

## Consolidated Financial Results for the First Six months of Fiscal Year Ending December 31, 2017 (Six months Ended June 30, 2017)

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

Stock code: 3064

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

Scheduled date of dividend payments: September 11, 2017

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, 2017

**(January 1, 2017 – June 30, 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	%
Six months ended Jun.30, 2017	41,776	25.5	5,567	23.5	5,612	24.4	3,965	33.2
Six months ended Jun.30, 2016	33,297	21.7	4,509	31.3	4,510	30.9	2,977	36.7

Note: Comprehensive income: Six months ended Jun.30, 2017: 3,917 million yen (34.6%)

Six months ended Jun.30, 2016: 2,910 million yen (33.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun.30, 2017	31.96	31.92
Six months ended Jun.30, 2016	24.08	23.97

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun.30, 2017	38,748	20,086	51.3
As of Dec.31, 2016	36,353	17,263	46.8

Reference: Shareholders' equity Jun.30, 2017: 19,890 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)	-	11.00			
Year ending Dec.31, 2017 (forecast)			-	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
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 six-month period ended June 30, 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)

Jun.30, 2017:	125,176,000 shares	Dec.31, 2016:	125,015,400 shares
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  - 2) Number of treasury stock at the end of period

Jun.30, 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

Six months ended Jun.30, 2017:	124,080,167 shares	Six months ended Jun.30, 2016:	123,664,567 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 six months of the fiscal year ending December 31, 2017 gradually recovered with a recovery of overseas economies in the background, and 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 uncertain.

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 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 aggressively 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, to enhance our visibility much further.

Furthermore, the total number of our product lineup available on our website reached approximately 10 million items in total and 305 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, 2017. In addition, we started the full-scale operation of "Kasama Distribution Center" in July with a total floor area of approximately 56,200 square meters aiming at promoting more effective warehouse operation such as the installation of an automatic mobile warehouse robotic system securing the maximum daily shipping volume and a high-capacity stock area.

On the other hand, 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 254,408 newly registered accounts for the first six months of the fiscal year ending December 31, 2017 and the number of registered accounts totaled 2,461,835 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 41,776 million yen (25.5% increase from the same period of the previous fiscal year), operating income of 5,567 million yen (23.5% increase from the same period of the previous fiscal year), ordinary income of 5,612 million yen (24.4% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 3,965 million yen, a corresponding 33.2% increase.

### **(2) Qualitative Information Regarding Consolidated Financial Position**

Total assets as of June 30, 2017 (the end of the first six months of the fiscal year ending December 31, 2017) amounted to 38,748 million yen, an increase of 2,394 million yen from the end of the previous fiscal year. This was attributable to increases of 1,387 million yen, 1,443 million yen, 4,041 million yen and 2,350 million yen in accounts receivable-trade, merchandize, buildings and leased assets, respectively, despite decreases of 1,116 million yen and 7,085 million yen in cash and deposits and construction in progress, respectively.

On the other hand, total liabilities as of June 30, 2017 amounted to 18,661 million yen, a decrease of 428 million yen from the end of the previous fiscal year. This was due mainly to decreases of 2,489 million yen and 1,062 million yen in accounts payable-other and long-term loans payable, respectively, despite increases of 1,079 million yen and 950 million yen in accounts payable-trade and the current portion of long-term loans payable, respectively.

Total net assets amounted to 20,086 million yen, an increase of 2,823 million yen from the end of the previous fiscal year.

This was largely due to net income attributable to owners of the parent of 3,965 million yen offset by dividend payments of 1,115 million yen for the first six months of the fiscal year ending December 31, 2017.

As a result, the equity ratio as of June 30, 2017 was 51.3%, up 4.5 percentage points from the end of the previous fiscal year.

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

The Japanese economy has been gradually recovering as a whole, and mid-to-small manufacturers, the major customers of our industrial MRO products, have benefited as a result. However, it is undeniable that the outlook for the future Japanese economy is unclear, with concerns increasing over the curbing of economic expansion in the United States. Although our consolidated financial results for the first six months of this fiscal year were slightly better than our plan, the consolidated forecast for 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 June. 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	7,229,021	6,112,998
Accounts receivable-trade	6,974,832	8,370,125
Electronically recorded monetary claims	594,553	673,379
Merchandise	5,695,411	7,139,350
Goods in transit	182,447	269,833
Supplies	116,108	81,512
Accounts receivable-other	2,730,086	3,356,433
Other	398,586	395,715
Allowance for doubtful accounts	(39,216)	(42,692)
Total current assets	<u>23,881,832</u>	<u>26,356,656</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	299,322	4,341,095
Construction in progress	7,085,083	—
Other	2,946,644	5,878,214
Total property, plant and equipment	<u>10,331,050</u>	<u>10,219,309</u>
Intangible assets		
Goodwill	119,612	109,565
Other	1,084,802	1,122,421
Total intangible assets	<u>1,204,414</u>	<u>1,231,987</u>
Investments and other assets		
Guarantee deposits	730,200	739,857
Other	230,417	226,850
Allowance for doubtful accounts	(24,505)	(26,660)
Total investments and other assets	<u>936,112</u>	<u>940,047</u>
Total noncurrent assets	<u>12,471,578</u>	<u>12,391,344</u>
Total assets	<u>36,353,410</u>	<u>38,748,000</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	5,302,967	6,382,323
Long-term loans payable-current portion	225,000	1,175,333
Lease obligations	14,216	744,819
Accounts payable-other	4,240,816	1,750,969
Income taxes payable	1,854,539	1,729,915
Provision for employees' bonuses	59,614	64,246
Provision for directors' bonuses	33,589	29,474
Other	577,502	278,999
Total current liabilities	<u>12,308,247</u>	<u>12,156,082</u>
Noncurrent liabilities		
Long-term loans payable	6,625,000	5,562,167
Lease obligations	12,118	801,403
Provision for directors' retirement benefits	62,470	67,893
Provision for retirement benefits for employees	31,200	23,642
Other	50,960	50,347
Total noncurrent liabilities	<u>6,781,749</u>	<u>6,505,453</u>
Total liabilities	<u>19,089,997</u>	<u>18,661,535</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,943,569	1,956,342
Capital surplus	748,107	760,880
Retained earnings	14,486,042	17,336,321
Treasury stock	(193,786)	(193,786)
Total shareholders' equity	<u>16,983,932</u>	<u>19,859,757</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	35,532	31,757
Remeasurements of defined benefit plans	(1,408)	(1,238)
Total accumulated other comprehensive income	<u>34,123</u>	<u>30,519</u>
Subscription rights to shares	55,582	50,490
Non-controlling interests	189,774	145,696
Total net assets	<u>17,263,413</u>	<u>20,086,465</u>
Total liabilities and net assets	<u>36,353,410</u>	<u>38,748,000</u>

**(2) Consolidated quarterly statements of (comprehensive) income**

Accounts	(In thousands of yen)	
	Six months period ended June. 30, 2016	Six months period ended June. 30, 2017
Net sales	33,297,979	41,776,862
Cost of sales	22,918,144	28,842,709
Gross profit	10,379,835	12,934,153
Selling, general and administrative expenses	5,870,458	7,366,355
Operating income	4,509,376	5,567,797
Non-operating income		
Interest income	2,186	8,489
Foreign exchange gains	—	36,273
Other	18,937	17,870
Total non-operating income	21,123	62,632
Non-operating expenses		
Interest expenses	6,583	4,153
Loss on disposal of inventories	9,913	13,671
Foreign exchange losses	2,691	—
Other	561	97
Total non-operating expenses	19,749	17,922
Ordinary income	4,510,751	5,612,508
Extraordinary income		
Gain on sales of non-current assets	—	30
Total extraordinary income	—	30
Extraordinary loss		
Loss on sales of non-current assets	—	342
Loss on disposal of fixed assets	462	2,358
Total extraordinary losses	462	2,701
Income before income taxes	4,510,289	5,609,836
Income taxes-current	1,493,402	1,633,384
-deferred	39,066	48,870
Total income taxes	1,532,469	1,682,255
Net income	2,977,819	3,927,581
Net income attributable to:		
owners of the parent	2,977,819	3,965,628
non-controlling interests	—	(38,047)
Other comprehensive income		
Foreign currency translation adjustment	(67,051)	(9,918)
Remeasurements of defined benefit plans	—	169
Total other comprehensive income	(67,051)	(9,748)
Comprehensive income	2,910,767	3,917,832
Comprehensive income attributable to:		
owners of the parent	2,910,767	3,961,910
non-controlling interests	—	(44,077)

### (3) Consolidated quarterly statements of cash flows

Accounts	(In thousands of yen)	
	Six months ended Jun. 30, 2016	Six months ended Jun. 30, 2017
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	4,510,289	5,609,836
Depreciation and amortization	281,676	451,900
Increase (decrease) in allowance for doubtful accounts	1,999	5,631
Increase (decrease) in provision for bonuses	3,773	4,807
Increase (decrease) in provision for directors' bonuses	1,080	(4,115)
Increase (decrease) in provision for directors' retirement benefits	10,238	5,423
Increase (decrease) in provision for retirement benefits	6,814	(7,200)
Interest income	(2,186)	(8,489)
Interest expenses	6,583	4,153
Decrease (increase) in notes and accounts receivable-trade	(739,422)	(1,475,140)
Decrease (increase) in inventories	(267,029)	(1,494,191)
Decrease (increase) in accounts receivable-other	(53,850)	(629,307)
Increase (decrease) in notes and accounts payable-trade	486,093	1,077,501
Increase (decrease) in accounts payable-other	(50,759)	78,392
Other, net	(187,945)	(137,950)
Subtotal	<u>4,007,355</u>	<u>3,481,251</u>
Interest income received	1,697	8,311
Interest expenses paid	(4,854)	(4,094)
Income taxes paid	(2,004,554)	(1,759,841)
Net cash provided by (used in) operating activities	<u>1,999,644</u>	<u>1,725,627</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	300,000	—
Purchase of property, plant and equipment	(1,664,940)	(3,191,093)
Purchase of intangible assets	(222,933)	(233,318)
Proceeds from subsidy income	—	500,000
Other, net	605	(23,632)
Net cash provided by (used in) investment activities	<u>(1,587,268)</u>	<u>(2,948,044)</u>
Net cash provided by (used in) financing activities		
Repayments of long-term loans	(112,500)	(112,500)
Proceeds from exercise of stock option	36,592	11,955
Cash dividends paid	(862,574)	(1,113,772)
Proceeds from sales and leasebacks	—	2,440,000
Repayments of lease obligations	(229,824)	(1,113,929)
Net cash provided by (used in) financing activities	<u>(1,168,306)</u>	<u>111,753</u>
Effect of exchange rate change on cash and cash equivalents	(44,975)	(5,360)
Net increase (decrease) in cash and cash equivalents	<u>(800,905)</u>	<u>(1,116,023)</u>
Cash and cash equivalents at beginning of period	<u>10,889,563</u>	<u>7,229,021</u>
Cash and cash equivalents at end of period	<u>10,088,658</u>	<u>6,112,998</u>