similar information is presented in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
128,938	38,567	28,824	27,129	12,115	4,563	240,139

(Note) Net sales represent the net sales of the Group in Japan and other countries or regions.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
10,058	8,039	6,699	2,972	1,410	29,180

3. Information by major customer

Information by major customer is not presented because sales to no specific customer account for 10% or more of net sales in the consolidated statement of income.

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

1. Information by product and service

Information by product and service is not presented because similar information is presented in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
140,301	43,401	32,637	25,794	12,588	4,291	259,015

(Note) Net sales represent the net sales of the Group in Japan and other countries or regions.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Vietnam	America	Others	Total
10,423	6,961	5,866	3,182	1,439	27,874

3. Information by major customer

Information by major customer is not presented because sales to no specific customer account for 10% or more of net sales in the consolidated statement of income.

[Information on impairment losses of fixed assets by reportable segment]

Not applicable

[Information on amortization of goodwill and unamortized balance by reportable segment]

For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable Segment	Total
	Die Components Business	
Amortization for the fiscal year ended March 31, 2016	1,892	1,892
Balance as of March 31, 2016	3,457	3,457

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segment	Total
	Die Components Business	
Amortization for the fiscal year ended March 31, 2017	1,707	1,707
Balance as of March 31, 2017	1,011	1,011

[Information on gain from negative goodwill by reportable segment]

Not applicable

(Per share information)

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Net assets per share	¥515.39	¥560.79
Basic earnings per share	¥61.65	¥66.94
Diluted earnings per share	¥57.94	¥64.70

Notes:

1. The basis for the calculation of net assets per share is as follows.

	As of March 31, 2016	As of March 31, 2017
Total net assets (Millions of yen)	142,333	155,658
Net assets pertaining to shares of common stock (Millions of yen)	141,462	154,530
Major components of the difference (Millions of yen)		
Stock acquisition rights	342	675
Non-controlling interests	527	453
Number of shares of common stock outstanding (Thousands of shares)	274,606	275,689
Number of treasury stock (Thousands of shares)	128	129
Number of shares of common stock used for calculation of net assets per share (Thousands of shares)	274,477	275,559

2. The basis for the calculation of basic earnings per share and diluted basic earnings per share is as follows.

	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Basic earnings per share		
Basic earnings attributable to owners of parent (Millions of yen)	16,907	18,387
Amount not attributable to common shareholders (Millions of yen)	–	–
Basic earnings attributable to owners of parent pertaining to shares of common stock (Millions of yen)	16,907	18,387
Average number of shares of common stock in the fiscal year (Thousands of shares)	274,250	274,691
Diluted basic earnings per share		
Adjusted basic earnings attributable to owners of parent (Millions of yen)	(501)	(31)
Major components of the increase in the number of shares of common stock used for calculation of diluted basic earnings per share (Thousands of shares)		
Stock acquisition rights	781	870
Bonds with subscription rights to shares	8,156	8,156
Increase in the number of shares of common stock (Thousands of shares)	8,937	9,026
Summary of residual shares not included in calculation of diluted basic earnings per share because of no dilutive effect	–	–

(Significant Subsequent Events)

Not applicable