

Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

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

Stock code: 3064

Representative: Masaya Suzuki, President & CEO

Contact: Tetsuya Koda, Executive Officer, General Manager of Admin. Dept. Telephone: +81-6-4869-7190

Scheduled date of Annual General Shareholders' Meeting: March 24, 2017

Scheduled date to commence dividend payment: March 27, 2017

Scheduled date to file Securities Report: March 24, 2017

Supplementary materials: Yes Financial results briefing: Yes

Listing: Tokyo Stock Exchange, First Section

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

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(January 1, 2016 – December 31, 2016)

(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, 2016	69,647	21.0	9,493	33.9	9,514	33.6	6,368	43.4
Year ended Dec. 31, 2015	57,563	28.1	7,087	63.9	7,120	63.6	4,439	74.5

Note: Comprehensive income: Year ended Dec. 31, 2016: 6,370 million yen (44.6 %)

Year ended Dec. 31, 2015: 4,406 million yen (70.2 %)

	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, 2016	51.46	51.27	43.0	29.2	13.6
Year ended Dec. 31, 2015	36.04	35.75	40.9	30.6	12.3

The Company implemented a 2-for-1 share split effective on October 1, 2015 and net income per share and diluted net income per share for the year ended December 31, 2015 are stated on the assumption that the share split was implemented at the beginning of that 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, 2016	36,353	17,263	46.8	137.32
As of Dec. 31, 2015	28,744	12,632	43.7	101.87

Reference: Shareholders' equity Dec. 31, 2016: 17,018 million yen Dec. 31, 2015: 12,572 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, 2016	4,982	(6,101)	(2,561)	7,229
Year ended Dec. 31, 2015	3,758	(1,073)	4,343	10,889

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, 2015	-	10.00	-	7.00	-	1,479	33.3	13.6
Year ended Dec. 31, 2016	-	9.00	-	9.00	18.00	2,229	35.0	15.1
Year ending Dec. 31, 2017 (forecast)	-	11.00	-	11.00	22.00		34.4	

The Company implemented a 2-for-1 share split effective on October 1, 2015 and interim dividend and total dividend for the year ended December 31, 2015 would be equivalent to 5 yen and 12 yen, respectively on the assumption that the share split was implemented at the beginning of that fiscal year.

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2017 (January 1, 2017 – December 31, 2017)

(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)	40,414	21.4	5,393	19.6	5,399	19.7	3,685	23.8	29.74
Full year	84,239	21.0	11,596	22.2	11,607	22.0	7,934	24.6	64.02

4. Others

(1) Changes in the number of material subsidiaries resulting from changes in scope of consolidation during the year ended December 31, 2016: Yes

Newly acquired company: PT MONOTARO INDONESIA

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

1) Changes in accounting principles caused by the revision of accounting standards: Yes

2) Changes in accounting principles other than mentioned in 1): None

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, 2016: 125,015,400 shares Dec. 31, 2015: 124,498,800 shares

2) Number of treasury stock at the end of period

Dec. 31, 2016: 1,087,633 shares Dec. 31, 2015: 1,083,233 shares

3) Average number of shares outstanding during the period

Year ended Dec. 31, 2016: 123,746,567 shares Year ended Dec. 31, 2015: 123,182,985 shares

The Company implemented a 2-for-1 share split effective on October 1, 2015 and the respective numbers of shares above for the year ended December 31, 2015 are stated on the assumption that the share split was implemented at the beginning of that fiscal year.

(Reference) Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2016

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2016

(January 1, 2016 – December 31, 2016)

(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, 2016	67,105	20.7	9,782	32.8	9,800	32.5	6,631	40.5
Year ended Dec. 31, 2015	55,607	26.2	7,363	59.5	7,398	59.1	4,718	65.9

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Dec. 31, 2016	53.59	53.38
Year ended Dec. 31, 2015	38.30	37.99

The Company implemented a 2-for-1 share split effective on October 1, 2015 and net income per share and diluted net income per share for the year ended December 31, 2015 are stated on the assumption that the share split was implemented at the beginning of that 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, 2016	36,814	18,081	49.0	145.46
As of Dec. 31, 2015	29,218	13,374	45.6	107.88

Reference: Shareholders' equity Dec. 31, 2016: 18,026 million yen Dec. 31, 2015: 13,314 million yen

2. Non-consolidated Forecasts for the Fiscal Year Ending December 31, 2017 (January 1, 2017 – December 31, 2017)

(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)	38,598	20.1	5,615	20.9	5,614	20.9	3,860	24.1	31.15
Full year	80,240	19.6	11,939	22.1	11,939	21.8	8,172	23.2	65.95

*** Statements with respect to audit procedures**

This report of financial results is out of scope from audit procedures by independent auditors in accordance with the Financial Instruments and Exchange Act. As of the date of the disclosure of this report, audit procedures on the financial statements for the fiscal year ended December 31, 2016 in accordance with the Financial Instruments and Exchange Act have not yet been completed.

*** 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, 2016 generally continued to be flat with government economic and fiscal policies providing some support, while concerns about the decelerating economy in China, problems in Europe and the exchange rate instability made the outlook for the future 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 facsimile and 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. 12 Spring Edition in late February, divided into 9 volumes with 146 thousand items and approximately 1.3 million issues available in total, featuring products that are mainly used through early spring season, Cost-Cutting Catalog vol. 4 in late June with 13 thousand private label items and REDBOOK vol. 12 Autumn Edition in late September, divided into 10 volumes with 273 thousand items and approximately 2.2 million issues available in total. In addition, we broadcasted TV commercials throughout Japan, other than in certain geographic areas such as San-in and Kyusyu regions, during the period to enhance our visibility much further.

Furthermore, the total number of our product lineup reached approximately 10 million items in total and 298 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 December 31, 2016.

In addition, we newly launched "Customizable Order Service" in mid-February, which makes it possible for customers to choose and combine certain specifications of our products by themselves and easily order the customized products on our website, focusing on interior doors, entrance storage spaces, shafts, LM guides and ball screws (direct acting parts), and in middle September, expanded this service to another 7 categories, including products such as sheds, paints, ducts, suction hoses, tapes, one-touch belts, experimental tubes and hoses and cardboard boxes, to further enhance usability.

Meanwhile, 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 430,857 newly registered accounts for the fiscal year ended December 31, 2016 and the number of registered accounts totaled 2,207,427, exceeding 2 million accounts, as of December 31, 2016.

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 69,647 million yen (21.0% increase from the previous fiscal year), operating income of 9,493 million yen (33.9% increase from the previous fiscal year), ordinary income of 9,514 million yen (33.6% increase from the previous fiscal year), and net income attributable to owners of the parent of 6,368 million yen, a corresponding 43.4% increase.

(Forecast for the Fiscal Year Ending December 31, 2017)

During the fiscal year ending December 31, 2017, 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 expansion of our customer base, conducting promotion activities based on highly precise data mining 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.

In terms of profitability, while the aggressive promotion of highly profitable private label products is planned, the effects of

the sales expansion of national brand products, the increase of sales promotion expenses for acquiring new customers and the initial expenses for starting operations in the Kasama distribution center should be considered.

Also, NAVIMRO will continuously engage in acquiring new customers mainly through paid listings and focus on increasing both its product lineup and the number of products in stock in order to expand its 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, 2017 are 84,239 million yen, 11,596 million yen, 11,607 million yen and 7,934 million yen, respectively.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of December 31, 2016 (the end of the fiscal year) amounted to 36,353 million yen, an increase of 7,608 million yen from the end of the previous fiscal year. Current assets amounted to 23,881 million yen, a decrease of 1,366 million yen. This was attributable to a decrease of 3,960 million yen in cash and deposits, despite increases of 846 million yen, 594 million yen and 603 million yen in accounts receivable-trade, electronically recorded monetary claims and merchandise, respectively. Non-current assets amounted to 12,471 million yen, an increase of 8,975 million yen. This was due mainly to increases of 6,599 million yen and 1,814 million yen in construction in progress and land, respectively, related to the construction of the Kasama distribution center.

On the other hand, total liabilities as of December 31, 2016 amounted to 19,089 million yen, an increase of 2,977 million yen from the end of the previous fiscal year. Current liabilities amounted to 12,308 million yen, an increase of 3,177 million yen. This was due mainly to an increase of 2,799 million yen in accounts payable-other. Non-current liabilities amounted to 6,781 million yen, a decrease of 199 million yen.

Total net assets amounted to 17,263 million yen, an increase of 4,630 million yen from the end of the previous fiscal year. This was largely due to net income of 6,368 million yen offset by dividend payments of 1,978 million yen for the fiscal year ended December 31, 2016.

As a result, the equity ratio as of December 31, 2016 was 46.8%, up 3.1 percentage points from the end of the previous fiscal year.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

Accounts	(In thousands of yen)	
	As of Dec. 31, 2015	As of Dec. 31, 2016
Assets		
Current assets		
Cash and deposits	11,189,563	7,229,021
Notes and accounts receivable - trade	6,128,302	6,974,832
Electronically recorded monetary claims	—	594,553
Merchandise	5,092,272	5,695,411
Goods in transit	213,836	182,447
Supplies	105,809	116,108
Accounts receivable-other	2,163,457	2,730,086
Deferred tax assets	199,530	185,776
Other	190,775	212,810
Allowance for doubtful accounts	(35,022)	(39,216)
Total current assets	25,248,526	23,881,832
Noncurrent assets		
Property, plant and equipment		
Buildings, net	250,433	299,322
Structures, net	7,581	6,347
Machinery and equipment, net	2,080	405,839
Vehicles, net	197	81
Tools, furniture and fixtures, net	132,746	133,420
Land	—	1,814,147
Lease assets, net	692,689	586,807
Construction in progress	485,967	7,085,083
Total property, plant and equipment	1,571,695	10,331,050
Intangible assets		
Goodwill	—	119,612
Software	940,939	1,005,746
Other	71,953	79,056
Total intangible assets	1,012,892	1,204,414
Investments and other assets		
Guarantee deposits	745,155	730,200
Deferred tax assets	123,061	135,298
Other	67,879	95,119
Allowance for doubtful accounts	(24,504)	(24,505)
Total investments and other assets	911,591	936,112
Total noncurrent assets	3,496,179	12,471,578
Total assets	28,744,705	36,353,410

Accounts	(In thousands of yen)	
	As of Dec. 31, 2015	As of Dec. 31, 2016
Liabilities		
Current liabilities		
Accounts payable-trade	4,404,915	5,302,967
Current portion of long-term loans payable	315,076	225,000
Lease obligations	302,657	14,216
Accounts payable-other	1,441,059	4,240,816
Income taxes payable	2,036,907	1,854,539
Provision for employees' bonuses	52,913	59,614
Provision for directors' bonuses	29,237	33,589
Other	548,208	577,502
Total current liabilities	9,130,975	12,308,247
Noncurrent liabilities		
Long-term loans payable	6,850,000	6,625,000
Lease obligations	26,334	12,118
Provision for directors' retirement benefits	52,231	62,470
Net defined benefit liability	1,876	31,200
Other	50,672	50,960
Total noncurrent liabilities	6,981,115	6,781,749
Total liabilities	16,112,091	19,089,997
Net assets		
Shareholders' equity		
Capital stock	1,907,453	1,943,569
Capital surplus	711,991	748,107
Retained earnings	10,095,565	14,486,042
Treasury stock	(180,278)	(193,786)
Total shareholders' equity	12,534,730	16,983,932
Accumulated other comprehensive income		
Foreign currency translation adjustment	37,775	35,532
Remeasurements of defined benefit plans	—	(1,408)
Total accumulated other comprehensive income	37,775	34,123
Subscription rights to shares	60,107	55,582
Non-controlling interests	—	189,774
Total net assets	12,632,614	17,263,413
Total liabilities and net assets	28,744,705	36,353,410

(2) Consolidated statements of (comprehensive) income

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2015	Year ended Dec. 31, 2016
Net sales	57,563,763	69,647,435
Cost of sales	40,236,226	47,751,767
Gross profit	17,327,536	21,895,668
Selling, general and administrative expenses	10,239,618	12,401,834
Operating income	7,087,918	9,493,833
Non-operating income		
Interest income	4,331	7,455
Foreign exchange gains	27,766	14,332
Commission fee	5,610	5,936
Compensation income	4,894	4,487
Gain on sale of materials	7,885	10,899
Other	12,645	14,720
Total non-operating income	63,134	57,830
Non-operating expenses		
Interest expenses	12,945	11,457
Loss on disposal of inventories	15,116	22,233
Other	2,342	3,495
Total non-operating expenses	30,404	37,186
Ordinary income	7,120,648	9,514,478
Extraordinary income		
Gain on sales of fixed assets	160	—
Total extraordinary income	160	—
Extraordinary loss		
Loss on disposal of fixed assets	1,816	462
Total extraordinary losses	1,816	462
Income before income taxes and minority interests	7,118,991	9,514,016
Income taxes-current	2,761,542	3,159,301
-deferred	(82,199)	5,133
Total income taxes	2,679,343	3,164,434
Net income	4,439,648	6,349,581
Net income attributable to:		
owners of the parent	4,439,648	6,368,557
non-controlling interests	—	(18,975)
Other comprehensive income		
Foreign currency translation adjustment	(33,633)	23,623
Remeasurements of defined benefit plans	—	(2,761)
Total other comprehensive income	(33,633)	20,862
Comprehensive income	4,406,015	6,370,444
Comprehensive income attributable to:		
owners of the parent	4,406,015	6,370,075
non-controlling interests	-	368

(3) Consolidated statement of changes in net assets

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2015	Year ended Dec. 31, 2016
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,865,398	1,907,453
Changes of items during the period		
Issuance of new shares	42,054	36,116
Total changes of items during the period	42,054	36,116
Balance at the end of current period	1,907,453	1,943,569
Capital surplus		
Balance at the beginning of current period	669,936	711,991
Changes of items during the period		
Issuance of new shares	42,054	36,116
Total changes of items during the period	42,054	36,116
Balance at the end of current period	711,991	748,107
Retained earnings		
Balance at the beginning of current period	6,701,646	10,095,565
Changes of items during the period		
Dividends from surplus	(1,045,730)	(1,978,079)
Net income attributable to owners of the parent	4,439,648	6,368,557
Total changes of items during the period	3,393,918	4,390,477
Balance at the end of current period	10,095,565	14,486,042
Treasury stock		
Balance at the beginning of current period	(163,034)	(180,278)
Changes of items during the period		
Purchase of treasury stock	(17,243)	(13,508)
Total changes of items during the period	(17,243)	(13,508)
Balance at the end of current period	(180,278)	(193,786)
Total shareholders' equity		
Balance at the beginning of current period	9,073,947	12,534,730
Changes of items during the period		
Issuance of new shares	84,109	72,232
Dividends from surplus	(1,045,730)	(1,978,079)
Net income attributable to owners of the parent	4,439,648	6,368,557
Purchase of treasury stock	(17,243)	(13,508)
Total changes of items during the period	3,460,783	4,449,201
Balance at the end of current period	12,534,730	16,983,932

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2015	Year ended Dec. 31, 2016
Accumulated other comprehensive income		
Foreign currency translation adjustment		
Balance at the beginning of current period	71,409	37,775
Changes of items during the period		
Net changes of items other than shareholders' equity	(33,633)	(2,243)
Total changes of items during the period	(33,633)	(2,243)
Balance at the end of current period	37,775	35,532
Remeasurements of defined benefit plans		
Balance at the beginning of current period	—	—
Changes of items during the period		
Net changes of items other than shareholders' equity	—	(1,408)
Total changes of items during the period	—	(1,408)
Balance at the end of current period	—	(1,408)
Total accumulated other comprehensive income		
Balance at the beginning of current period	71,409	37,775
Changes of items during the period		
Net changes of items other than shareholders' equity	(33,633)	(3,651)
Total changes of items during the period	(33,633)	(3,651)
Balance at the end of current period	37,775	34,123
Subscription rights to shares		
Balance at the beginning of current period	70,666	60,107
Changes of items during the period		
Net changes of items other than shareholders' equity	(10,559)	(4,524)
Total changes of items during the period	(10,559)	(4,524)
Balance at the end of current period	60,107	55,582
Non-controlling interests		
Balance at the beginning of current period	—	—
Changes of items during the period		
Net changes of items other than shareholders' equity	—	189,774
Total changes of items during the period	—	189,774
Balance at the end of current period	—	189,774
Total net assets		
Balance at the beginning of current period	9,216,023	12,632,614
Changes of items during the period		
Issuance of new shares	84,109	72,232
Dividends from surplus	(1,045,730)	(1,978,079)
Net income attributable to owners of the parent	4,439,648	6,368,557
Purchase of treasury stock	(17,243)	(13,508)
Net changes of items other than shareholders' equity	(44,192)	181,597
Total changes of items during the period	3,416,590	4,630,799
Balance at the end of current period	12,632,614	17,263,413

(4) Consolidated statements of cash flows

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2015	Year ended Dec. 31, 2016
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,118,991	9,514,016
Depreciation and amortization	518,709	626,124
Increase (decrease) in allowance for doubtful accounts	11,757	4,194
Increase (decrease) in provision for bonuses	7,139	5,296
Increase (decrease) in provision for directors' bonuses	14,024	4,352
Increase (decrease) in provision for directors' retirement benefits	8,604	10,238
Increase (decrease) in net defined benefit liability	452	18,419
Interest income	(4,331)	(7,455)
Interest expenses	12,945	11,457
Decrease (increase) in notes and accounts receivable-trade	(1,236,815)	(1,402,651)
Decrease (increase) in inventories	(1,332,480)	(575,202)
Decrease (increase) in accounts receivable-other	(561,132)	(561,279)
Increase (decrease) in notes and accounts payable-trade	715,062	883,297
Increase (decrease) in accounts payable-other	(271)	281,113
Other, net	210,202	(433,509)
Subtotal	5,482,856	8,378,411
Interest income received	4,331	5,150
Interest expenses paid	(11,818)	(9,580)
Income taxes paid	(1,700,791)	(3,391,049)
Voluntary goods collection expenses paid	(15,743)	—
Net cash provided by (used in) operating activities	3,758,834	4,982,931
Net cash provided by (used in) investment activities		
Proceeds from withdrawal of time deposits	—	300,000
Purchase of property, plant and equipment	(589,586)	(6,300,009)
Purchase of intangible assets	(371,101)	(432,840)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	15,178
Payments for guarantee deposits	(112,860)	(2,328)
Proceeds from subsidy income	—	318,660
Other, net	439	(138)
Net cash provided by (used in) investment activities	(1,073,108)	(6,101,479)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	(500,000)	—
Proceeds from long-term loans payable	6,500,000	—
Repayments of long-term loans payable	(314,487)	(315,076)
Proceeds from exercise of stock option	55,421	50,513
Purchase of treasury stock	(17,243)	(13,508)
Cash dividends paid	(1,046,704)	(1,977,422)
Repayments of lease obligations	(333,599)	(305,876)
Net cash provided by (used in) financing activities	4,343,385	(2,561,370)
Effect of exchange rate change on cash and cash equivalents	(24,094)	19,376
Net increase (decrease) in cash and cash equivalents	7,005,017	(3,660,541)
Cash and cash equivalents at beginning of period	3,884,546	10,889,563
Cash and cash equivalents at end of period	10,889,563	7,229,021

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

Accounts	As of Dec. 31, 2015	(In thousands of yen) As of Dec. 31, 2016
Assets		
Current assets		
Cash and deposits	10,898,704	6,536,563
Notes receivable - trade	—	6,124
Accounts receivable-trade	6,080,626	6,901,528
Electronically recorded monetary claims	—	594,553
Merchandise	4,853,792	5,399,210
Goods in transit	226,329	189,174
Supplies	105,809	115,746
Advance payments-trade	2,353	6,932
Prepaid expenses	146,721	158,209
Accounts receivable-other	2,161,839	2,698,401
Deferred tax assets	199,454	185,608
Other	24,311	27,330
Allowance for doubtful accounts	(35,022)	(39,241)
Total current assets	24,664,920	22,780,144
Noncurrent assets		
Property, plant and equipment		
Buildings	250,433	298,272
Structures	7,581	6,347
Machinery and equipment	2,080	405,839
Vehicles	197	81
Tools, furniture and fixtures	84,625	101,475
Land	—	1,814,147
Lease assets	692,689	586,807
Construction in progress	485,967	7,085,083
Total property, plant and equipment	1,523,574	10,298,055
Intangible assets		
Trademark	13,857	15,625
Software	901,456	975,022
Telephone subscription right	35	35
Software in progress	58,060	63,396
Total intangible assets	973,409	1,054,078
Investments and other assets		
Stocks of subsidiaries and affiliates	1,176,510	1,787,426
Claims provable in bankruptcy, rehabilitation and other	24,504	24,505
Long-term prepaid expenses	42,051	68,274
Guarantee deposits	715,926	699,945
Deferred tax assets	122,020	126,260
Allowance for doubtful accounts	(24,504)	(24,505)
Total investments and other assets	2,056,509	2,681,908
Total noncurrent assets	4,553,493	14,034,042
Total assets	29,218,413	36,814,187

Accounts	(In thousands of yen)	
	As of Dec. 31, 2015	As of Dec. 31, 2016
Liabilities		
Current liabilities		
Accounts payable-trade	4,204,476	5,063,978
Current portion of long-term loans payable	315,076	225,000
Lease obligations	302,657	14,216
Accounts payable-other	1,383,224	4,169,623
Accrued expenses	120,360	141,123
Income taxes payable	2,036,907	1,854,539
Accrued consumption taxes	366,005	373,595
Advances received	12,562	6,267
Deposits received	35,299	36,507
Provision for bonuses	52,913	59,614
Provision for directors' bonuses	29,237	33,589
Other	5,941	3,722
Total current liabilities	8,864,662	11,981,780
Noncurrent liabilities		
Long-term loans payable	6,850,000	6,625,000
Lease obligations	26,334	12,118
Provision for directors' retirement benefits	52,231	62,470
Other	50,672	50,960
Total noncurrent liabilities	6,979,238	6,750,548
Total liabilities	15,843,901	18,732,328
Net assets		
Shareholders' equity		
Capital stock	1,907,453	1,943,569
Capital surplus		
Legal capital surplus	711,991	748,107
Total capital surpluses	711,991	748,107
Retained earnings		
Other retained earnings		
Retained earnings brought forward	10,875,239	15,528,385
Total retained earnings	10,875,239	15,528,385
Treasury stock	(180,278)	(193,786)
Total shareholders' equity	13,314,404	18,026,275
Subscription rights to shares	60,107	55,582
Total net assets	13,374,512	18,081,858
Total liabilities and net assets	29,218,413	36,814,187

(2) Non-consolidated statements of income

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2015	Year ended Dec. 31, 2016
Net sales	55,607,925	67,105,665
Cost of sales	38,650,583	45,698,670
Gross profit	16,957,342	21,406,994
Selling, general and administrative expenses	9,593,809	11,624,549
Operating income	7,363,533	9,782,444
Non-operating income		
Interest income	376	364
Foreign exchange gains	35,562	19,901
Commission fee	5,610	5,936
Compensation income	3,260	2,566
Gain on sale of materials	7,885	10,899
Other	10,599	10,415
Total non-operating income	63,295	50,083
Non-operating expenses		
Interest expenses	12,945	11,457
Loss on disposal of inventories	13,215	17,246
Other	2,160	3,229
Total non-operating expenses	28,321	31,932
Ordinary income	7,398,508	9,800,595
Extraordinary loss		
Loss on disposal of fixed assets	1,173	462
Total extraordinary losses	1,173	462
Income before income taxes	7,397,334	9,800,133
Income taxes-current	2,761,542	3,159,301
Income taxes-deferred	(82,698)	9,605
Total income taxes	2,678,844	3,168,906
Net income	4,718,489	6,631,226

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

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2015	Year ended Dec. 31, 2016
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,865,398	1,907,453
Changes of items during the period		
Issuance of new shares	42,054	36,116
Total changes of items during the period	42,054	36,116
Balance at the end of current period	1,907,453	1,943,569
Capital surplus		
Balance at the beginning of current period	669,936	711,991
Changes of items during the period		
Issuance of new shares	42,054	36,116
Total changes of items during the period	42,054	36,116
Balance at the end of current period	711,991	748,107
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of current period	7,202,479	10,875,239
Changes of items during the period		
Dividends from surplus	(1,045,730)	(1,978,079)
Net income	4,718,489	6,631,226
Total changes of items during the period	3,672,759	4,653,146
Balance at the end of current period	10,875,239	15,528,385
Total retained earnings		
Balance at the beginning of current period	7,202,479	10,875,239
Changes of items during the period		
Dividends from surplus	(1,045,730)	(1,978,079)
Net income	4,718,489	6,631,226
Total changes of items during the period	3,672,759	4,653,146
Balance at the end of current period	10,875,239	15,528,385
Treasury stock		
Balance at the beginning of current period	(163,034)	(180,278)
Changes of items during the period		
Purchase of treasury stock	(17,243)	(13,508)
Total changes of items during the period	(17,243)	(13,508)
Balance at the end of current period	(180,278)	(193,786)
Total shareholders' equity		
Balance at the beginning of current period	9,574,779	13,314,404
Changes of items during the period		
Issuance of new shares	84,109	72,232
Dividends from surplus	(1,045,730)	(1,978,079)
Net income	4,718,489	6,631,226
Purchase of treasury stock	(17,243)	(13,508)
Total changes of items during the period	3,739,625	4,711,871
Balance at the end of current period	13,314,404	18,026,275

Accounts	Year ended Dec. 31, 2015	Year ended Dec. 31, 2016
Subscription rights to shares		
Balance at the beginning of current period	70,666	60,107
Changes of items during the period		
Net changes of items other than shareholders' equity	(10,559)	(4,524)
Total changes of items during the period	(10,559)	(4,524)
Balance at the end of current period	60,107	55,582
Total net assets		
Balance at the beginning of current period	9,645,446	13,374,512
Changes of items during the period		
Issuance of new shares	84,109	72,232
Dividends from surplus	(1,045,730)	(1,978,079)
Net income	4,718,489	6,631,226
Purchase of treasury stock	(17,243)	(13,508)
Net changes of items other than shareholders' equity	(10,559)	(4,524)
Total changes of items during the period	3,729,065	4,707,346
Balance at the end of current period	13,374,512	18,081,858