

## Consolidated Financial Results for the First Nine Months of Fiscal Year Ending December 31, 2017 (Nine Months Ended September 30, 2017)

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

Stock code: 3064

Representative: Masaya Suzuki, President &amp; CEO

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

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

Scheduled date of dividend payments: -

Supplementary materials: Yes Investors meeting: -

Listing: Tokyo Stock Exchange, First Section

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

*(Figures are rounded down to the nearest million yen)*

### 1. Consolidated Financial Results for the Nine Months Ended September 30, 2017

**(January 1, 2017 – September 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                                 | %    |
| Nine months ended Sep.30, 2017 | 64,057          | 26.7 | 8,559            | 24.5 | 8,620           | 25.4 | 6,053   | 33.5 |
| Nine months ended Sep.30, 2016 | 50,553          | 20.9 | 6,873            | 33.3 | 6,874           | 32.8 | 4,535   | 39.9 |

Note: Comprehensive income: Nine months ended Sep.30, 2017: 5,989 million yen (33.8%)

Nine months ended Sep.30, 2016: 4,475 million yen (40.2%)

|                                | Net income per share | Diluted net income per share |
|--------------------------------|----------------------|------------------------------|
|                                | Yen                  | Yen                          |
| Nine months ended Sep.30, 2017 | 48.78                | 48.73                        |
| Nine months ended Sep.30, 2016 | 36.66                | 36.51                        |

(2) Consolidated financial position

|                    | Total assets    | Net assets      | Equity ratio |
|--------------------|-----------------|-----------------|--------------|
|                    | Millions of yen | Millions of yen | %            |
| As of Sep.30, 2017 | 39,056          | 20,784          | 52.8         |
| As of Dec.31, 2016 | 36,353          | 17,263          | 46.8         |

Reference: Shareholders' equity Sep. 30, 2017: 20,605 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 | 88,006          | 26.4 | 11,795           | 24.2 | 11,798          | 24.0 | 8,376   | 31.5 | 67.51                |

Note: Revision of consolidated forecast during this quarter: Yes

The details on the revision of the consolidated forecasts are presented in "Notice of Revision of Full-year Consolidated Financial Forecasts" released simultaneously with this statement.

#### 4. Others

- (1) Changes in the number of material subsidiaries resulting in changes in scope of consolidation during the nine-month period ended September 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)  
Sep.30, 2017: 125,177,000 shares Dec.31, 2016: 125,015,400 shares
  - 2) Number of treasury stock at the end of period  
Sep.30, 2017: 1,091,033 shares Dec.31, 2016: 1,087,633 shares
  - 3) Average number of shares outstanding during the period  
Nine months ended Sep.30, 2017: 124,082,256 shares Nine months ended Sep.30, 2016: 123,711,767 shares

This quarterly report of financial results is out of scope from quarterly review procedures conducted by independent auditors.

#### **\* Cautionary statement with respect to forward-looking statements**

The forecasts above are based on the judgments made in accordance with information currently available. Forecasts therefore include risks and uncertainties. Actual figures may differ from these forecasts due to subsequent changes in the circumstances.

## **1. Qualitative Information on the Consolidated Financial Statements**

### **(1) Qualitative Information Regarding Consolidated Results of Operations**

The Japanese economy during the first nine months of the fiscal year ending December 31, 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 trend of political policies of 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 and REDBOOK vol. 13 Autumn Edition in late September, divided into 12 volumes with 338 thousand items and approximately 2.6 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 13 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 nine 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 390,760 newly registered accounts for the first nine months of the fiscal year ending December 31, 2017 and the number of registered accounts totaled 2,598,187 as of the end of the third 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 64,057 million yen (26.7% increase from the same period of the previous fiscal year), operating income of 8,559 million yen (24.5% increase from the same period of the previous fiscal year), ordinary income of 8,620 million yen (25.4% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 6,053 million yen, a corresponding 33.5% increase.

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

Total assets as of September 30, 2017 (the end of the first nine months of the fiscal year ending December 31, 2017) amounted to 39,056 million yen, an increase of 2,703 million yen from the end of the previous fiscal year. This was attributable to increases of 1,743 million yen, 1,734 million yen, 3,991 million yen and 2,269 million yen in accounts receivable-trade, merchandize, buildings and leased assets, respectively, despite decreases of 1,913 million yen and 7,085 million yen in cash and deposits and construction in progress, respectively.

On the other hand, total liabilities as of September 30, 2017 amounted to 18,272 million yen, a decrease of 817 million yen from the end of the previous fiscal year. This was due mainly to decreases of 2,071 million yen, 780 million yen and 2,094 million yen in accounts payable-other, income taxes payable and long-term loans payable, respectively, despite increases of

941 million yen and 1,925 million yen in accounts payable-trade and current portion of long-term loans payable, respectively.

Total net assets amounted to 20,784 million yen, an increase of 3,520 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 6,053 million yen offset by dividend payments of 2,480 million yen for the first nine months of the fiscal year ending December 31, 2017.

As a result, the equity ratio as of September 30, 2017 was 52.8%, up 6.0 percentage points from the end of the previous fiscal year.

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

As a result of the review of our operating plans considering the financial results for the first nine months of the fiscal year ending December 31, 2017, the consolidated forecasts for the fiscal year ending December 31, 2017 disclosed in “Financial Results for the Fiscal Year Ended December 31, 2017 (Consolidated)” on January 27, 2017 have been changed. The details of these changes are presented in “Notice of Revision of Full-year Consolidated Financial Forecasts” released simultaneously with this statement.

## 4. Consolidated Quarterly Financial Statements

### (1) Consolidated quarterly balance sheets

| Accounts  | As of Dec. 31, 2016 | (In thousands of yen)<br>As of Sep. 30, 2017 |
|---|---------------------|--|
| <b>Assets</b>                                   |                     |  |
| Current assets                                  |                     |  |
| Cash and deposits                               | 7,229,021           | 5,315,983                                    |
| Accounts receivable-trade                       | 6,974,832           | 8,732,753                                    |
| Electronically recorded monetary claims         | 594,553             | 877,181                                      |
| Merchandise                                     | 5,695,411           | 7,429,841                                    |
| Goods in transit                                | 182,447             | 186,685                                      |
| Supplies  | 116,108             | 459,212                                      |
| Accounts receivable-other                       | 2,730,086           | 3,435,532                                    |
| Other   | 398,586             | 366,543                                      |
| Allowance for doubtful accounts                 | (39,216)            | (48,016)                                     |
| Total current assets                            | <u>23,881,832</u>   | <u>26,755,717</u>                            |
| Noncurrent assets                               |                     |  |
| Property, plant and equipment                   |                     |  |
| Buildings                                       | 299,322             | 4,291,084                                    |
| Construction in progress                        | 7,085,083           | —  |
| Other   | 2,946,644           | 5,768,753                                    |
| Total property, plant and equipment             | <u>10,331,050</u>   | <u>10,059,838</u>                            |
| Intangible assets                               |                     |  |
| Goodwill  | 119,612             | 106,604                                      |
| Other   | 1,084,802           | 1,239,557                                    |
| Total intangible assets                         | <u>1,204,414</u>    | <u>1,346,162</u>                             |
| Investments and other assets                    |                     |  |
| Guarantee deposits                              | 730,200             | 691,261                                      |
| Other   | 230,417             | 232,785                                      |
| Allowance for doubtful accounts                 | (24,505)            | (28,873)                                     |
| Total investments and other assets              | <u>936,112</u>      | <u>895,173</u>                               |
| Total noncurrent assets                         | <u>12,471,578</u>   | <u>12,301,173</u>                            |
| Total assets                                    | <u>36,353,410</u>   | <u>39,056,891</u>                            |
| <b>Liabilities</b>                              |                     |  |
| Current liabilities                             |                     |  |
| Accounts payable-trade                          | 5,302,967           | 6,244,723                                    |
| Long-term loans payable-current portion         | 225,000             | 2,150,666                                    |
| Lease obligations                               | 14,216              | 744,841                                      |
| Accounts payable-other                          | 4,240,816           | 2,169,064                                    |
| Income taxes payable                            | 1,854,539           | 1,073,734                                    |
| Provision for employees' bonuses                | 59,614              | 157,692                                      |
| Provision for directors' bonuses                | 33,589              | 13,813                                       |
| Other   | 577,502             | 245,320                                      |
| Total current liabilities                       | <u>12,308,247</u>   | <u>12,799,856</u>                            |
| Noncurrent liabilities                          |                     |  |
| Long-term loans payable                         | 6,625,000           | 4,530,584                                    |
| Lease obligations                               | 12,118              | 798,027                                      |
| Provision for directors' retirement benefits    | 62,470              | 67,893                                       |
| Provision for retirement benefits for employees | 31,200              | 25,994                                       |
| Other   | 50,960              | 50,299                                       |
| Total noncurrent liabilities                    | <u>6,781,749</u>    | <u>5,472,798</u>                             |
| Total liabilities                               | <u>19,089,997</u>   | <u>18,272,654</u>                            |
| <b>Net assets</b>                               |                     |  |
| Shareholders' equity                            |                     |  |
| Capital stock                                   | 1,943,569           | 1,957,046                                    |
| Capital surplus                                 | 748,107             | 761,584                                      |
| Retained earnings                               | 14,486,042          | 18,059,013                                   |
| Treasury stock                                  | (193,786)           | (206,417)                                    |
| Total shareholders' equity                      | <u>16,983,932</u>   | <u>20,571,227</u>                            |
| Accumulated other comprehensive income          |                     |  |
| Foreign currency translation adjustment         | 35,532              | 35,289                                       |
| Remeasurements of defined benefit plans         | (1,408)             | (1,155)                                      |
| Total accumulated other comprehensive income    | <u>34,123</u>       | <u>34,133</u>                                |
| Subscription rights to shares                   | 55,582              | 52,552                                       |
| Non-controlling interests                       | 189,774             | 126,323                                      |
| Total net assets                                | <u>17,263,413</u>   | <u>20,784,236</u>                            |
| Total liabilities and net assets                | <u>36,353,410</u>   | <u>39,056,891</u>                            |

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

| Accounts                                     | Nine months period<br>ended Sep. 30, 2016 | (In thousands of yen)<br>Nine months period<br>ended Sep. 30, 2017 |
|--|---|--|
| Net sales                                    | 50,553,059                                | 64,057,433   |
| Cost of sales                                | 34,719,781                                | 44,419,795   |
| Gross profit                                 | 15,833,278                                | 19,637,637   |
| Selling, general and administrative expenses | 8,960,118                                 | 11,078,366   |
| Operating income                             | 6,873,159                                 | 8,559,270  |
| Non-operating income                         |   |  |
| Interest income                              | 2,365                                     | 12,703   |
| Foreign exchange gains                       | —   | 51,855   |
| Other  | 27,104                                    | 27,446   |
| Total non-operating income                   | 29,470                                    | 92,005   |
| Non-operating expenses                       |   |  |
| Interest expenses                            | 9,205                                     | 6,000  |
| Foreign exchange losses                      | 1,476                                     | —  |
| Loss on disposal of inventories              | 16,943                                    | 24,961   |
| Other  | 682                                       | 232  |
| Total non-operating expenses                 | 28,307                                    | 31,194   |
| Ordinary income                              | 6,874,322                                 | 8,620,081  |
| 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 retirement of non-current assets     | 462                                       | 2,572  |
| Total extraordinary losses                   | 462                                       | 2,915  |
| Income before income taxes                   | 6,873,860                                 | 8,617,195  |
| Income taxes-current                         | 2,297,580                                 | 2,553,121  |
| -deferred                                    | 41,144                                    | 67,814   |
| Total income taxes                           | 2,338,724                                 | 2,620,936  |
| Net income                                   | 4,535,135                                 | 5,996,259  |
| Net income attributable to:                  |   |  |
| owners of the parent                         | 4,535,135                                 | 6,053,292  |
| non-controlling interests                    | —   | (57,032)   |
| Other comprehensive income                   |   |  |
| Foreign currency translation adjustment      | (59,727)                                  | (6,833)  |
| Remeasurements of defined benefit plans      | —   | 252  |
| Total other comprehensive income             | (59,727)                                  | (6,580)  |
| Comprehensive income                         | 4,475,408                                 | 5,989,679  |
| Comprehensive income attributable to:        |   |  |
| owners of the parent                         | 4,475,408                                 | 6,053,130  |
| non-controlling interests                    | —   | (63,451)   |