

Consolidated Financial Results for the First Three Months of Fiscal Year Ending December 31, 2018 (Three Months Ended March 31, 2018)

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

Stock code: 3064

Representative: Masaya Suzuki, President & CEO

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

Scheduled date to file Quarterly Securities Report: May 11, 2018

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, 2018

(January 1, 2018 – March 31, 2018)

 (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, 2018	25,026	21.8	3,103	15.9	3,068	13.7	2,112	8.3
Three months ended Mar.31, 2017	20,554	23.9	2,677	27.5	2,698	28.3	1,950	41.9

Note: Comprehensive income: Three months ended Mar.31, 2018: 2,040 million yen (5.6%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar.31, 2018	17.01	17.00
Three months ended Mar.31, 2017	15.72	15.70

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar.31, 2018	43,147	24,107	55.1
As of Dec.31, 2017	42,861	23,216	53.8

Reference: Shareholders' equity Mar. 31, 2018: 23,790 million yen Dec. 31, 2017: 23,080 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, 2017	-	11.00	-	11.00	22.00
Year ending Dec.31, 2018 (actual)	-				
Year ending Dec.31, 2018 (forecast)		13.00	-	13.00	26.00

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

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	36.42
Full year	109,469	23.9	14,249	20.4	14,191	19.7	10,044	18.7	80.89

Note: Revision of consolidated forecast during this quarter: None

4. Others

(1) Changes in the number of material subsidiaries resulting in changes in scope of consolidation during the three-month period ended March 31, 2018: Yes

Newly established company: Zoro Shanghai Co., Ltd.

(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, 2018:	125,262,400 shares	Dec.31, 2017:	125,234,200 shares
---------------	--------------------	---------------	--------------------

2) Number of treasury stock at the end of period

Mar.31, 2018:	1,091,033 shares	Dec.31, 2017:	1,091,033 shares
---------------	------------------	---------------	------------------

3) Average number of shares outstanding during the period

Three months ended Mar.31, 2018:	124,171,367 shares	Three months ended Mar.31, 2017:	124,075,034 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 three months of the fiscal year ending December 31, 2018 gradually recovered with government economic and fiscal policies providing some support, while concerns about the policy trend in the United States, the continuity of the growth momentum of the Chinese economy, and the increasingly serious labor shortage in Japan 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. 14 Spring Edition in late February, divided into 10 volumes with 207 thousand items and approximately 1.9 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 15 million items in total and 318 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, 2018.

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.

Consequently, we have successfully obtained 136,775 newly registered accounts for the first three months of the fiscal year ending December 31, 2018 and the number of registered accounts totaled 2,874,595 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 25,026 million yen (21.8% increase from the same period of the previous fiscal year), operating income of 3,103 million yen (15.9% increase from the same period of the previous fiscal year), ordinary income of 3,068 million yen (13.7% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 2,112 million yen, a corresponding 8.3% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of March 31, 2018 (the end of the first three months of the fiscal year ending December 31, 2018) amounted to 43,147 million yen, an increase of 286 million yen from the end of the previous fiscal year. This was attributable to increases of 1,385 million yen and 490 million yen in notes and accounts receivable-trade and merchandise, respectively, despite a decrease of 1,417 million yen in cash and deposits.

On the other hand, total liabilities as of March 31, 2018 amounted to 19,039 million yen, a decrease of 605 million yen from the end of the previous fiscal year. This was due mainly to decreases of 980 million yen and 1,000 million yen in income tax payable and long-term loans payable, respectively, despite increases of 725 million yen and 265 million yen in accounts payable-trade and accounts payable-other, respectively.

Total net assets amounted to 24,107 million yen, an increase of 891 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 2,112 million yen offset by dividend payments of 1,365 million yen for the first three months of the fiscal year ending December 31, 2018.

As a result, the equity ratio as of March 31, 2018 was 55.1%, up 1.3 percentage points from the end of the previous fiscal year.

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

Our consolidated financial results for the first three months of this fiscal year were almost in line with our plan. Therefore, the consolidated forecast for the first half of the fiscal year as well as the fiscal year ending December 31, 2018, disclosed on January 25, 2018, has not been changed at this time.

4. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

Accounts	(In thousands of yen)	
	As of Dec. 31, 2017	As of Mar. 31, 2018
Assets		
Current assets		
Cash and deposits	8,688,091	7,270,345
Notes and accounts receivable - trade	9,106,999	10,492,543
Electronically recorded monetary claims	932,322	996,974
Merchandise	7,781,451	8,272,148
Goods in transit	196,407	184,565
Supplies	104,139	191,450
Accounts receivable-other	3,595,394	3,311,095
Other	382,094	474,414
Allowance for doubtful accounts	(50,769)	(50,290)
Total current assets	<u>30,736,132</u>	<u>31,143,247</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	4,238,887	4,187,902
Other	5,642,670	5,534,820
Total property, plant and equipment	<u>9,881,557</u>	<u>9,722,722</u>
Intangible assets		
Goodwill	103,642	93,490
Other	1,244,231	1,258,518
Total intangible assets	<u>1,347,873</u>	<u>1,352,008</u>
Investments and other assets		
Guarantee deposits	692,868	725,036
Other	235,607	239,658
Allowance for doubtful accounts	(32,442)	(34,952)
Total investments and other assets	<u>896,033</u>	<u>929,742</u>
Total noncurrent assets	<u>12,125,464</u>	<u>12,004,473</u>
Total assets	<u>42,861,596</u>	<u>43,147,721</u>
Liabilities		
Current liabilities		
Accounts payable-trade	6,829,108	7,554,489
Long-term loans payable-current portion	2,125,666	2,094,416
Lease obligations	751,805	750,461
Accounts payable-other	2,054,153	2,320,049
Income taxes payable	1,994,418	1,013,956
Provision for employees' bonuses	68,899	168,722
Provision for directors' bonuses	30,104	15,446
Other	349,722	673,939
Total current liabilities	<u>14,203,878</u>	<u>14,591,480</u>
Noncurrent liabilities		
Long-term loans payable	4,499,334	3,499,001
Lease obligations	798,884	796,862
Provision for retirement benefits for employees	22,560	30,175
Other	120,229	122,267
Total noncurrent liabilities	<u>5,441,009</u>	<u>4,448,306</u>
Total liabilities	<u>19,644,887</u>	<u>19,039,786</u>
Net assets		
Shareholders' equity		
Capital stock	1,968,189	1,970,953
Capital surplus	772,727	775,491
Retained earnings	20,470,185	21,216,835
Treasury stock	(206,417)	(206,417)
Total shareholders' equity	<u>23,004,683</u>	<u>23,756,863</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	76,796	32,630
Remeasurements of defined benefit plans	(550)	1,280
Total accumulated other comprehensive income	<u>76,246</u>	<u>33,911</u>
Subscription rights to shares	<u>38,294</u>	<u>38,806</u>
Non-controlling interests	<u>97,484</u>	<u>278,354</u>
Total net assets	<u>23,216,709</u>	<u>24,107,934</u>
Total liabilities and net assets	<u>42,861,596</u>	<u>43,147,721</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In thousands of yen)	
	Three months period ended Mar. 31, 2017	Three months period ended Mar. 31, 2018
Net sales	20,554,816	25,026,759
Cost of sales	14,159,659	17,547,152
Gross profit	6,395,157	7,479,607
Selling, general and administrative expenses	3,717,572	4,376,604
Operating income	2,677,584	3,103,002
Non-operating income		
Interest income	4,525	4,333
Gain on sale of materials	3,005	3,644
Other	21,183	7,137
Total non-operating income	28,714	15,114
Non-operating expenses		
Interest expenses	1,984	24,760
Foreign exchange losses	—	19,259
Other	6,035	5,916
Total non-operating expenses	8,019	49,936
Ordinary income	2,698,279	3,068,180
Extraordinary loss		
Loss on disposal of fixed assets	2	3
Total extraordinary losses	2	3
Income before income taxes	2,698,277	3,068,176
Income taxes-current	702,521	972,208
-deferred	61,979	6,708
Total income taxes	764,501	978,917
Net income	1,933,775	2,089,259
Net income attributable to:		
owners of the parent	1,950,843	2,112,225
non-controlling interests	(17,067)	(22,965)
Other comprehensive income		
Foreign currency translation adjustment	(310)	(50,379)
Remeasurements of defined benefit plans	116	2,026
Total other comprehensive income	(193)	(48,353)
Comprehensive income	1,933,581	2,040,906
Comprehensive income attributable to:		
owners of the parent	1,956,971	2,068,090
non-controlling interests	(23,389)	(27,184)