

Consolidated Financial Results for the First Nine Months of Fiscal Year Ending December 31, 2018 (Nine Months Ended September 30, 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: November 9, 2018

Scheduled date of dividend payments: September 10, 2018

Supplementary materials: Yes Investors meeting: No

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 Nine Months Ended September 30, 2018

(January 1, 2018 – September 30, 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	%
Nine months ended Sep.30, 2018	78,985	23.3	10,155	18.6	10,148	17.7	6,986	15.4
Nine months ended Sep.30, 2017	64,057	26.7	8,559	24.5	8,620	25.4	6,053	33.5

Note: Comprehensive income: Nine months ended Sep.30, 2018: 6,829 million yen (14.0%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep.30, 2018	28.13	28.12
Nine months ended Sep.30, 2017	24.39	24.36

The Company implemented a 2-for-1 share split effective on October 1, 2018 and net income per share and diluted net income per share are stated on the assumption that the share split was implemented at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep.30, 2018	45,305	27,358	59.7
As of Dec.31, 2017	42,861	23,216	53.8

Reference: Shareholders' equity Sep.30, 2018: 27,038 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)	-	13.00	-		
Year ending Dec.31, 2018 (forecast)				6.50	-

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

The Company implemented a 2-for-1 share split effective on October 1, 2018 in accordance with the decision at the board meeting held on July 27, 2018 and the year-end dividend for the year ending December 31, 2018 is stated taking into consideration the effects of this share split. The year-end dividend and annual dividend for the year ending December 31, 2018 would be equivalent to 13 yen and 26 yen, respectively, based on the assumption that the share split was not implemented.

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
Full year	109,469	23.9	14,249	20.4	14,191	19.7	10,044	18.7	40.45

Note: Revision of consolidated forecast during this quarter: None

The Company implemented a 2-for-1 share split effective on October 1, 2018 in accordance with the decision at the board meeting held on July 27, 2018

and net income per share for the year ending December 31, 2018 is stated on the assumption that the share split was implemented at the beginning of this fiscal year.

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, 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)

Sep.30, 2018:	250,533,600 shares	Dec.31, 2017:	250,468,400 shares
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2) Number of treasury stock at the end of period

Sep.30, 2018:	2,192,394 shares	Dec.31, 2017:	2,182,066 shares
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3) Average number of shares outstanding during the period

Nine months ended Sep.30, 2018:	248,337,833 shares	Nine months ended Sep.30, 2017:	248,164,512 shares
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The Company implemented a 2-for-1 share split effective on October 1, 2018 and the respective numbers of shares above are stated on the assumption that the share split was implemented at the beginning of the previous fiscal year.

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, 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, Cost-Cutting Catalog vol. 5 in late June with 17 thousand private label items and we also published REDBOOK vol. 14 Autumn Edition in late September, divided into 9 volumes with 292 thousand items and approximately 2.7 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 17 million items in total and 388 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, 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 454,019 newly registered accounts for the first nine months of the fiscal year ending December 31, 2018 and the number of registered accounts totaled 3,191,839, exceeding 3 million accounts, 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 78,985 million yen (23.3% increase from the same period of the previous fiscal year), operating income of 10,155 million yen (18.6% increase from the same period of the previous fiscal year), ordinary income of 10,148 million yen (17.7% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 6,986 million yen, a corresponding 15.4% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of September 30, 2018 (the end of the first nine months of the fiscal year ending December 31, 2018) amounted to 45,305 million yen, an increase of 2,443 million yen from the end of the previous fiscal year. This was attributable to increases of 1,475 million yen and 1,108 million yen in notes and accounts receivable-trade and merchandise, respectively, despite a decrease of 129 million yen in cash and deposits.

On the other hand, total liabilities as of September 30, 2018 amounted to 17,946 million yen, a decrease of 1,698 million yen from the end of the previous fiscal year. This was due mainly to decreases of 2,094 million yen and 740 million yen in long-term loans payable and lease obligations, respectively, despite increases of 322 million yen, 409 million yen and 682 million yen in accounts payable-trade, accounts payable-other and consumption taxes payable, respectively.

Total net assets amounted to 27,358 million yen, an increase of 4,141 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 6,986 million yen offset by dividend payments of 2,979 million yen for the first nine months of the fiscal year ending December 31, 2018.

As a result, the equity ratio as of September 30, 2018 was 59.7%, up 5.9 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 nine months of this fiscal year were almost in line with our plan. Therefore, the consolidated forecast for 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 Sep. 30, 2018
Assets		
Current assets		
Cash and deposits	8,688,091	8,559,071
Notes and accounts receivable - trade	9,106,999	10,582,148
Electronically recorded monetary claims	932,322	446,252
Merchandise	7,781,451	8,890,314
Goods in transit	196,407	367,231
Supplies	104,139	446,858
Accounts receivable-other	3,595,394	3,587,538
Other	382,094	488,291
Allowance for doubtful accounts	(50,769)	(54,339)
Total current assets	<u>30,736,132</u>	<u>33,313,367</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	4,238,887	4,183,240
Other	5,642,670	5,408,448
Total property, plant and equipment	<u>9,881,557</u>	<u>9,591,689</u>
Intangible assets		
Goodwill	103,642	85,734
Other	1,244,231	1,362,549
Total intangible assets	<u>1,347,873</u>	<u>1,448,284</u>
Investments and other assets		
Guarantee deposits	692,868	736,840
Other	235,607	254,725
Allowance for doubtful accounts	(32,442)	(39,612)
Total investments and other assets	<u>896,033</u>	<u>951,954</u>
Total noncurrent assets	<u>12,125,464</u>	<u>11,991,927</u>
Total assets	<u>42,861,596</u>	<u>45,305,294</u>
Liabilities		
Current liabilities		
Accounts payable-trade	6,829,108	7,151,454
Long-term loans payable-current portion	2,125,666	2,031,916
Lease obligations	751,805	793,360
Accounts payable-other	2,054,153	2,463,537
Income taxes payable	1,994,418	1,591,106
Provision for employees' bonuses	68,899	201,573
Provision for directors' bonuses	30,104	14,714
Other	349,722	1,015,924
Total current liabilities	<u>14,203,878</u>	<u>15,263,587</u>
Noncurrent liabilities		
Long-term loans payable	4,499,334	2,498,668
Lease obligations	798,884	17,222
Provision for retirement benefits for employees	22,560	43,962
Other	120,229	123,342
Total noncurrent liabilities	<u>5,441,009</u>	<u>2,683,194</u>
Total liabilities	<u>19,644,887</u>	<u>17,946,782</u>
Net assets		
Shareholders' equity		
Capital stock	1,968,189	1,975,420
Capital surplus	772,727	781,195
Retained earnings	20,470,185	24,477,063
Treasury stock	(206,417)	(226,138)
Total shareholders' equity	<u>23,004,683</u>	<u>27,007,540</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	76,796	29,491
Remeasurements of defined benefit plans	(550)	1,298
Total accumulated other comprehensive income	<u>76,246</u>	<u>30,790</u>
Subscription rights to shares	<u>38,294</u>	<u>40,096</u>
Non-controlling interests	<u>97,484</u>	<u>280,084</u>
Total net assets	<u>23,216,709</u>	<u>27,358,512</u>
Total liabilities and net assets	<u>42,861,596</u>	<u>45,305,294</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	Nine months period ended Sep. 30, 2017	(In thousands of yen) Nine months period ended Sep. 30, 2018
Net sales	64,057,433	78,985,404
Cost of sales	44,419,795	55,672,991
Gross profit	19,637,637	23,312,412
Selling, general and administrative expenses	11,078,366	13,156,865
Operating income	8,559,270	10,155,547
Non-operating income		
Interest income	12,703	21,136
Foreign exchange gains	51,855	17,609
Gain on sale of materials	9,859	11,145
Other	17,586	22,803
Total non-operating income	92,005	72,694
Non-operating expenses		
Interest expenses	6,000	55,103
Loss on disposal of inventories	24,961	21,930
Other	232	2,880
Total non-operating expenses	31,194	79,913
Ordinary income	8,620,081	10,148,328
Extraordinary income		
Gain on sales of fixed assets	30	78
Total extraordinary income	30	78
Extraordinary loss		
Loss on sales of fixed assets	342	—
Loss on disposal of fixed assets	2,572	21,396
Total extraordinary losses	2,915	21,396
Income before income taxes	8,617,195	10,127,011
Income taxes-current	2,553,121	3,276,243
-deferred	67,814	(37,989)
Total income taxes	2,620,936	3,238,253
Net income	5,996,259	6,888,757
Net income attributable to:		
owners of the parent	6,053,292	6,986,624
non-controlling interests	(57,032)	(97,866)
Other comprehensive income		
Foreign currency translation adjustment	(6,833)	(64,140)
Remeasurements of defined benefit plans	252	4,706
Total other comprehensive income	(6,580)	(59,434)
Comprehensive income	5,989,679	6,829,323
Comprehensive income attributable to:		
owners of the parent	6,053,130	6,939,089
non-controlling interests	(63,451)	(109,766)