

Consolidated Financial Results for the First Three Months of Fiscal Year Ending December 31, 2017 (Three Months Ended March 31, 2017)

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

Stock code: 3064

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Scheduled date to file Quarterly Securities Report: May 10, 2017

Scheduled date of dividend payments: -

Supplementary materials: Yes Investors meeting: None

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 Three Months Ended March 31, 2017

(January 1, 2017 – March 31, 2017)

(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	%
Three months ended Mar.31, 2017	20,554	23.9	2,677	27.5	2,698	28.3	1,950	41.9
Three months ended Mar.31, 2016	16,589	23.4	2,099	38.2	2,103	37.5	1,375	42.5

Note: Comprehensive income: Three months ended Mar.31, 2017: 1,933 million yen (42.9%)

Three months ended Mar.31, 2016: 1,352 million yen (40.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar.31, 2017	15.72	15.70
Three months ended Mar.31, 2016	11.13	11.07

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar.31, 2017	40,312	18,097	44.4
As of Dec.31, 2016	36,353	17,263	46.8

Reference: Shareholders' equity Mar. 31, 2017: 17,881 million yen Dec. 31, 2016: 17,018 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, 2016	-	9.00	-	9.00	18.00
Year ending Dec.31, 2017 (actual)	-				
Year ending Dec.31, 2017 (forecast)		11.00	-	11.00	22.00

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

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	29.70
Full year	84,239	21.0	11,596	22.2	11,607	22.0	7,934	24.6	63.94

Note: Revision of consolidated forecast during this quarter: None

4. Others

(1) Changes in the number of material subsidiaries resulting changes in scope of consolidation during the three-month period ended March 31, 2017: 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): None

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)

Mar.31, 2017:	125,168,800 shares	Dec.31, 2016:	125,015,400 shares
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2) Number of treasury stock at the end of period

Mar.31, 2017:	1,087,633 shares	Dec.31, 2016:	1,087,633 shares
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3) Average number of shares outstanding during the period

Three months ended Mar.31, 2017:	124,075,034 shares	Three months ended Mar.31, 2016:	123,567,367 shares
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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 three months of the fiscal year ending December 31, 2017 gradually recovered with government economic and fiscal policies providing some support, while concerns about the curbing of economic expansion in the United States and the growth momentum of the Chinese economy 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 recovered moderately reflecting the favorable economic 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. 13 Spring Edition in late February, divided into 10 volumes with 182 thousand items and approximately 1.66 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 10 million items in total and 303 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 three months of the fiscal year ending December 31, 2017.

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. And also, we newly launched "MonotaRO ONE SOURCE Lite" in late March as our new purchase platform to enhance the business for large-sized customers.

Consequently, we have successfully obtained 124,084 newly registered accounts for the first three months of the fiscal year ending December 31, 2017 and the number of registered accounts totaled 2,331,511 as of the end of the first 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 20,554 million yen (23.9% increase from the same period of the previous fiscal year), operating income of 2,677 million yen (27.5% increase from the same period of the previous fiscal year), ordinary income of 2,698 million yen (28.3% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 1,950 million yen, a corresponding 41.9% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of March 31, 2017 (the end of the first three months of the fiscal year ending December 31, 2017) amounted to 40,312 million yen, an increase of 3,958 million yen from the end of the previous fiscal year. This was attributable to increases of 1,210 million yen, 2,799 million yen and 2,431 million yen in accounts receivable-trade, accounts receivable-other and leased assets, respectively, despite decreases of 1,505 million yen and 1,435 million yen in cash and deposits and construction in progress, respectively.

On the other hand, total liabilities as of March 31, 2017 amounted to 22,214 million yen, an increase of 3,124 million yen from the end of the previous fiscal year. This was due mainly to increases of 1,226 million yen, 2,000 million yen and 2,627 million yen in accounts payable-trade, short-term bank loans payable and lease obligations, respectively, despite decreases of 1,365 million yen and 1,121 million yen in accounts payable-other and income tax payable, respectively.

Total net assets amounted to 18,097 million yen, an increase of 834 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 1,950 million yen offset by dividend payments of 1,115 million yen for the first three months of the fiscal year ending December 31, 2017.

As a result, the equity ratio as of March 31, 2017 was 44.4%, down 2.4 percentage points from the end of the previous fiscal year.

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

Japanese economy has been gradually recovered as a whole, and mid-to-small manufacturers, the major customers of our industrial MRO products, have also enjoyed similar circumstances as well while it is undeniable that there is an unclear outlook for the future Japanese economy focusing around the curbing of economic expansion in the United States. As far as our consolidated financial results for the first three months of this fiscal year, they were slightly better than our plan. However, economic optimism is currently unwarranted taking into consideration of the situation described above. Therefore, the consolidated forecast for the first half of the fiscal year as well as the fiscal year ending December 31, 2017, disclosed on January 27, 2017, has not been changed at this time.

4. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

Accounts	As of Dec. 31, 2016	(In thousands of yen) As of Mar. 31, 2017
Assets		
Current assets		
Cash and deposits	7,229,021	5,723,295
Accounts receivable-trade	6,974,832	8,187,827
Electronically recorded monetary claims	594,553	585,058
Merchandise	5,695,411	6,099,370
Goods in transit	182,447	190,469
Supplies	116,108	179,840
Accounts receivable-other	2,730,086	5,529,749
Other	398,586	390,080
Allowance for doubtful accounts	(39,216)	(39,630)
Total current assets	23,881,832	26,846,061
Noncurrent assets		
Property, plant and equipment		
Construction in progress	7,085,083	5,649,532
Other	3,245,967	5,659,538
Total property, plant and equipment	10,331,050	11,309,070
Intangible assets		
Goodwill	119,612	112,526
Other	1,084,802	1,114,037
Total intangible assets	1,204,414	1,226,563
Investments and other assets		
Guarantee deposits	730,200	726,717
Other	230,417	229,834
Allowance for doubtful accounts	(24,505)	(25,998)
Total investments and other assets	936,112	930,554
Total noncurrent assets	12,471,578	13,466,188
Total assets	36,353,410	40,312,250
Liabilities		
Current liabilities		
Accounts payable-trade	5,302,967	6,529,928
Short-term loans payable	—	2,000,000
Long-term loans payable-current portion	225,000	1,200,333
Lease obligations	14,216	1,117,417
Accounts payable-other	4,240,816	2,875,313
Income taxes payable	1,854,539	733,074
Provision for employees' bonuses	59,614	145,387
Provision for directors' bonuses	33,589	14,737
Other	577,502	331,511
Total current liabilities	12,308,247	14,947,702
Noncurrent liabilities		
Long-term loans payable	6,625,000	5,593,417
Lease obligations	12,118	1,536,145
Provision for directors' retirement benefits	62,470	67,893
Provision for retirement benefits for employees	31,200	18,319
Other	50,960	51,007
Total noncurrent liabilities	6,781,749	7,266,782
Total liabilities	19,089,997	22,214,485
Net assets		
Shareholders' equity		
Capital stock	1,943,569	1,954,659
Capital surplus	748,107	759,197
Retained earnings	14,486,042	15,321,536
Treasury stock	(193,786)	(193,786)
Total shareholders' equity	16,983,932	17,841,605
Accumulated other comprehensive income		
Foreign currency translation adjustment	35,532	41,321
Remeasurements of defined benefit plans	(1,408)	(1,291)
Total accumulated other comprehensive income	34,123	40,029
Subscription rights to shares	55,582	49,679
Non-controlling interests	189,774	166,450
Total net assets	17,263,413	18,097,765
Total liabilities and net assets	36,353,410	40,312,250

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In thousands of yen)	
	Three months period ended Mar. 31, 2016	Three months period ended Mar. 31, 2017
Net sales	16,589,745	20,554,816
Cost of sales	11,461,587	14,159,659
Gross profit	5,128,158	6,395,157
Selling, general and administrative expenses	3,028,277	3,717,572
Operating income	2,099,880	2,677,584
Non-operating income		
Interest income	824	4,525
Foreign exchange gains	3,245	16,714
Other	7,454	7,473
Total non-operating income	11,525	28,714
Non-operating expenses		
Interest expenses	2,498	1,984
Loss on disposal of inventories	4,999	6,024
Other	539	10
Total non-operating expenses	8,036	8,019
Ordinary income	2,103,369	2,698,279
Extraordinary loss		
Loss on disposal of fixed assets	14	2
Total extraordinary losses	14	2
Income before income taxes	2,103,355	2,698,277
Income taxes-current	654,638	702,521
-deferred	73,572	61,979
Total income taxes	728,210	764,501
Net income	1,375,144	1,933,775
Net income attributable to:		
owners of the parent	1,375,144	1,950,843
non-controlling interests	—	(17,067)
Other comprehensive income		
Foreign currency translation adjustment	(22,155)	(310)
Remeasurements of defined benefit plans	—	116
Total other comprehensive income	(22,155)	(193)
Comprehensive income	1,352,988	1,933,581
Comprehensive income attributable to:		
owners of the parent	1,352,988	1,956,971
non-controlling interests	—	(23,389)