

## Consolidated Financial Results for the Fiscal Year Ended December 31, 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 of Annual General Shareholders' Meeting: March 27, 2018

Scheduled date to commence dividend payment: March 28, 2018

Scheduled date to file Securities Report: March 27, 2018

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, 2017

(January 1, 2017 – December 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	%
Year ended Dec. 31, 2017	88,347	26.9	11,837	24.7	11,858	24.6	8,464	32.9
Year ended Dec. 31, 2016	69,647	21.0	9,493	33.9	9,514	33.6	6,368	43.4

Note: Comprehensive income: Year ended Dec. 31, 2017: 8,414 million yen (32.1 %)

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

	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, 2017	68.21	68.14	42.2	29.9	13.4
Year ended Dec. 31, 2016	51.46	51.27	43.0	29.2	13.6

(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, 2017	42,861	23,216	53.8	185.92
As of Dec. 31, 2016	36,353	17,263	46.8	137.32

Reference: Shareholders' equity Dec. 31, 2017: 23,080 million yen Dec. 31, 2016: 17,018 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, 2017	6,097	(3,284)	(1,379)	8,688
Year ended Dec. 31, 2016	4,982	(6,101)	(2,561)	7,229

### 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, 2016	-	9.00	-	9.00	18.00	2,229	35.0	15.1
Year ended Dec. 31, 2017	-	11.00	-	11.00	22.00	2,730	32.3	13.6
Year ending Dec. 31, 2018 (forecast)	-	13.00	-	13.00	26.00		32.1	

### 3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2018 (January 1, 2018 – December 31, 2018)

(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)	51,311	22.8	6,476	16.3	6,441	14.8	4,522	14.0	36.43
Full year	109,469	23.9	14,249	20.4	14,191	19.7	10,044	18.7	80.91

#### 4. Others

- (1) Changes in the number of material subsidiaries resulting from changes in scope of consolidation during the year ended December 31, 2017: 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): 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, 2017:	125,234,200 shares	Dec. 31, 2016:	125,015,400 shares
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  - 2) Number of treasury stock at the end of period
 

Dec. 31, 2017:	1,091,033 shares	Dec. 31, 2016:	1,087,633 shares
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  - 3) Average number of shares outstanding during the period
 

Year ended Dec. 31, 2017:	124,088,850 shares	Year ended Dec. 31, 2016:	123,746,567 shares
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#### (Reference) Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2017

##### 1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(January 1, 2017 – December 31, 2017)

(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, 2017	84,656	26.2	12,168	24.4	12,177	24.3	8,699	31.2
Year ended Dec. 31, 2016	67,105	20.7	9,782	32.8	9,800	32.5	6,631	40.5

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Dec. 31, 2017	70.11	70.03
Year ended Dec. 31, 2016	53.59	53.38

##### (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2017	43,525	24,320	55.8	195.60
As of Dec. 31, 2016	36,814	18,081	49.0	145.46

Reference: Shareholders' equity Dec. 31, 2017: 24,281 million yen Dec. 31, 2016: 18,026 million yen

##### 2. Non-consolidated Forecasts for the Fiscal Year Ending December 31, 2018 (January 1, 2018 – December 31, 2018)

(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)	48,989	22.3	6,706	15.9	6,660	14.4	4,685	13.2	37.74
Full year	104,066	22.9	14,668	20.5	14,590	19.8	10,292	18.3	82.91

This report of financial results is out of scope from audit procedures 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, 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 302 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, 2017. In addition, we started the full-scale operation of the "Kasama Distribution Center" in April 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 530,393 newly registered accounts for the fiscal year ended December 31, 2017 and the number of registered accounts totaled 2,737,820 as of December 31, 2017.

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 88,347 million yen (26.9% increase from the previous fiscal year), operating income of 11,837 million yen (24.7% increase from the previous fiscal year), ordinary income of 11,858 million yen (24.6% increase from the previous fiscal year), and net income attributable to owners of the parent of 8,464 million yen, a corresponding 32.9% increase.

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

Total assets as of December 31, 2017 (the end of the fiscal year) amounted to 42,861 million yen, an increase of 6,508 million yen from the end of the previous fiscal year. Current assets amounted to 30,736 million yen, an increase of 6,854 million yen. This was attributable to increases of 1,459 million yen, 2,132 million yen, 2,086 million yen and 865 million yen in cash and deposits, notes and accounts receivable-trade, merchandise and accounts receivable-other, respectively. Non-current assets amounted to 12,125 million yen, a decrease of 346 million yen. This was due mainly to a decrease of 7,085 million yen in construction in progress, despite increases of 3,939 million yen and 2,188 million yen in buildings and leased assets, respectively, related to the construction of the Kasama Distribution Center.

On the other hand, total liabilities as of December 31, 2017 amounted to 19,644 million yen, an increase of 554 million yen from the end of the previous fiscal year. Current liabilities amounted to 14,203 million yen, an increase of 1,895 million yen. This was due mainly to an increase of 1,526 million yen and 1,900 million yen in accounts payable-trade and a current

portion of long-term loans payable, respectively, despite a decrease of 2,186 million yen in accounts payable-other. Non-current liabilities amounted to 5,441 million yen, a decrease of 1,340 million yen due to a decrease of 2,125 million yen of long-term loans payable, despite an increase of 786 million yen in lease obligations.

Total net assets amounted to 23,216 million yen, an increase of 5,953 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 8,464 million yen offset by dividend payments of 2,480 million yen for the fiscal year ended December 31, 2017.

As a result, the equity ratio as of December 31, 2017 was 53.8%, up 7.0 percentage points from the end of the previous fiscal year.

(Forecast for the Fiscal Year Ending December 31, 2018)

During the fiscal year ending December 31, 2018, 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 and the increase of sales promotion expenses for acquiring new customers.

Also, NAVIMRO and MONOTARO INDONESIA 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, 2018 are 109,469 million yen, 14,249 million yen, 14,191 million yen and 10,044 million yen, respectively.

## 2. Consolidated Financial Statements

### (1) Consolidated balance sheets

Accounts	(In thousands of yen)	
	As of Dec. 31, 2016	As of Dec. 31, 2017
Assets		
Current assets		
Cash and deposits	7,229,021	8,688,091
Notes and accounts receivable - trade	6,974,832	9,106,999
Electronically recorded monetary claims	594,553	932,322
Merchandise	5,695,411	7,781,451
Goods in transit	182,447	196,407
Supplies	116,108	104,139
Accounts receivable - other	2,730,086	3,595,394
Deferred tax assets	185,776	145,927
Other	212,810	236,166
Allowance for doubtful accounts	(39,216)	(50,769)
Total current assets	<u>23,881,832</u>	<u>30,736,132</u>
Noncurrent assets		
Property, plant and equipment		
Buildings, net	299,322	4,238,887
Structures, net	6,347	471,553
Machinery and equipment, net	405,839	350,910
Vehicles, net	81	3,440
Tools, furniture and fixtures, net	133,420	227,308
Land	1,814,147	1,814,147
Leased assets, net	586,807	2,775,310
Construction in progress	7,085,083	—
Total property, plant and equipment	<u>10,331,050</u>	<u>9,881,557</u>
Intangible assets		
Goodwill	119,612	103,642
Software	1,005,746	1,180,743
Other	79,056	63,487
Total intangible assets	<u>1,204,414</u>	<u>1,347,873</u>
Investments and other assets		
Guarantee deposits	730,200	692,868
Deferred tax assets	135,298	139,136
Other	95,119	96,470
Allowance for doubtful accounts	(24,505)	(32,442)
Total investments and other assets	<u>936,112</u>	<u>896,033</u>
Total noncurrent assets	<u>12,471,578</u>	<u>12,125,464</u>
Total assets	<u>36,353,410</u>	<u>42,861,596</u>

Accounts	As of Dec. 31, 2016	(In thousands of yen) As of Dec. 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	5,302,967	6,829,108
Current portion of long-term loans payable	225,000	2,125,666
Lease obligations	14,216	751,805
Accounts payable-other	4,240,816	2,054,153
Income taxes payable	1,854,539	1,994,418
Provision for employees' bonuses	59,614	68,899
Provision for directors' bonuses	33,589	30,104
Other	577,502	349,722
<b>Total current liabilities</b>	<u>12,308,247</u>	<u>14,203,878</u>
<b>Noncurrent liabilities</b>		
Long-term loans payable	6,625,000	4,499,334
Lease obligations	12,118	798,884
Provision for directors' retirement benefits	62,470	67,893
Net defined benefit liability	31,200	22,560
Other	50,960	52,336
<b>Total noncurrent liabilities</b>	<u>6,781,749</u>	<u>5,441,009</u>
<b>Total liabilities</b>	<u>19,089,997</u>	<u>19,644,887</u>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,943,569	1,968,189
Capital surplus	748,107	772,727
Retained earnings	14,486,042	20,470,185
Treasury stock	(193,786)	(206,417)
<b>Total shareholders' equity</b>	<u>16,983,932</u>	<u>23,004,683</u>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	35,532	76,796
Remeasurements of defined benefit plans	(1,408)	(550)
<b>Total accumulated other comprehensive income</b>	<u>34,123</u>	<u>76,246</u>
Subscription rights to shares	55,582	38,294
Non-controlling interests	189,774	97,484
<b>Total net assets</b>	<u>17,263,413</u>	<u>23,216,709</u>
<b>Total liabilities and net assets</b>	<u>36,353,410</u>	<u>42,861,596</u>

## (2) Consolidated statements of (comprehensive) income

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017
Net sales	69,647,435	88,347,986
Cost of sales	47,751,767	61,418,845
Gross profit	21,895,668	26,929,140
Selling, general and administrative expenses	12,401,834	15,091,418
Operating income	9,493,833	11,837,722
Non-operating income		
Interest income	7,455	16,207
Foreign exchange gains	14,332	65,288
Commission fee	5,936	6,805
Compensation income	4,487	3,864
Gain on sale of materials	10,899	13,571
Other	14,720	19,257
Total non-operating income	57,830	124,993
Non-operating expenses		
Interest expenses	11,457	69,280
Loss on disposal of inventories	22,233	33,500
Other	3,495	1,763
Total non-operating expenses	37,186	104,543
Ordinary income	9,514,478	11,858,172
Extraordinary income		
Gain on sales of fixed assets	—	30
Total extraordinary income	—	30
Extraordinary loss		
Loss on sales of fixed assets	—	358
Loss on disposal of fixed assets	462	3,872
Total extraordinary losses	462	4,231
Income before income taxes and minority interests	9,514,016	11,853,971
Income taxes-current	3,159,301	3,440,597
-deferred	5,133	35,362
Total income taxes	3,164,434	3,475,960
Net income	6,349,581	8,378,011
Net income attributable to:		
owners of the parent	6,368,557	8,464,464
non-controlling interests	(18,975)	(86,452)
Other comprehensive income		
Foreign currency translation adjustment	23,623	34,650
Remeasurements of defined benefit plans	(2,761)	1,635
Total other comprehensive income	20,862	36,285
Comprehensive income	6,370,444	8,414,297
Comprehensive income attributable to:		
owners of the parent	6,370,075	8,506,586
non-controlling interests	368	(92,289)

### (3) Consolidated statement of changes in net assets

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,907,453	1,943,569
Changes of items during the period		
Issuance of new shares	36,116	24,619
Total changes of items during the period	36,116	24,619
Balance at the end of current period	1,943,569	1,968,189
Capital surplus		
Balance at the beginning of current period	711,991	748,107
Changes of items during the period		
Issuance of new shares	36,116	24,619
Total changes of items during the period	36,116	24,619
Balance at the end of current period	748,107	772,727
Retained earnings		
Balance at the beginning of current period	10,095,565	14,486,042
Changes of items during the period		
Dividends from surplus	(1,978,079)	(2,480,321)
Net income attributable to owners of the parent	6,368,557	8,464,464
Total changes of items during the period	4,390,477	5,984,142
Balance at the end of current period	14,486,042	20,470,185
Treasury stock		
Balance at the beginning of current period	(180,278)	(193,786)
Changes of items during the period		
Purchase of treasury stock	(13,508)	(12,631)
Total changes of items during the period	(13,508)	(12,631)
Balance at the end of current period	(193,786)	(206,417)
Total shareholders' equity		
Balance at the beginning of current period	12,534,730	16,983,932
Changes of items during the period		
Issuance of new shares	72,232	49,239
Dividends from surplus	(1,978,079)	(2,480,321)
Net income attributable to owners of the parent	6,368,557	8,464,464
Purchase of treasury stock	(13,508)	(12,631)
Total changes of items during the period	4,449,201	6,020,751
Balance at the end of current period	16,983,932	23,004,683



Accounts	Year ended Dec. 31, 2016	(In thousands of yen) Year ended Dec. 31, 2017
Accumulated other comprehensive income		
Foreign currency translation adjustment		
Balance at the beginning of current period	37,775	35,532
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,243)	41,264
Total changes of items during the period	(2,243)	41,264
Balance at the end of current period	35,532	76,796
Remeasurements of defined benefit plans		
Balance at the beginning of current period	—	(1,408)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,408)	857
Total changes of items during the period	(1,408)	857
Balance at the end of current period	(1,408)	(550)
Total accumulated other comprehensive income		
Balance at the beginning of current period	37,775	34,123
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,651)	42,122
Total changes of items during the period	(3,651)	42,122
Balance at the end of current period	34,123	76,246
Subscription rights to shares		
Balance at the beginning of current period	60,107	55,582
Changes of items during the period		
Net changes of items other than shareholders' equity	(4,524)	(17,287)
Total changes of items during the period	(4,524)	(17,287)
Balance at the end of current period	55,582	38,294
Non-controlling interests		
Balance at the beginning of current period	—	189,774
Changes of items during the period		
Net changes of items other than shareholders' equity	189,774	(92,289)
Total changes of items during the period	189,774	(92,289)
Balance at the end of current period	189,774	97,484
Total net assets		
Balance at the beginning of current period	12,632,614	17,263,413
Changes of items during the period		
Issuance of new shares	72,232	49,239
Dividends from surplus	(1,978,079)	(2,480,321)
Net income attributable to owners of the parent	6,368,557	8,464,464
Purchase of treasury stock	(13,508)	(12,631)
Net changes of items other than shareholders' equity	181,597	(67,454)
Total changes of items during the period	4,630,799	5,953,296
Balance at the end of current period	17,263,413	23,216,709

#### (4) Consolidated statements of cash flows

(In thousands of yen)

Accounts	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	9,514,016	11,853,971
Depreciation and amortization	626,124	1,064,610
Increase (decrease) in allowance for doubtful accounts	4,194	19,490
Increase (decrease) in provision for bonuses	5,296	8,991
Increase (decrease) in provision for directors' bonuses	4,352	(3,485)
Increase (decrease) in provision for directors' retirement benefits	10,238	5,423
Increase (decrease) in net defined benefit liability	18,419	(7,882)
Interest income	(7,455)	(16,207)
Interest expenses	11,457	69,280
Decrease (increase) in notes and accounts receivable-trade	(1,402,651)	(2,466,371)
Decrease (increase) in inventories	(575,202)	(2,057,057)
Decrease (increase) in accounts receivable-other	(561,279)	(866,532)
Increase (decrease) in notes and accounts payable-trade	883,297	1,501,324
Increase (decrease) in accounts payable-other	281,113	363,421
Other, net	(433,509)	(56,292)
Subtotal	8,378,411	9,412,683
Interest income received	5,150	16,612
Interest expenses paid	(9,580)	(7,575)
Income taxes paid	(3,391,049)	(3,324,219)
Net cash provided by (used in) operating activities	4,982,931	6,097,501
Net cash provided by (used in) investment activities		
Proceeds from withdrawal of time deposits	300,000	—
Purchase of property, plant and equipment	(6,300,009)	(3,236,385)
Purchase of intangible assets	(432,840)	(564,185)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	15,178	—
Payments for guarantee deposits	(2,328)	(8,913)
Proceeds from collection of guarantee deposits	—	46,143
Proceeds from subsidy income	318,660	500,000
Other, net	(138)	(21,486)
Net cash provided by (used in) investment activities	(6,101,479)	(3,284,825)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(315,076)	(225,000)
Proceeds from exercise of stock option	50,513	16,746
Purchase of treasury stock	(13,508)	(12,631)
Cash dividends paid	(1,977,422)	(2,478,272)
Proceeds from sales and leasebacks	—	2,440,000
Repayments of lease obligations	(305,876)	(1,120,812)
Net cash provided by (used in) financing activities	(2,561,370)	(1,379,969)
Effect of exchange rate change on cash and cash equivalents	19,376	26,363
Net increase (decrease) in cash and cash equivalents	(3,660,541)	1,459,070
Cash and cash equivalents at beginning of period	10,889,563	7,229,021
Cash and cash equivalents at end of period	7,229,021	8,688,091

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

Accounts	As of Dec. 31, 2016	(In thousands of yen) As of Dec. 31, 2017
Assets		
Current assets		
Cash and deposits	6,536,563	8,097,519
Notes receivable - trade	6,124	9,692
Accounts receivable-trade	6,901,528	9,035,516
Electronically recorded monetary claims	594,553	932,322
Merchandise	5,399,210	7,384,729
Goods in transit	189,174	200,700
Supplies	115,746	104,199
Advance payments-trade	6,932	4,164
Prepaid expenses	158,209	164,723
Accounts receivable-other	2,698,401	3,576,072
Deferred tax assets	185,608	145,764
Other	27,330	21,376
Allowance for doubtful accounts	(39,241)	(50,140)
Total current assets	<u>22,780,144</u>	<u>29,626,641</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	298,272	4,238,688
Structures	6,347	471,553
Machinery and equipment	405,839	350,910
Vehicles	81	3,440
Tools, furniture and fixtures	101,475	198,585
Land	1,814,147	1,814,147
Lease assets	586,807	2,775,310
Construction in progress	7,085,083	—
Total property, plant and equipment	<u>10,298,055</u>	<u>9,852,634</u>
Intangible assets		
Trademark	15,625	17,116
Software	975,022	1,155,033
Telephone subscription right	35	35
Software in progress	63,396	46,335
Total intangible assets	<u>1,054,078</u>	<u>1,218,520</u>
Investments and other assets		
Stocks of subsidiaries and affiliates	1,787,426	1,984,091
Claims provable in bankruptcy, rehabilitation and other	24,505	32,442
Long-term prepaid expenses	68,274	60,234
Guarantee deposits	699,945	652,461
Deferred tax assets	126,260	130,944
Allowance for doubtful accounts	(24,505)	(32,442)
Total investments and other assets	<u>2,681,908</u>	<u>2,827,730</u>
Total noncurrent assets	<u>14,034,042</u>	<u>13,898,886</u>
Total assets	<u>36,814,187</u>	<u>43,525,528</u>

Accounts	As of Dec. 31, 2016	(In thousands of yen) As of Dec. 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	5,063,978	6,510,346
Current portion of long-term loans payable	225,000	2,125,666
Lease obligations	14,216	751,805
Accounts payable-other	4,169,623	1,972,751
Accrued expenses	141,123	246,458
Income taxes payable	1,854,539	1,994,418
Accrued consumption taxes	373,595	—
Advances received	6,267	11,456
Deposits received	36,507	70,080
Provision for bonuses	59,614	68,899
Provision for directors' bonuses	33,589	30,104
Other	3,722	4,876
<b>Total current liabilities</b>	<b>11,981,780</b>	<b>13,786,863</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	6,625,000	4,499,334
Lease obligations	12,118	798,884
Provision for directors' retirement benefits	62,470	67,893
Other	50,960	52,336
<b>Total noncurrent liabilities</b>	<b>6,750,548</b>	<b>5,418,448</b>
<b>Total liabilities</b>	<b>18,732,328</b>	<b>19,205,312</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,943,569	1,968,189
<b>Capital surplus</b>		
Legal capital surplus	748,107	772,727
<b>Total capital surpluses</b>	<b>748,107</b>	<b>772,727</b>
<b>Retained earnings</b>		
Other retained earnings		
Retained earnings brought forward	15,528,385	21,747,422
<b>Total retained earnings</b>	<b>15,528,385</b>	<b>21,747,422</b>
Treasury stock	(193,786)	(206,417)
<b>Total shareholders' equity</b>	<b>18,026,275</b>	<b>24,281,921</b>
Subscription rights to shares	55,582	38,294
<b>Total net assets</b>	<b>18,081,858</b>	<b>24,320,216</b>
<b>Total liabilities and net assets</b>	<b>36,814,187</b>	<b>43,525,528</b>

## (2) Non-consolidated statements of income

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017
Net sales	67,105,665	84,656,679
Cost of sales	45,698,670	58,452,143
Gross profit	21,406,994	26,204,535
Selling, general and administrative expenses	11,624,549	14,035,706
Operating income	9,782,444	12,168,829
Non-operating income		
Interest income	364	138
Foreign exchange gains	19,901	70,154
Commission fee	5,936	6,805
Compensation income	2,566	2,092
Gain on sale of materials	10,899	13,571
Other	10,415	18,525
Total non-operating income	50,083	111,287
Non-operating expenses		
Interest expenses	11,457	69,280
Loss on disposal of inventories	17,246	31,569
Other	3,229	1,519
Total non-operating expenses	31,932	102,369
Ordinary income	9,800,595	12,177,747
Extraordinary income		
Gain on sales of non-current assets	—	30
Total extraordinary income	—	30
Extraordinary loss		
Loss on sales of fixed assets	—	342
Loss on disposal of fixed assets	462	2,317
Total extraordinary losses	462	2,659
Income before income taxes	9,800,133	12,175,117
Income taxes-current	3,159,301	3,440,597
Income taxes-deferred	9,605	35,161
Total income taxes	3,168,906	3,475,758
Net income	6,631,226	8,699,358

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

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,907,453	1,943,569
Changes of items during the period		
Issuance of new shares	36,116	24,619
Total changes of items during the period	36,116	24,619
Balance at the end of current period	1,943,569	1,968,189
Capital surplus		
Balance at the beginning of current period	711,991	748,107
Changes of items during the period		
Issuance of new shares	36,116	24,619
Total changes of items during the period	36,116	24,619
Balance at the end of current period	748,107	772,727
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of current period	10,875,239	15,528,385
Changes of items during the period		
Dividends from surplus	(1,978,079)	(2,480,321)
Net income	6,631,226	8,699,358
Total changes of items during the period	4,653,146	6,219,037
Balance at the end of current period	15,528,385	21,747,422
Total retained earnings		
Balance at the beginning of current period	10,875,239	15,528,385
Changes of items during the period		
Dividends from surplus	(1,978,079)	(2,480,321)
Net income	6,631,226	8,699,358
Total changes of items during the period	4,653,146	6,219,037
Balance at the end of current period	15,528,385	21,747,422
Treasury stock		
Balance at the beginning of current period	(180,278)	(193,786)
Changes of items during the period		
Purchase of treasury stock	(13,508)	(12,631)
Total changes of items during the period	(13,508)	(12,631)
Balance at the end of current period	(193,786)	(206,417)
Total shareholders' equity		
Balance at the beginning of current period	13,314,404	18,026,275
Changes of items during the period		
Issuance of new shares	72,232	49,239
Dividends from surplus	(1,978,079)	(2,480,321)
Net income	6,631,226	8,699,358
Purchase of treasury stock	(13,508)	(12,631)
Total changes of items during the period	4,711,871	6,255,645
Balance at the end of current period	18,026,275	24,281,921

Accounts	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017
<u>Subscription rights to shares</u>		
Balance at the beginning of current period	60,107	55,582
Changes of items during the period		
Net changes of items other than shareholders' equity	(4,524)	(17,287)
Total changes of items during the period	<u>(4,524)</u>	<u>(17,287)</u>
Balance at the end of current period	<u>55,582</u>	<u>38,294</u>
<u>Total net assets</u>		
Balance at the beginning of current period	13,374,512	18,081,858
Changes of items during the period		
Issuance of new shares	72,232	49,239
Dividends from surplus	(1,978,079)	(2,480,321)
Net income	6,631,226	8,699,358
Purchase of treasury stock	(13,508)	(12,631)
Net changes of items other than shareholders' equity	(4,524)	(17,287)
Total changes of items during the period	<u>4,707,346</u>	<u>6,238,357</u>
Balance at the end of current period	<u>18,081,858</u>	<u>24,320,216</u>