

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

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

Stock code: 3064

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

Scheduled date of dividend payments: -

Supplementary materials: Yes Investors meeting: No

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 Nine Months Ended September 30, 2019

(January 1, 2019 – September 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	%
Nine Months Ended Sep.30, 2019	96,653	22.4	11,303	11.3	11,345	11.8	7,752	11.0
Nine Months Ended Sep.30, 2018	78,985	23.3	10,155	18.6	10,148	17.7	6,986	15.4

Note: Comprehensive income: Nine Months Ended Sep.30, 2019: 7,507 million yen (9.9%)

Nine Months Ended Sep.30, 2018: 6,829 million yen (14.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine Months Ended Sep.30, 2019	31.22	31.20
Nine Months Ended Sep.30, 2018	28.13	28.12

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 Sep.30, 2019	53,764	34,074	62.8
As of Dec.31, 2018	50,706	29,838	58.3

Reference: Shareholders' equity Sep.30, 2019: 33,771 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 6.50 yen and 13.00 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 September 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)

Sep.30, 2019:	250,543,800 shares	Dec.31, 2018:	250,540,400 shares
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2) Number of treasury stock at the end of period

Sep.30, 2019:	2,200,988 shares	Dec.31, 2018:	2,192,452 shares
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3) Average number of shares outstanding during the period

Nine Months Ended Sep.30, 2019:	248,343,722 shares	Nine Months Ended Sep.30, 2018:	248,337,833 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 nine 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 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 and we also published REDBOOK vol. 15 Autumn Edition in late August, divided into 10 volumes with 304 thousand items and approximately 2.9 million issues available in total. In addition, we broadcasted TV commercials throughout Japan, except for a few specific geographic areas.

Furthermore, the total number of our product lineup reached approximately 18 million items in total and 449 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 nine 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 577,074 newly registered accounts for the first nine months of the fiscal year ending December 31, 2019 and the number of registered accounts totaled 3,940,785 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 96,653 million yen (22.4% increase from the same period of the previous fiscal year), operating income of 11,303 million yen (11.3% increase from the same period of the previous fiscal year), ordinary income of 11,345 million yen (11.8% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 7,752 million yen, a corresponding 11.0% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of September 30, 2019 (the end of the first nine months of the fiscal year ending December 31, 2019) amounted to 53,764 million yen, an increase of 3,058 million yen from the end of the previous fiscal year. This was attributable to increases of 2,388 million yen, 1,306 million yen and 1,989 million yen in notes and accounts receivable-trade, merchandise and leased assets, respectively, despite a decrease of 5,830 million yen in cash and deposits.

On the other hand, total liabilities as of September 30, 2019 amounted to 19,690 million yen, a decrease of 1,177 million yen from the end of the previous fiscal year. This was due mainly to decreases of 1,429 million yen, 787 million yen and 2,000 million yen in income taxes payable, consumption taxes payable and long-term loans payable, respectively, despite increases of 966 million yen and 1,038 million yen in accounts payable-trade and lease obligations, respectively.

Total net assets amounted to 34,074 million yen, an increase of 4,236 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 7,752 million yen offset by dividend payments of 3,476 million yen for the first nine months of the fiscal year ending December 31, 2019.

As a result, the equity ratio as of September 30, 2019 was 62.8%, up 4.5 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 nine 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 Sep. 30, 2019
Assets		
Current assets		
Cash and deposits	12,381	6,551
Notes and accounts receivable - trade	11,211	13,600
Electronically recorded monetary claims	334	537
Merchandise	9,428	10,735
Goods in transit	442	413
Supplies	115	178
Accounts receivable-other	4,027	3,915
Other	298	365
Allowance for doubtful accounts	(57)	(68)
Total current assets	38,184	36,228
Noncurrent assets		
Property, plant and equipment		
Buildings	4,270	4,152
Leased assets	2,466	4,455
Other	2,884	3,613
Total property, plant and equipment	9,620	12,221
Intangible assets		
Goodwill	84	75
Other	1,399	2,485
Total intangible assets	1,483	2,560
Investments and other assets		
Guarantee deposits	732	1,367
Other	726	1,440
Allowance for doubtful accounts	(42)	(53)
Total investments and other assets	1,416	2,754
Total noncurrent assets	12,521	17,535
Total assets	50,706	53,764
Liabilities		
Current liabilities		
Accounts payable-trade	8,318	9,285
Long-term loans payable-current portion	2,000	2,498
Lease obligations	794	625
Accounts payable-other	2,545	2,942
Income taxes payable	2,835	1,405
Provision for employees' bonuses	107	212
Provision for directors' bonuses	25	19
Provision for accident related loss	—	156
Other	1,333	560
Total current liabilities	17,961	17,706
Noncurrent liabilities		
Long-term loans payable	2,498	—
Lease obligations	20	1,227
Net defined benefit liability	263	302
Other	123	453
Total noncurrent liabilities	2,906	1,983
Total liabilities	20,867	19,690
Net assets		
Shareholders' equity		
Capital stock	1,979	1,981
Capital surplus	785	803
Retained earnings	27,005	31,281
Treasury stock	(226)	(247)
Total shareholders' equity	29,544	33,818
Accumulated other comprehensive income		
Foreign currency translation adjustment	17	(56)
Remeasurements of defined benefit plans	7	9
Total accumulated other comprehensive income	24	(47)
Subscription rights to shares	35	49
Non-controlling interests	232	253
Total net assets	29,838	34,074
Total liabilities and net assets	50,706	53,764

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In millions of yen)	
	Nine months period ended Sep. 30, 2018	Nine months period ended Sep. 30, 2019
Net sales	78,985	96,653
Cost of sales	55,672	69,347
Gross profit	23,312	27,306
Selling, general and administrative expenses	13,156	16,003
Operating income	10,155	11,303
Non-operating income		
Interest income	21	19
Foreign exchange gains	17	46
Gain on sale of materials	11	11
Other	22	46
Total non-operating income	72	123
Non-operating expenses		
Interest expenses	55	39
Loss on disposal of inventories	21	21
Other	2	19
Total non-operating expenses	79	80
Ordinary income	10,148	11,345
Extraordinary income		
Gain on sales of fixed assets	0	1
Total extraordinary income	0	1
Extraordinary loss		
Accident related loss	—	238
Loss on retirement of non-current assets	21	0
Total extraordinary losses	21	238
Income before income taxes	10,127	11,108
Income taxes-current	3,276	3,562
-deferred	(37)	(34)
Total income taxes	3,238	3,528
Net income	6,888	7,580
Net income attributable to:		
owners of the parent	6,986	7,752
non-controlling interests	(97)	(171)
Other comprehensive income		
Foreign currency translation adjustment	(64)	(73)
Remeasurements of defined benefit plans	4	1
Total other comprehensive income	(59)	(72)
Comprehensive income	6,829	7,507
Comprehensive income attributable to:		
owners of the parent	6,939	7,693
non-controlling interests	(109)	(185)