

Consolidated Financial Results for the Fiscal Year Ended December 31, 2019

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

Stock code: 3064

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Scheduled date of Annual General Shareholders' Meeting: March 26, 2020

Scheduled date to commence dividend payment: March 27, 2020

Scheduled date to file Securities Report: March 27, 2020

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 Fiscal Year Ended December 31, 2019

(January 1, 2019 – December 31, 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	%
Year ended Dec. 31, 2019	131,463	20.0	15,839	14.9	15,887	15.2	10,984	15.4
Year ended Dec. 31, 2018	109,553	24.0	13,790	16.5	13,788	16.3	9,515	12.4

Note: Comprehensive income: Year ended Dec. 31, 2019: 10,708 million yen (15.1%)

Year ended Dec. 31, 2018: 9,304 million yen (10.6%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
	Yen	Yen	%	%	%
Year ended Dec. 31, 2019	44.23	44.21	33.0	28.8	12.0
Year ended Dec. 31, 2018	38.32	38.30	36.1	29.5	12.6

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	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2019	59,691	37,512	62.1	149.15
As of Dec. 31, 2018	50,706	29,838	58.3	119.07

Reference: Shareholders' equity Dec. 31, 2019: 37,051 million yen Dec. 31, 2018: 29,569 million yen

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended Dec. 31, 2019	9,064	(3,765)	(6,562)	10,746
Year ended Dec. 31, 2018	10,537	(1,467)	(5,673)	12,040

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended Dec. 31, 2018	-	13.00	-	6.50	-	3,228	33.9	12.3
Year ended Dec. 31, 2019	-	7.50	-	7.50	15.00	3,725	33.9	11.2
Year ending Dec. 31, 2020 (forecast)	-	8.50	-	8.50	17.00		32.5	

The Company implemented a 2-for-1 share split effective on October 1, 2018, and the interim and annual dividend for the year ended December 31, 2018 would be equivalent to 6.5 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, 2020 (January 1, 2020 – December 31, 2020)

(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
Half year (accumulated)	74,744	18.7	8,925	17.5	8,934	17.4	6,239	17.7	25.12
Full year	156,468	19.0	18,569	17.2	18,584	17.0	12,997	18.3	52.32

4. Others

(1) Changes in the number of material subsidiaries resulting in changes in scope of consolidation during the fiscal year ended December 31, 2019: None

(2) 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

(3) Number of shares outstanding (common shares)

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

Dec.31, 2019: 250,623,200 shares Dec.31, 2018: 250,540,400 shares

2) Number of treasury stock at the end of period

Dec.31, 2019: 2,200,988 shares Dec.31, 2018: 2,192,452 shares

3) Average number of shares outstanding during the period

Year ended Dec.31, 2019: 248,363,061 shares Year ended Dec.31, 2018: 248,340,095 shares

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.

(Reference) Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2019

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2019

(January 1, 2019 – December 31, 2019)

(1) Results of operations

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended Dec. 31, 2019	126,543	20.1	16,430	15.1	16,444	15.4	11,309	15.1
Year ended Dec. 31, 2018	105,331	24.4	14,278	17.3	14,250	17.0	9,825	12.9

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Dec. 31, 2019	45.53	45.52
Year ended Dec. 31, 2018	39.56	39.54

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) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2019	60,605	39,000	64.3	156.81
As of Dec. 31, 2018	51,585	31,166	60.3	125.35

Reference: Shareholders' equity Dec. 31, 2019: 38,955 million yen Dec. 31, 2018: 31,130 million yen

2. Non-consolidated Forecasts for the Fiscal Year Ending December 31, 2020 (January 1, 2020 – December 31, 2020)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year (accumulated)	71,819	18.6	9,282	17.3	9,265	17.2	6,430	17.1	25.89
Full year	150,049	18.6	19,250	17.2	19,220	16.9	13,339	18.0	53.70

This financial results is out of scope from audit 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 fiscal year ended 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 remained weak 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 461 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 fiscal year ended 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 745,990 newly registered accounts for the fiscal year ended December 31, 2019 and the number of registered accounts totaled 4,109,701 as of December 31, 2019.

In addition, NAVIMRO, which is our Korean subsidiary, achieved an annual break-even by aggressively engaging 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 131,463 million yen (20.0% increase from the previous fiscal year), operating income of 15,839 million yen (14.9% increase from the previous fiscal year), ordinary income of 15,887 million yen (15.2% increase from the previous fiscal year), and net income attributable to owners of the parent of 10,984 million yen, a corresponding 15.4% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of December 31, 2019 (the end of the fiscal year) amounted to 59,691 million yen, an increase of 8,985 million yen from the end of the previous fiscal year. This was attributable to increases of 2,677 million yen, 1,838 million yen and 1,855 million yen in notes and accounts receivable-trade, merchandise and leased assets, respectively, despite a decrease of 1,226 million yen in cash and deposits.

On the other hand, total liabilities as of December 31, 2019 amounted to 22,179 million yen, an increase of 1,311 million yen from the end of the previous fiscal year. This was due mainly to increases of 1,511 million yen and 1,035 million yen in accounts payable-trade and lease obligations, respectively, despite a decrease of 2,000 million yen in long-term loans payable.

Total net assets amounted to 37,512 million yen, an increase of 7,674 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 10,984 million yen offset by dividend payments of 3,476 million yen for the fiscal year ended December 31, 2019.

As a result, the equity ratio as of December 31, 2019 was 62.1%, up 3.8 percentage points from the end of the previous fiscal year.

(3) Forecast for the Fiscal Year Ending December 31, 2020

During the fiscal year ending December 31, 2020, we will continue aggressive promotional activities to gain new customers mainly using internet advertisements (paid listings) and internet search engine optimization (SEO).

In addition, we plan to engage actively in sales promotion activities with existing customers with a focus on expanding our available product lineup corresponding to the growth of our customer base, conducting promotion activities based on highly precise data science tools, improving website design in order for customers to use it and place orders more easily and expanding the product lineup for the same day shipment including both goods in stock and drop shipment goods from suppliers.

Also, NAVIMRO, MONOTARO INDONESIA and Zoro Shanghai Co., Ltd. will continuously engage in acquiring new customers mainly through paid listings and focus on increasing each of their respective product lineups and the number of products in stock in order to expand their customer base.

In view of the implementation of the plan above, our current forecast estimates of net sales, operating income, ordinary income and net income attributable to owners of the parent for the fiscal year ending December 31, 2020 are 156,468 million yen, 18,569 million yen, 18,584 million yen and 12,997 million yen, respectively.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

Accounts	(In millions of yen)	
	As of Dec. 31, 2018	As of Dec. 31, 2019
Assets		
Current assets		
Cash and deposits	12,381	11,155
Notes and accounts receivable - trade	11,211	13,889
Electronically recorded monetary claims	334	582
Merchandise	9,428	11,267
Goods in transit	442	193
Supplies	115	101
Accounts receivable - other	4,027	4,286
Other	298	366
Allowance for doubtful accounts	(57)	(71)
Total current assets	38,184	41,771
Noncurrent assets		
Property, plant and equipment		
Buildings, net	4,270	4,110
Structures, net	430	392
Machinery and equipment, net	294	479
Vehicles, net	2	6
Tools, furniture and fixtures, net	332	466
Land	1,817	2,238
Leased assets, net	2,466	4,321
Construction in progress	7	32
Total property, plant and equipment	9,620	12,048
Intangible assets		
Goodwill	84	75
Software	1,309	1,432
Other	90	1,576
Total intangible assets	1,483	3,084
Investments and other assets		
Guarantee deposits	732	1,371
Deferred tax assets	353	412
Other	373	1,057
Allowance for doubtful accounts	(42)	(54)
Total investments and other assets	1,416	2,787
Total noncurrent assets	12,521	17,920
Total assets	50,706	59,691

Accounts	(In millions of yen)	
	As of Dec. 31, 2018	As of Dec. 31, 2019
Liabilities		
Current liabilities		
Accounts payable-trade	8,318	9,829
Current portion of long-term loans payable	2,000	2,498
Lease obligations	794	625
Accounts payable-other	2,545	3,142
Income taxes payable	2,835	2,766
Provision for employees' bonuses	107	97
Provision for directors' bonuses	25	28
Provision for accident related loss	—	110
Other	1,333	873
Total current liabilities	17,961	19,973
Noncurrent liabilities		
Long-term loans payable	2,498	—
Lease obligations	20	1,225
Net defined benefit liability	263	292
Other	123	687
Total noncurrent liabilities	2,906	2,205
Total liabilities	20,867	22,179
Net assets		
Shareholders' equity		
Capital stock	1,979	1,986
Capital surplus	785	809
Retained earnings	27,005	34,513
Treasury stock	(226)	(247)
Total shareholders' equity	29,544	37,062
Accumulated other comprehensive income		
Foreign currency translation adjustment	17	(15)
Remeasurements of defined benefit plans	7	4
Total accumulated other comprehensive income	24	(10)
Subscription rights to shares	35	44
Non-controlling interests	232	416
Total net assets	29,838	37,512
Total liabilities and net assets	50,706	59,691

(2) Consolidated statements of (comprehensive) income

Accounts	(In millions of yen)	
	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019
Net sales	109,553	131,463
Cost of sales	77,525	94,367
Gross profit	32,027	37,095
Selling, general and administrative expenses	18,236	21,256
Operating income	13,790	15,839
Non-operating income		
Interest income	29	27
Foreign exchange gains	27	55
Commission fee	7	8
Compensation income	4	6
Gain on sale of materials	15	15
Other	20	42
Total non-operating income	105	156
Non-operating expenses		
Interest expenses	68	50
Loss on disposal of inventories	30	33
Other	8	24
Total non-operating expenses	107	108
Ordinary income	13,788	15,887
Extraordinary income		
Gain on sales of fixed assets	0	1
Total extraordinary income	0	1
Extraordinary loss		
Accident related loss	—	314
Loss on sales of fixed assets	0	—
Loss on disposal of fixed assets	21	6
Total extraordinary losses	21	320
Income before income taxes and minority interests	13,767	15,568
Income taxes-current	4,471	4,874
-deferred	(71)	(58)
Total income taxes	4,400	4,816
Net income	9,366	10,751
Net income attributable to:		
owners of the parent	9,515	10,984
non-controlling interests	(148)	(232)
Other comprehensive income		
Foreign currency translation adjustment	(70)	(35)
Remeasurements of defined benefit plans	8	(7)
Total other comprehensive income	(62)	(43)
Comprehensive income	9,304	10,708
Comprehensive income attributable to:		
owners of the parent	9,458	10,945
non-controlling interests	(153)	(236)

(3) Consolidated statements of changes in net assets

Accounts	(In millions of yen)	
	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,968	1,979
Changes of items during the period		
Issuance of new shares	11	7
Total changes of items during the period	11	7
Balance at the end of current period	1,979	1,986
Capital surplus		
Balance at the beginning of current period	772	785
Changes of items during the period		
Issuance of new shares	11	7
Change of capital surplus due to change in ownership interest of consolidated subsidiaries	1	16
Total changes of items during the period	12	23
Balance at the end of current period	785	809
Retained earnings		
Balance at the beginning of current period	20,470	27,005
Changes of items during the period		
Dividends from surplus	(2,979)	(3,476)
Net income attributable to owners of the parent	9,515	10,984
Total changes of items during the period	6,535	7,508
Balance at the end of current period	27,005	34,513
Treasury stock		
Balance at the beginning of current period	(206)	(226)
Changes of items during the period		
Purchase of treasury stock	(19)	(21)
Total changes of items during the period	(19)	(21)
Balance at the end of current period	(226)	(247)
Total shareholders' equity		
Balance at the beginning of current period	23,004	29,544
Changes of items during the period		
Issuance of new shares	23	14
Change of capital surplus due to change in ownership interest of consolidated subsidiaries	1	16
Dividends from surplus	(2,979)	(3,476)
Net income attributable to owners of the parent	9,515	10,984
Purchase of treasury stock	(19)	(21)
Total changes of items during the period	6,540	7,517
Balance at the end of current period	29,544	37,062

Accounts	(In millions of yen)	
	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019
Accumulated other comprehensive income		
Foreign currency translation adjustment		
Balance at the beginning of current period	76	17
Changes of items during the period		
Net changes of items other than shareholders' equity	(59)	(32)
Total changes of items during the period	(59)	(32)
Balance at the end of current period	17	(15)
Remeasurements of defined benefit plans		
Balance at the beginning of current period	(0)	7
Changes of items during the period		
Net changes of items other than shareholders' equity	8	(3)
Total changes of items during the period	8	(3)
Balance at the end of current period	7	4
Total accumulated other comprehensive income		
Balance at the beginning of current period	76	24
Changes of items during the period		
Net changes of items other than shareholders' equity	(51)	(35)
Total changes of items during the period	(51)	(35)
Balance at the end of current period	24	(10)
Subscription rights to shares		
Balance at the beginning of current period	38	35
Changes of items during the period		
Net changes of items other than shareholders' equity	(2)	9
Total changes of items during the period	(2)	9
Balance at the end of current period	35	44
Non-controlling interests		
Balance at the beginning of current period	97	232
Changes of items during the period		
Net changes of items other than shareholders' equity	135	183
Total changes of items during the period	135	183
Balance at the end of current period	232	416
Total net assets		
Balance at the beginning of current period	23,216	29,838
Changes of items during the period		
Issuance of new shares	23	14
Change of capital surplus due to change in ownership interest of consolidated subsidiaries	1	16
Dividends from surplus	(2,979)	(3,476)
Net income attributable to owners of the parent	9,515	10,984
Purchase of treasury stock	(19)	(21)
Net changes of items other than shareholders' equity	81	57
Total changes of items during the period	6,621	7,674
Balance at the end of current period	29,838	37,512

(4) Consolidated statements of cash flows

Accounts	(In millions of yen)	
	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	13,767	15,568
Depreciation and amortization	1,212	1,395
Increase (decrease) in allowance for doubtful accounts	16	26
Increase (decrease) in provision for bonuses	37	(14)
Increase (decrease) in provision for directors' bonuses	(4)	3
Increase (decrease) in provision for directors' retirement benefits	(67)	—
Increase (decrease) in net defined benefit liability	250	29
Interest income	(29)	(27)
Interest expenses	68	50
Accident related loss	—	314
Decrease (increase) in notes and accounts receivable-trade	(1,513)	(2,927)
Decrease (increase) in inventories	(1,932)	(1,593)
Decrease (increase) in accounts receivable-other	(430)	(304)
Increase (decrease) in notes and accounts payable-trade	1,511	1,523
Increase (decrease) in accounts payable-other	429	447
Other, net	925	(289)
Subtotal	14,241	14,202
Interest income received	24	30
Interest expenses paid	(98)	(51)
Income taxes paid	(3,630)	(4,948)
Payments for accident related loss	—	(167)
Net cash provided by (used in) operating activities	10,537	9,064
Net cash provided by (used in) investment activities		
Payments into time deposits	(341)	(1,016)
Proceeds from withdrawal of time deposits	—	949
Purchase of property, plant and equipment	(423)	(1,055)
Purchase of intangible assets	(629)	(1,361)
Payments for guarantee deposits	(60)	(663)
Other, net	(1)	(618)
Net cash provided by (used in) investment activities	(1,467)	(3,765)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(2,125)	(2,000)
Proceeds from exercise of stock option	2	0
Purchase of treasury stock	(19)	(21)
Cash dividends paid	(2,978)	(3,478)
Proceeds from share issuance to non-controlling shareholders	292	436
Repayments of lease obligations	(845)	(1,499)
Net cash provided by (used in) financing activities	(5,673)	(6,562)
Effect of exchange rate change on cash and cash equivalents	(44)	(29)
Net increase (decrease) in cash and cash equivalents	3,352	(1,293)
Cash and cash equivalents at beginning of period	8,688	12,040
Cash and cash equivalents at end of period	12,040	10,746

Non-Consolidated Financial Statements
(1) Non-consolidated balance sheets

Accounts	(In millions of yen)	
	As of Dec. 31, 2018	As of Dec. 31, 2019
Assets		
Current assets		
Cash and deposits	11,610	9,958
Notes receivable - trade	17	21
Accounts receivable-trade	11,123	13,772
Electronically recorded monetary claims	334	582
Merchandise	8,974	10,787
Goods in transit	453	205
Supplies	115	101
Advance payments-trade	9	3
Prepaid expenses	218	263
Accounts receivable-other	4,017	4,276
Other	37	13
Allowance for doubtful accounts	(56)	(71)
Total current assets	36,856	39,914
Noncurrent assets		
Property, plant and equipment		
Buildings	4,270	4,110
Structures	430	392
Machinery and equipment	294	479
Vehicles	2	6
Tools, furniture and fixtures	310	441
Land	1,817	2,238
Lease assets	2,466	4,321
Construction in progress	7	32
Total property, plant and equipment	9,598	12,023
Intangible assets		
Software	1,225	1,342
Software in progress	74	1,348
Other	15	228
Total intangible assets	1,316	2,919
Investments and other assets		
Stocks of subsidiaries and affiliates	2,452	3,020
Claims provable in bankruptcy, rehabilitation and other	42	54
Long-term prepaid expenses	56	693
Guarantee deposits	690	1,323
Insurance funds	270	308
Deferred tax assets	344	401
Allowance for doubtful accounts	(42)	(54)
Total investments and other assets	3,815	5,748
Total noncurrent assets	14,729	20,691
Total assets	51,585	60,605

Accounts	(In millions of yen)	
	As of Dec. 31, 2018	As of Dec. 31, 2019
Liabilities		
Current liabilities		
Accounts payable-trade	8,015	9,446
Current portion of long-term loans payable	2,000	2,498
Lease obligations	794	625
Accounts payable-other	2,439	3,040
Accrued expenses	243	267
Income taxes payable	2,835	2,765
Accrued consumption taxes	966	423
Advances received	16	24
Deposits received	95	101
Provision for bonuses	96	83
Provision for directors' bonuses	25	28
Provision for accident related loss	—	110
Other	8	9
Total current liabilities	17,539	19,424
Noncurrent liabilities		
Long-term loans payable	2,498	—
Lease obligations	20	1,225
Provision for retirement benefits	237	267
Other	123	687
Total noncurrent liabilities	2,879	2,180
Total liabilities	20,419	21,604
Net assets		
Shareholders' equity		
Capital stock	1,979	1,986
Capital surplus		
Legal capital surplus	784	791
Total capital surpluses	784	791
Retained earnings		
Other retained earnings		
Retained earnings brought forward	28,593	36,425
Total retained earnings	28,593	36,425
Treasury stock	(226)	(247)
Total shareholders' equity	31,130	38,955
Subscription rights to shares	35	44
Total net assets	31,166	39,000
Total liabilities and net assets	51,585	60,605

(2) Non-consolidated statements of income

Accounts	(In millions of yen)	
	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019
Net sales	105,331	126,543
Cost of sales	74,184	90,431
Gross profit	31,147	36,111
Selling, general and administrative expenses	16,868	19,681
Operating income	14,278	16,430
Non-operating income		
Interest income	0	0
Foreign exchange gains	33	61
Commission fee	7	8
Compensation income	3	3
Gain on sale of materials	15	15
Other	17	27
Total non-operating income	77	116
Non-operating expenses		
Interest expenses	68	50
Loss on disposal of inventories	28	29
Other	8	22
Total non-operating expenses	105	102
Ordinary income	14,250	16,444
Extraordinary income		
Gain on sales of fixed assets	0	1
Total extraordinary income	0	1
Extraordinary loss		
Accident related loss	—	314
Loss on sales of fixed assets	0	—
Loss on disposal of fixed assets	21	6
Total extraordinary losses	21	320
Income before income taxes	14,229	16,125
Income taxes-current	4,471	4,873
Income taxes-deferred	(67)	(57)
Total income taxes	4,403	4,816
Net income	9,825	11,309

(3) Non-consolidated statements of changes in net assets

Accounts	(In millions of yen)	
	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,968	1,979
Changes of items during the period		
Issuance of new shares	11	7
Total changes of items during the period	11	7
Balance at the end of current period	1,979	1,986
Capital surplus		
Balance at the beginning of current period	772	784
Changes of items during the period		
Issuance of new shares	11	7
Total changes of items during the period	11	7
Balance at the end of current period	784	791
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of current period	21,747	28,593
Changes of items during the period		
Dividends from surplus	(2,979)	(3,476)
Net income	9,825	11,309
Total changes of items during the period	6,845	7,832
Balance at the end of current period	28,593	36,425
Total retained earnings		
Balance at the beginning of current period	21,747	28,593
Changes of items during the period		
Dividends from surplus	(2,979)	(3,476)
Net income	9,825	11,309
Total changes of items during the period	6,845	7,832
Balance at the end of current period	28,593	36,425
Treasury stock		
Balance at the beginning of current period	(206)	(226)
Changes of items during the period		
Purchase of treasury stock	(19)	(21)
Total changes of items during the period	(19)	(21)
Balance at the end of current period	(226)	(247)
Total shareholders' equity		
Balance at the beginning of current period	24,281	31,130
Changes of items during the period		
Issuance of new shares	23	14
Dividends from surplus	(2,979)	(3,476)
Net income	9,825	11,309
Purchase of treasury stock	(19)	(21)
Total changes of items during the period	6,848	7,825
Balance at the end of current period	31,130	38,955

Accounts	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019
Subscription rights to shares		
Balance at the beginning of current period	38	35
Changes of items during the period		
Net changes of items other than shareholders' equity	(2)	9
Total changes of items during the period	(2)	9
Balance at the end of current period	35	44
Total net assets		
Balance at the beginning of current period	24,320	31,166
Changes of items during the period		
Issuance of new shares	23	14
Dividends from surplus	(2,979)	(3,476)
Net income	9,825	11,309
Purchase of treasury stock	(19)	(21)
Net changes of items other than shareholders' equity	(2)	9
Total changes of items during the period	6,846	7,834
Balance at the end of current period	31,166	39,000