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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



January 27, 2023

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 Scheduled date of filing quarterly securities report: February 3, 2023
 Scheduled date of dividend payments: —
 Preparation of supplemental explanatory materials: None
 Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (Accumulated) (% 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	%
Nine months ended December 31, 2022	281,995	2.9	38,306	(8.6)	39,208	(6.7)	28,641	(4.2)
December 31, 2021	274,155	22.9	41,898	139.0	42,035	140.8	29,903	145.4

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥36,121 million 0.4%

Nine months ended December 31, 2021: ¥35,967 million 174.4%

	Net income per share	Net income per share (diluted)
	Yen	Yen
Nine months ended December 31, 2022	100.71	100.42
December 31, 2021	105.23	104.88

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	366,994	307,407	83.0
As of March 31, 2022	347,390	279,959	79.8

(Reference) Shareholders' equity: As of December 31, 2022: ¥304,442 million

As of March 31, 2022: ¥277,225 million

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	18.33	—	14.71	33.04
Fiscal year ending March 31, 2023	—	17.80	—		
Fiscal year ending March 31, 2023 (Forecast)				14.29	32.09

(Note) Revision of the latest forecast for cash dividends: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	377,000	3.0	49,000	(6.1)	50,000	(4.8)	36,500	(2.8)	128.30

(Note) Revision of the latest financial results forecasts: Yes

*Notes:

- (1) Changes in significant consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements: None
- (3) 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 “2. Quarterly Consolidated Financial Statements and Primary Notes, (4) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)” on page 9 of the attached document.
- (4) Total number of shares outstanding (common shares)
 - 1) Total number of shares outstanding at the end of the period (including treasury stock):
 - As of December 31, 2022 : 284,609,097 shares
 - As of March 31, 2022 : 284,452,897 shares
 - 2) Total number of treasury stock at the end of the period:
 - As of December 31, 2022 : 130,070 shares
 - As of March 31, 2022 : 129,896 shares
 - 3) Weighted average number of shares outstanding during the period:
 - Nine months ended December 31, 2022 : 284,390,000 shares
 - Nine months ended December 31, 2021 : 284,169,270 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit corporations.

* 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 “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements” on page 3 of the attached document.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the first nine months of the current fiscal year, the global economy was cautious about automation-related capital expenditures. In addition, the global recessionary trend intensified amid the lingering effects of the COVID-19 infection. In China, demand remained sluggish due to the lockdown at the period's beginning and the disease's subsequent rapid spread. Demand in overseas regions other than China also gradually slowed due to the economic slowdown and inflation. In Japan, although there were signs of recovery in the second half of the period, particularly in the automotive sector, a full recovery in demand still needs to be achieved.

Under this economic environment, MISUMI Group is leveraging its unique Business MODEL, which encompasses manufacturing and distribution businesses. By advancing the business foundation that supports these businesses globally, we contribute to industries related to automation demand, particularly the manufacturing industry, by responding to customers' reliable and quick delivery needs. Despite our efforts to accurately anticipate customer demand by leveraging our solid business foundation in IT, logistics, and manufacturing and our global network of locations, we were severely impacted by the worldwide slump in investment demand, particularly in China and Japan.

Consequently, consolidated net sales were ¥281,995 million (2.9% increase year-on-year). In terms of profit, operating income was 38,306 million yen (8.6% decrease year-on-year) and ordinary income was ¥39,208 million yen (6.7% decrease year-on-year) due to a decrease in sales volume and an increase in expenses related to the introduction of a new core system. Net income attributable to owners of parent totaled ¥28,641 million yen (4.2% decrease year-on-year).

① Factory Automation (FA) Business

In the FA business, demand remained weak in China and Japan. Still, growth continued in other regions, with net sales of ¥91,788 million (3.2% increase year-on-year) and operating income of ¥17,294 million yen (6.7% decrease year-on-year).

② Die Components Business

The Die components business remained generally weak due to lower global automotive-related capital spending and factory utilization, with net sales of ¥59,936 million (6.6% increase year-on-year) and operating income of ¥7,022 million (7.4% decrease year-on-year).

③ VONA Business

VONA business is MISUMI Group's sales and distribution business of manufacturing / automation-related equipment parts and MRO (Maintenance, Repair, and Operations) products. In addition, this business segment includes MISUMI brand products and third-party manufacturers' products. In addition to the impact of reduced factory operations, particularly in China and Japan, and the suspension of sales that continued throughout the first half of the fiscal year, supply difficulties for some products have yet to be fully resolved, as a result of which sales were ¥130,270 million (1.0% increase year-on-year) and operating income was ¥13,989 million (11.3% decrease year-on-year).

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of the end of the third quarter of the fiscal year were ¥366,994 million, an increase of ¥19,603 million (+5.6%) compared to the previous year-end. This was mainly attributable to an increase of ¥20,993 million (+8.3%) in current assets due to increases in cash and deposits, and merchandise and finished goods, despite a decrease of ¥431 million (-0.9%) in property, plant and equipment, and a decrease of ¥808 million (-2.3%) in intangible assets.

Total liabilities amounted to ¥59,586 million, a decrease of ¥7,843 million (-11.6%) compared to the previous year-end. This was mainly attributable to a decrease of ¥8,209 million (-15.7%) in current liabilities due to decreases in notes and accounts payable - trade, income taxes payable and provision for bonuses, despite an increase of ¥366 million (+2.4%) in long-term liabilities.

Total net assets amounted to ¥307,407 million, an increase of ¥27,447 million (+9.8%) compared to the previous year-end. This was primarily because shareholders' equity increased by ¥19,771 million (+7.7%) due to an increase in retained earnings, and accumulated other comprehensive income including foreign currency translation adjustments increased by ¥7,446 million (+39.0%).

As a result, the equity ratio was 83.0%, compared to 79.8% at the end of the previous year.

2) Cash flows

At the end of the third quarter of the fiscal year, cash and cash equivalents amounted to ¥100,846 million, a decrease of ¥597 million compared to the previous year-end.

Cash flows from operating activities amounted to a net cash inflow of ¥20,443 million (a net cash inflow of ¥42,663 million for the same period in the previous year). The breakdown is as follows. Income before income taxes was ¥39,073 million. Depreciation and amortization was ¥12,344 million. The amount of decrease in provision for bonuses was ¥2,765 million. The amount of increase in inventories was ¥10,664 million. The amount of decrease in accounts payable - other was ¥1,718 million. Income taxes paid was ¥13,897 million.

Cash flows from investing activities amounted to a net cash outflow of ¥14,528 million (a net cash outflow of ¥14,634 million for the same period in the previous year). The main items were purchase of fixed assets of ¥8,529 million, payments into time deposits of ¥14,145 million, and refund from time deposits of ¥8,445 million.

Cash flows from financing activities amounted to a net cash outflow of ¥10,722 million (a net cash outflow of ¥9,142 million for the same period in the previous year). The main item was dividends paid of ¥9,244 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements

In the consolidated cumulative period for the third quarter, the global recessionary trend intensified, and caution in automation-related capital investment was observed. Therefore, considering the progress of our business performance and recent demand trends, we have revised downward our consolidated business forecast for the full year as shown below.

If any significant events occur that may affect our business performance, we will disclose them promptly.

[Full-year consolidated financial results forecast for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)]

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income attributable to owners of parent (million yen)	Net income per share (yen)
Revised forecast	377,000	49,000	50,000	36,500	128.30
Previous forecast	403,500	57,300	57,600	42,000	147.72

The forecast for dividends is announced in the press release dated January 27, 2023, titled "Announcement regarding the revision of full-year consolidated earnings forecast and annual dividends".

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	108,895	114,018
Notes and accounts receivable - trade	76,819	77,333
Merchandise and finished goods	50,593	59,513
Work in process	2,823	4,454
Raw materials and supplies	8,324	10,211
Other	5,950	8,889
Allowance for doubtful accounts	(282)	(303)
Total current assets	253,123	274,116
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,815	13,546
Machinery, equipment and vehicles, net	16,272	15,603
Land	3,876	3,897
Other, net	12,555	13,041
Total property, plant and equipment	46,520	46,089
Intangible assets		
Software	28,527	27,839
Other	7,192	7,072
Total intangible assets	35,719	34,911
Investments and other assets		
Investment securities	6	6
Other	12,375	12,231
Allowance for doubtful accounts	(355)	(361)
Total investments and other assets	12,026	11,876
Total non-current assets	94,266	92,877
Total assets	347,390	366,994

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,617	19,949
Accounts payable - other	9,208	7,674
Income taxes payable	7,154	3,851
Provision for bonuses	4,819	2,169
Provision for directors' bonuses	250	39
Other	9,361	10,515
Total current liabilities	52,410	44,200
Long-term liabilities		
Liability for retirement benefits	6,872	7,086
Other	8,146	8,299
Total long-term liabilities	15,019	15,386
Total liabilities	67,430	59,586
Net assets		
Shareholders' equity		
Common stock	13,664	13,852
Capital surplus	24,020	24,207
Retained earnings	220,519	239,916
Treasury stock	(79)	(80)
Total shareholders' equity	258,125	277,896
Accumulated other comprehensive income		
Deferred gain (loss) on hedges	36	—
Foreign currency translation adjustments	19,063	26,542
Defined retirement benefit plans	(0)	3
Total accumulated other comprehensive income	19,100	26,546
Stock acquisition rights	1,937	2,034
Non-controlling interests	797	929
Total net assets	279,959	307,407
Total liabilities and net assets	347,390	366,994

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
For the Nine Months Ended December 31, 2022 and 2021

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	274,155	281,995
Cost of sales	148,780	152,071
Gross profit	125,375	129,924
Selling, general and administrative expenses	83,476	91,618
Operating income	41,898	38,306
Non-operating income		
Interest income	377	840
Subsidy income	8	386
Miscellaneous income	276	324
Total non-operating income	662	1,552
Non-operating expenses		
Interest expenses	63	122
Foreign exchange losses	346	361
Miscellaneous loss	115	166
Total non-operating expenses	526	649
Ordinary income	42,035	39,208
Extraordinary losses		
Impairment loss	421	44
Loss related to COVID-19	703	91
Total extraordinary losses	1,124	135
Income before income taxes	40,910	39,073
Income taxes	10,952	10,323
Net income	29,958	28,750
Net income attributable to non-controlling interests	54	108
Net income attributable to owners of parent	29,903	28,641

Quarterly Consolidated Statement of Comprehensive Income
For the Nine Months Ended December 31, 2022 and 2021

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net income	29,958	28,750
Other comprehensive income		
Deferred gain (loss) on hedges	35	(36)
Foreign currency translation adjustments	5,950	7,390
Defined retirement benefit plans	15	4
Share of other comprehensive income in associates	6	12
Total other comprehensive income	6,008	7,371
Comprehensive income	35,967	36,121
Comprehensive income attributable to		
Owners of parent	35,891	36,088
Non-controlling interests	75	33

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Cash flows from operating activities		
Income before income taxes	40,910	39,073
Depreciation and amortization	11,479	12,344
Impairment loss	421	44
Increase (decrease) in liability for retirement benefits	275	197
Increase (decrease) in provision for bonuses	(441)	(2,765)
Increase (decrease) in provision for directors' bonuses	(6)	(210)
Increase (decrease) in allowance for doubtful accounts	(35)	8
Interest and dividend income	(383)	(847)
Interest expenses	63	122
Share-based compensation expenses	438	471
Foreign exchange (gains) losses	(19)	(196)
Share of (profit) loss of entities accounted for using equity method	(27)	(32)
Loss related to COVID-19	703	91
(Increase) decrease in notes and accounts receivable - trade	1,003	(61)
(Increase) decrease in inventories	(2,352)	(10,664)
(Increase) decrease in consumption taxes refund receivable	(205)	(281)
Increase (decrease) in notes and accounts payable - trade	(1,235)	(1,949)
Increase (decrease) in accounts payable - other	(27)	(1,718)
(Increase) decrease in other assets	(235)	(210)
Increase (decrease) in other liabilities	1,014	264
Subtotal	51,339	33,679
Interest and dividend income received	285	836
Interest expenses paid	(63)	(88)
Payments related to COVID-19	(676)	(85)
Income taxes refund	276	0
Income taxes paid	(8,497)	(13,897)
Net cash provided by operating activities	42,663	20,443
Cash flows from investing activities		
Purchase of fixed assets	(12,662)	(8,529)
Proceeds from sales of fixed assets	62	72
Payments into time deposits	(7,105)	(14,145)
Refund from time deposits	5,240	8,445
Payments for lease and guarantee deposits	(1,144)	(807)
Proceeds from collection of lease and guarantee deposits	974	427
Other, net	0	9
Net cash used in investing activities	(14,634)	(14,528)
Cash flows from financing activities		
Proceeds from issuance of stock	16	0
Dividends paid	(7,817)	(9,244)
Proceeds from share issuance to non-controlling shareholders	—	34
Repayments of lease obligations	(1,344)	(1,511)
Other, net	2	(0)
Net cash used in financing activities	(9,142)	(10,722)
Effect of exchange rate change on cash and cash equivalents	2,671	4,210
Net increase (decrease) in cash and cash equivalents	21,557	(597)
Cash and cash equivalents at beginning of period	71,964	101,443
Cash and cash equivalents at end of period	93,522	100,846

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Changes in scope of consolidation or scope of application of equity method)

DT dynamics Corporation was included in the scope of consolidation during the second quarter of the fiscal year due to its establishment.

(Changes in accounting policies)

(Application of the U.S. GAAP ASU 2016-02 "Leases")

Some of the consolidated subsidiaries outside Japan have applied ASU 2016-02 "Leases" from the beginning of the first quarter of the fiscal year. Accordingly, assets and liabilities are now recognized for all leases as a lessee in principle. In applying the said standard, those consolidated subsidiaries elected to recognize the cumulative effect of initially applying the standard at the date of initial application, which is allowed as a transitional treatment.

As a result of the application of the said accounting standard, "Other, net" under property, plant and equipment increased by ¥837 million, "Other" under current liabilities increased by ¥211 million, and "Other" under long-term liabilities increased by ¥917 million.

The application of the said accounting standard has only a minimal impact on income and loss for the nine months ended December 31, 2022.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year. As a result, accounting treatment and disclosure of corporate and local income taxes and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021, hereinafter, "PITF No. 42"). Pursuant to the provision in Paragraph 32 (1) of PITF No. 42, the Company has judged that there is no impact from the change in accounting policies as a result of applying PITF No. 42.

(Segment information)

[Segment information]

For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

1. Net sales, segment income, and information on disaggregation of revenue by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Revenue from contracts with customers	88,962	56,224	128,969	274,155	–	274,155
Sales to customers	88,962	56,224	128,969	274,155	–	274,155
Internal sales to other segments	–	–	–	–	–	–
Total	88,962	56,224	128,969	274,155	–	274,155
Segment income	18,542	7,580	15,776	41,898	–	41,898

(Note) Total of segment income corresponds to operating income in the Consolidated Statements of Income.

2. Impairment loss on non-current assets or goodwill by reportable segment

Description is omitted due to immateriality.

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Net sales, segment income, and information on disaggregation of revenue by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments	Consolidated
	FA Business	Die Components Business	VONA Business	Total		
Net sales						
Revenue from contracts with customers	91,788	59,936	130,270	281,995	–	281,995
Sales to customers	91,788	59,936	130,270	281,995	–	281,995
Internal sales to other segments	–	–	–	–	–	–
Total	91,788	59,936	130,270	281,995	–	281,995
Segment income	17,294	7,022	13,989	38,306	–	38,306

(Note) Total of segment income corresponds to operating income in the Consolidated Statements of Income.

2. Impairment loss on non-current assets or goodwill by reportable segment

Description is omitted due to immateriality.

[Supplementary information]

For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
131,442	56,938	40,411	24,711	15,410	5,240	274,155

(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
15,485	9,903	6,011	4,537	9,317	45,255

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Information by region

(1) Net sales

(Millions of yen)

Japan	China	Asia	America	Europe	Others	Total
128,501	54,652	43,037	32,013	17,363	6,426	281,995

(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
14,634	10,621	6,186	6,369	8,277	46,089