

Consolidated Financial Results for the First Six Months of Fiscal Year Ending December 31, 2019 (Six Months Ended June 30, 2019)

Company name: **MonotaRO Co., Ltd.**

Stock code: 3064

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Scheduled date to file Quarterly Securities Report: August 9, 2019

Scheduled date of dividend payments: September 10, 2019

Supplementary materials: Yes Investors meeting: Yes

Listing: Tokyo Stock Exchange, First Section

URL: <https://www.monotaro.com>

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended June 30, 2019

(January 1, 2019 – June 30, 2019)

(1) Consolidated results of operations

(Percentages show the change from the same period of previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six Months Ended Jun.30, 2019	62,970	21.8	7,597	13.2	7,607	13.8	5,302	15.1
Six Months Ended Jun.30, 2018	51,694	23.7	6,710	20.5	6,684	19.1	4,605	16.1

Note: Comprehensive income: Six Months Ended Jun.30, 2019: 5,151 million yen (14.9%)

Six Months Ended Jun.30, 2018: 4,484 million yen (14.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six Months Ended Jun.30, 2019	21.35	21.34
Six Months Ended Jun.30, 2018	18.55	18.54

The Company implemented a 2-for-1 share split effective on October 1, 2018 and net income per share and diluted net income per share are stated on the assumption that the share split was implemented at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun.30, 2019	53,750	33,582	61.8
As of Dec.31, 2018	50,706	29,838	58.3

Reference: Shareholders' equity Jun.30, 2019: 33,213 million yen Dec. 31, 2018: 29,569 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Dec.31, 2018	-	13.00	-	6.50	-
Year ending Dec.31, 2019 (actual)	-	7.50			
Year ending Dec.31, 2019 (forecast)				7.50	15.00

Note: Amendments to dividend forecast compared with the most recent disclosure: None

The Company implemented a 2-for-1 share split effective on October 1, 2018 and interim dividend and total dividend for the year ended December 31, 2018 would be equivalent to 6.5 yen and 13 yen, respectively on the assumption that the share split was implemented at the beginning of the previous fiscal year.

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2019 (January 1, 2019 – December 31, 2019)

(Percentages show the change from the same period of previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	136,258	24.4	16,536	19.9	16,530	19.9	11,715	23.1	47.17

Note: Revision of consolidated forecast during this quarter: None

4. Others

(1) Changes in the number of material subsidiaries resulting in changes in scope of consolidation during the six-month period ended June 30, 2019: None

(2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles and estimates, or retrospective restatements:

1) Changes in accounting principles caused by the revision of accounting standards: None

2) Changes in accounting principles other than mentioned in 1): Yes

3) Changes in estimates: None

4) Retrospective restatements: None

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding at the end of period (including treasury stock)

Jun.30, 2019:	250,541,600 shares	Dec.31, 2018:	250,540,400 shares
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2) Number of treasury stock at the end of period

Jun.30, 2019:	2,200,952 shares	Dec.31, 2018:	2,192,452 shares
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3) Average number of shares outstanding during the period

Six Months Ended Jun.30, 2019:	248,340,648 shares	Six Months Ended Jun.30, 2018:	248,337,879 shares
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The Company implemented a 2-for-1 share split effective on October 1, 2018 and the respective numbers of shares above are stated on the assumption that the share split was implemented at the beginning of the previous fiscal year.

This quarterly report of financial results is out of scope from quarterly review procedures conducted by independent auditors.

*** Cautionary statement with respect to forward-looking statements**

The forecasts above are based on the judgments made in accordance with information currently available. Forecasts therefore include risks and uncertainties. Actual figures may differ from these forecasts due to subsequent changes in the circumstances.

1. Qualitative Information on the Consolidated Financial Statements

(1) Qualitative Information Regarding Consolidated Results of Operations

The Japanese economy during the first six months of the fiscal year ending December 31, 2019 generally continued to be flat with government economic and fiscal policies providing some support, while concerns about the policy trend in the United States, the continuity of the growth momentum of the Chinese economy, and the increasingly serious labor shortage in Japan made the outlook for the future Japanese economy unpredictable.

Among mid-to-small manufacturers, the major customers of our industrial MRO products, economic conditions also remained at the same level corresponding to similar circumstances.

In this economic environment, we have continually concentrated on acquiring new customers aggressively mainly through internet advertisements (paid listings) and internet search engine optimization (SEO), which can improve our website's position on the search engines. We also conducted promotion activities including direct mail using e-mail and mail flyers, daily special prices, the publication and distribution of catalogs and TV and radio commercials. In terms of catalogs, we newly published REDBOOK vol. 15 Spring Edition in late February, divided into 11 volumes with 195 thousand items and approximately 2.4 million issues available in total. In addition, we broadcasted TV commercials throughout Japan, except for a few specific geographic areas, during this quarter to enhance our visibility much further.

Furthermore, the total number of our product lineup reached approximately 18 million items in total and 428 thousand items in stock which are available for the same day shipment to meet the increase in demand corresponding to the expansion of our customer base as of the end of the first six months of the fiscal year ending December 31, 2019.

In addition, in relation to the sales of MRO products to large customers through the integrated purchase systems, both the number of customers and the amount of sales steadily increased.

Consequently, we have successfully obtained 372,069 newly registered accounts for the first six months of the fiscal year ending December 31, 2019 and the number of registered accounts totaled 3,735,780 as of the end of the second quarter.

In addition, NAVIMRO, which is our Korean subsidiary, also aggressively engaged in acquiring new customers mainly through paid listings and focused on increasing both its product lineup and the number of products in stock in order to expand its customer base.

All of our efforts mentioned above resulted in net sales of 62,970 million yen (21.8% increase from the same period of the previous fiscal year), operating income of 7,597 million yen (13.2% increase from the same period of the previous fiscal year), ordinary income of 7,607 million yen (13.8% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 5,302 million yen, a corresponding 15.1% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of June 30, 2019 (the end of the first six months of the fiscal year ending December 31, 2019) amounted to 53,750 million yen, an increase of 3,044 million yen from the end of the previous fiscal year. This was attributable to increases of 1,742 million yen, 988 million yen and 2,127 million yen in notes and accounts receivable-trade, merchandise and leased assets, respectively, despite a decrease of 2,547 million yen in cash and deposits.

On the other hand, total liabilities as of June 30, 2019 amounted to 20,168 million yen, a decrease of 699 million yen from the end of the previous fiscal year. This was due mainly to decreases of 790 million yen and 1,000 million yen in consumption taxes payable and long-term loans payable, respectively, despite increases of 508 million yen and 393 million yen in accounts payable-trade and lease obligations, respectively.

Total net assets amounted to 33,582 million yen, an increase of 3,744 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 5,302 million yen offset by dividend payments of 1,614 million yen for the first six months of the fiscal year ending December 31, 2019.

As a result, the equity ratio as of June 30, 2019 was 61.8%, up 3.5 percentage points from the end of the previous fiscal year.

(3) Forecast for the Fiscal Year Ending December 31, 2019

Our consolidated financial results for the first six months of this fiscal year were almost in line with our plan. Therefore, the consolidated forecast for the fiscal year ending December 31, 2019, disclosed on January 30, 2019, has not been changed at this time.

4. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

Accounts	(In millions of yen)	
	As of Dec. 31, 2018	As of Jun. 30, 2019
Assets		
Current assets		
Cash and deposits	12,381	9,834
Notes and accounts receivable - trade	11,211	12,954
Electronically recorded monetary claims	334	293
Merchandise	9,428	10,417
Goods in transit	442	479
Supplies	115	104
Accounts receivable-other	4,027	3,952
Other	298	376
Allowance for doubtful accounts	(57)	(62)
Total current assets	38,184	38,349
Noncurrent assets		
Property, plant and equipment		
Buildings	4,270	4,198
Leased assets	2,466	4,593
Other	2,884	3,152
Total property, plant and equipment	9,620	11,944
Intangible assets		
Goodwill	84	78
Other	1,399	1,951
Total intangible assets	1,483	2,029
Investments and other assets		
Guarantee deposits	732	727
Other	726	748
Allowance for doubtful accounts	(42)	(49)
Total investments and other assets	1,416	1,426
Total noncurrent assets	12,521	15,401
Total assets	50,706	53,750
Liabilities		
Current liabilities		
Accounts payable-trade	8,318	8,827
Long-term loans payable-current portion	2,000	2,000
Lease obligations	794	576
Accounts payable-other	2,545	2,813
Income taxes payable	2,835	2,508
Provision for employees' bonuses	107	89
Provision for directors' bonuses	25	33
Other	1,333	605
Total current liabilities	17,961	17,455
Noncurrent liabilities		
Long-term loans payable	2,498	1,498
Lease obligations	20	631
Net defined benefit liability	263	293
Other	123	288
Total noncurrent liabilities	2,906	2,712
Total liabilities	20,867	20,168
Net assets		
Shareholders' equity		
Capital stock	1,979	1,980
Capital surplus	785	802
Retained earnings	27,005	30,694
Treasury stock	(226)	(247)
Total shareholders' equity	29,544	33,229
Accumulated other comprehensive income		
Foreign currency translation adjustment	17	(24)
Remeasurements of defined benefit plans	7	8
Total accumulated other comprehensive income	24	(15)
Subscription rights to shares	35	46
Non-controlling interests	232	322
Total net assets	29,838	33,582
Total liabilities and net assets	50,706	53,750

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In millions of yen)	
	Six months period ended Jun. 30, 2018	Six months period ended Jun. 30, 2019
Net sales	51,694	62,970
Cost of sales	36,308	45,102
Gross profit	15,386	17,867
Selling, general and administrative expenses	8,676	10,270
Operating income	6,710	7,597
Non-operating income		
Interest income	13	12
Foreign exchange gains	—	30
Gain on sale of materials	7	8
Other	15	32
Total non-operating income	36	83
Non-operating expenses		
Interest expenses	41	40
Loss on disposal of inventories	14	19
Other	5	14
Total non-operating expenses	61	74
Ordinary income	6,684	7,607
Extraordinary income		
Gain on sales of fixed assets	—	1
Total extraordinary income	—	1
Extraordinary loss		
Loss on disposal of fixed assets	0	0
Total extraordinary losses	0	0
Income before income taxes	6,684	7,608
Income taxes-current	2,179	2,399
-deferred	(46)	17
Total income taxes	2,133	2,416
Net income	4,551	5,191
Net income attributable to:		
owners of the parent	4,605	5,302
non-controlling interests	(54)	(110)
Other comprehensive income		
Foreign currency translation adjustment	(70)	(41)
Remeasurements of defined benefit plans	3	0
Total other comprehensive income	(67)	(40)
Comprehensive income	4,484	5,151
Comprehensive income attributable to:		
owners of the parent	4,536	5,252
non-controlling interests	(52)	(100)

(3) Consolidated quarterly statements of cash flows

Accounts	(In millions of yen)	
	Six months ended Jun. 30, 2018	Six months ended Jun. 30, 2019
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	6,684	7,608
Depreciation and amortization	592	644
Increase (decrease) in allowance for doubtful accounts	7	12
Increase (decrease) in provision for bonuses	8	(19)
Increase (decrease) in provision for directors' bonuses	(0)	8
Increase (decrease) in provision for directors' retirement benefits	(67)	—
Increase (decrease) in provision for retirement benefits	18	31
Interest income	(13)	(12)
Interest expenses	41	40
Decrease (increase) in notes and accounts receivable-trade	(1,904)	(1,706)
Decrease (increase) in inventories	(1,194)	(1,038)
Decrease (increase) in accounts receivable-other	37	70
Increase (decrease) in notes and accounts payable-trade	647	526
Increase (decrease) in accounts payable-other	395	312
Other, net	594	(439)
Subtotal	5,848	6,038
Interest income received	7	13
Interest expenses paid	(95)	(49)
Income taxes paid	(1,900)	(2,721)
Net cash provided by (used in) operating activities	3,859	3,280
Net cash provided by (used in) investment activities		
Payments into time deposits	—	(236)
Proceeds from withdrawal of time deposits	—	380
Purchase of property, plant and equipment	(70)	(466)
Purchase of intangible assets	(270)	(754)
Other, net	(66)	(18)
Net cash provided by (used in) investment activities	(407)	(1,094)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(1,062)	(1,000)
Proceeds from exercise of share options	2	0
Purchase of treasury shares	(19)	(21)
Cash dividends paid	(1,364)	(1,613)
Proceeds from share issuance to non-controlling shareholders	293	222
Repayments of lease obligations	(837)	(2,140)
Net cash provided by (used in) financing activities	(2,988)	(4,553)
Effect of exchange rate change on cash and cash equivalents	(39)	(35)
Net increase (decrease) in cash and cash equivalents	424	(2,402)
Cash and cash equivalents at beginning of period	8,688	12,040
Cash and cash equivalents at end of period	9,112	9,637