

Consolidated Financial Results for the Fiscal Year Ended December 31, 2018

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

Stock code: 3064

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Scheduled date of Annual General Shareholders' Meeting: March 26, 2019

Scheduled date to commence dividend payment: March 27, 2019

Scheduled date to file Securities Report: March 26, 2019

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, 2018

(January 1, 2018 – December 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	%
Year ended Dec. 31, 2018	109,553	24.0	13,790	16.5	13,788	16.3	9,515	12.4
Year ended Dec. 31, 2017	88,347	26.9	11,837	24.7	11,858	24.6	8,464	32.9

Note: Comprehensive income: Year ended Dec. 31, 2018: 9,304 million yen (10.6%)

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

	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, 2018	38.32	38.30	36.1	29.5	12.6
Year ended Dec. 31, 2017	34.11	34.07	42.2	29.9	13.4

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	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2018	50,706	29,838	58.3	119.07
As of Dec. 31, 2017	42,861	23,216	53.8	92.96

Reference: Shareholders' equity Dec. 31, 2018: 29,569 million yen Dec. 31, 2017: 23,080 million yen

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.

(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, 2018	10,537	(1,467)	(5,673)	12,040
Year ended Dec. 31, 2017	6,097	(3,284)	(1,379)	8,688

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, 2017	-	11.00	-	11.00	22.00	2,730	32.3	13.6
Year ended Dec. 31, 2018	-	13.00	-	6.50	-	3,228	33.9	12.3
Year ending Dec. 31, 2019 (forecast)	-	7.50	-	7.50	15.00		31.8	

The Company implemented a 2-for-1 share split effective on October 1, 2018, and the interim and year-end dividend for the year ended December 31, 2017 would be equivalent to 5.5 yen, respectively, annual dividend would be 11 yen and the interim and annual dividend for the year ended December 31, 2018 would be equivalent to 6.5 yen and 13 yen, respectively, on the assumption that the share split was implemented at the beginning of the previous fiscal year.

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2019 (January 1, 2019 – December 31, 2019)

(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)	63,780	23.4	7,468	11.3	7,462	11.6	5,191	12.7	20.91
Full year	136,258	24.4	16,536	19.9	16,530	19.9	11,715	23.1	47.17

4. Others

(1) Changes in the number of material subsidiaries resulting in changes in scope of consolidation during the fiscal year ended December 31, 2018: Yes

Newly established company: Zoro Shanghai Co., Ltd.

(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, 2018: 250,540,400 shares Dec.31, 2017: 250,468,400 shares

2) Number of treasury stock at the end of period

Dec.31, 2018: 2,192,452 shares Dec.31, 2017: 2,182,066 shares

3) Average number of shares outstanding during the period

Year ended Dec.31, 2018: 248,340,095 shares Year ended Dec.31, 2017: 248,177,701 shares

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.

(Reference) Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2018

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2018

(January 1, 2018 – December 31, 2018)

(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, 2018	105,331	24.4	14,278	17.3	14,250	17.0	9,825	12.9
Year ended Dec. 31, 2017	84,656	26.2	12,168	24.4	12,177	24.3	8,699	31.2

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Dec. 31, 2018	39.56	39.54
Year ended Dec. 31, 2017	35.05	35.01

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) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2018	51,585	31,166	60.3	125.35
As of Dec. 31, 2017	43,525	24,320	55.8	97.80

Reference: Shareholders' equity Dec. 31, 2018: 31,130 million yen Dec. 31, 2017: 24,281 million yen

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. Non-consolidated Forecasts for the Fiscal Year Ending December 31, 2019 (January 1, 2019 – December 31, 2019)*(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)	61,193	23.1	7,834	12.6	7,815	12.9	5,421	13.8	21.83
Full year	130,594	24.0	17,219	20.6	17,189	20.6	12,116	23.3	48.79

This financial results is out of scope from audit 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 fiscal year ended 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 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, to enhance our visibility much further.

Furthermore, the total number of our product lineup reached approximately 17 million items in total and 411 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, 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 625,891 newly registered accounts for the fiscal year ended December 31, 2018 and the number of registered accounts totaled 3,363,711, exceeding 3 million accounts, as of December 31, 2018.

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 109,553 million yen (24.0% increase from the previous fiscal year), operating income of 13,790 million yen (16.5% increase from the previous fiscal year), ordinary income of 13,788 million yen (16.3% increase from the previous fiscal year), and net income attributable to owners of the parent of 9,515 million yen, a corresponding 12.4% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of December 31, 2018 (the end of the fiscal year) amounted to 50,706 million yen, an increase of 7,844 million yen from the end of the previous fiscal year. This was attributable to increases of 3,693 million yen, 2,104 million yen and 1,647 million yen in cash and deposits, notes and accounts receivable-trade and merchandise, respectively.

On the other hand, total liabilities as of December 31, 2018 amounted to 20,867 million yen, an increase of 1,223 million yen from the end of the previous fiscal year. This was due mainly to increases of 1,489 million yen, 841 million yen and 944 million yen in accounts payable-trade, income taxes payable and consumption taxes payable, respectively, despite decreases of 2,125 million yen and 735 million yen in long-term loans payable and lease obligations, respectively.

Total net assets amounted to 29,838 million yen, an increase of 6,621 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 9,515 million yen offset by dividend payments of 2,979 million yen for the fiscal year ended December 31, 2018.

As a result, the equity ratio as of December 31, 2018 was 58.3%, up 4.5 percentage points from the end of the previous fiscal year.

(Forecast for the Fiscal Year Ending December 31, 2019)

During the fiscal year ending December 31, 2019, 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 growth 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 must also be considered.

Also, NAVIMRO and MONOTARO INDONESIA will continuously engage in acquiring new customers mainly through paid listings and focus on increasing both their product lineups and the number of products in stock in order to expand their 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, 2019 are 136,258 million yen, 16,536 million yen, 16,530 million yen and 11,715 million yen, respectively.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

Accounts	(In thousands of yen)	
	As of Dec. 31, 2017	As of Dec. 31, 2018
Assets		
Current assets		
Cash and deposits	8,688,091	12,381,790
Notes and accounts receivable - trade	9,106,999	11,211,940
Electronically recorded monetary claims	932,322	334,932
Merchandise	7,781,451	9,428,750
Goods in transit	196,407	442,445
Supplies	104,139	115,860
Accounts receivable - other	3,595,394	4,027,813
Deferred tax assets	145,927	196,047
Other	236,166	298,339
Allowance for doubtful accounts	(50,769)	(57,092)
Total current assets	30,736,132	38,380,827
Noncurrent assets		
Property, plant and equipment		
Buildings, net	4,238,887	4,270,045
Structures, net	471,553	430,024
Machinery and equipment, net	350,910	294,685
Vehicles, net	3,440	2,289
Tools, furniture and fixtures, net	227,308	332,848
Land	1,814,147	1,817,432
Leased assets, net	2,775,310	2,466,023
Construction in progress	—	7,128
Total property, plant and equipment	9,881,557	9,620,478
Intangible assets		
Goodwill	103,642	84,148
Software	1,180,743	1,309,421
Other	63,487	90,226
Total intangible assets	1,347,873	1,483,796
Investments and other assets		
Guarantee deposits	692,868	732,768
Deferred tax assets	139,136	157,064
Other	96,470	373,531
Allowance for doubtful accounts	(32,442)	(42,429)
Total investments and other assets	896,033	1,220,935
Total noncurrent assets	12,125,464	12,325,209
Total assets	42,861,596	50,706,037

Accounts	(In thousands of yen)	
	As of Dec. 31, 2017	As of Dec. 31, 2018
Liabilities		
Current liabilities		
Accounts payable-trade	6,829,108	8,318,686
Current portion of long-term loans payable	2,125,666	2,000,666
Lease obligations	751,805	794,378
Accounts payable-other	2,054,153	2,545,519
Income taxes payable	1,994,418	2,835,615
Provision for employees' bonuses	68,899	107,220
Provision for directors' bonuses	30,104	25,749
Other	349,722	1,333,819
Total current liabilities	14,203,878	17,961,655
Noncurrent liabilities		
Long-term loans payable	4,499,334	2,498,668
Lease obligations	798,884	20,702
Net defined benefit liability	22,560	263,553
Other	120,229	123,379
Total noncurrent liabilities	5,441,009	2,906,303
Total liabilities	19,644,887	20,867,959
Net assets		
Shareholders' equity		
Capital stock	1,968,189	1,979,707
Capital surplus	772,727	785,483
Retained earnings	20,470,185	27,005,889
Treasury stock	(206,417)	(226,325)
Total shareholders' equity	23,004,683	29,544,755
Accumulated other comprehensive income		
Foreign currency translation adjustment	76,796	17,328
Remeasurements of defined benefit plans	(550)	7,635
Total accumulated other comprehensive income	76,246	24,963
Subscription rights to shares	38,294	35,783
Non-controlling interests	97,484	232,575
Total net assets	23,216,709	29,838,077
Total liabilities and net assets	42,861,596	50,706,037

(2) Consolidated statements of (comprehensive) income

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018
Net sales	88,347,986	109,553,023
Cost of sales	61,418,845	77,525,768
Gross profit	26,929,140	32,027,255
Selling, general and administrative expenses	15,091,418	18,236,593
Operating income	11,837,722	13,790,661
Non-operating income		
Interest income	16,207	29,419
Foreign exchange gains	65,288	27,057
Commission fee	6,805	7,890
Compensation income	3,864	4,962
Gain on sale of materials	13,571	15,125
Other	19,257	20,652
Total non-operating income	124,993	105,107
Non-operating expenses		
Interest expenses	69,280	68,254
Loss on disposal of inventories	33,500	30,399
Other	1,763	8,460
Total non-operating expenses	104,543	107,115
Ordinary income	11,858,172	13,788,653
Extraordinary income		
Gain on sales of fixed assets	30	74
Total extraordinary income	30	74
Extraordinary loss		
Loss on sales of fixed assets	358	70
Loss on disposal of fixed assets	3,872	21,392
Total extraordinary losses	4,231	21,462
Income before income taxes and minority interests	11,853,971	13,767,265
Income taxes-current	3,440,597	4,471,585
-deferred	35,362	(71,291)
Total income taxes	3,475,960	4,400,293
Net income	8,378,011	9,366,972
Net income attributable to:		
owners of the parent	8,464,464	9,515,450
non-controlling interests	(86,452)	(148,477)
Other comprehensive income		
Foreign currency translation adjustment	34,650	(70,360)
Remeasurements of defined benefit plans	1,635	8,185
Total other comprehensive income	36,285	(62,174)
Comprehensive income	8,414,297	9,304,797
Comprehensive income attributable to:		
owners of the parent	8,506,586	9,458,182
non-controlling interests	(92,289)	(153,384)

(3) Consolidated statement of changes in net assets

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,943,569	1,968,189
Changes of items during the period		
Issuance of new shares	24,619	11,518
Total changes of items during the period	24,619	11,518
Balance at the end of current period	1,968,189	1,979,707
Capital surplus		
Balance at the beginning of current period	748,107	772,727
Changes of items during the period		
Issuance of new shares	24,619	11,518
Change of capital surplus due to change in ownership interest of consolidated subsidiaries	—	1,237
Total changes of items during the period	24,619	12,756
Balance at the end of current period	772,727	785,483
Retained earnings		
Balance at the beginning of current period	14,486,042	20,470,185
Changes of items during the period		
Dividends from surplus	(2,480,321)	(2,979,745)
Net income attributable to owners of the parent	8,464,464	9,515,450
Total changes of items during the period	5,984,142	6,535,704
Balance at the end of current period	20,470,185	27,005,889
Treasury stock		
Balance at the beginning of current period	(193,786)	(206,417)
Changes of items during the period		
Purchase of treasury stock	(12,631)	(19,908)
Total changes of items during the period	(12,631)	(19,908)
Balance at the end of current period	(206,417)	(226,325)
Total shareholders' equity		
Balance at the beginning of current period	16,983,932	23,004,683
Changes of items during the period		
Issuance of new shares	49,239	23,037
Change of capital surplus due to change in ownership interest of consolidated subsidiaries	—	1,237
Dividends from surplus	(2,480,321)	(2,979,745)
Net income attributable to owners of the parent	8,464,464	9,515,450
Purchase of treasury stock	(12,631)	(19,908)
Total changes of items during the period	6,020,751	6,540,071
Balance at the end of current period	23,004,683	29,544,755

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018
Accumulated other comprehensive income		
Foreign currency translation adjustment		
Balance at the beginning of current period	35,532	76,796
Changes of items during the period		
Net changes of items other than shareholders' equity	41,264	(59,468)
Total changes of items during the period	41,264	(59,468)
Balance at the end of current period	76,796	17,328
Remeasurements of defined benefit plans		
Balance at the beginning of current period	(1,408)	(550)
Changes of items during the period		
Net changes of items other than shareholders' equity	857	8,185
Total changes of items during the period	857	8,185
Balance at the end of current period	(550)	7,635
Total accumulated other comprehensive income		
Balance at the beginning of current period	34,123	76,246
Changes of items during the period		
Net changes of items other than shareholders' equity	42,122	(51,282)
Total changes of items during the period	42,122	(51,282)
Balance at the end of current period	76,246	24,963
Subscription rights to shares		
Balance at the beginning of current period	55,582	38,294
Changes of items during the period		
Net changes of items other than shareholders' equity	(17,287)	(2,510)
Total changes of items during the period	(17,287)	(2,510)
Balance at the end of current period	38,294	35,783
Non-controlling interests		
Balance at the beginning of current period	189,774	97,484
Changes of items during the period		
Net changes of items other than shareholders' equity	(92,289)	135,090
Total changes of items during the period	(92,289)	135,090
Balance at the end of current period	97,484	232,575
Total net assets		
Balance at the beginning of current period	17,263,413	23,216,709
Changes of items during the period		
Issuance of new shares	49,239	23,037
Change of capital surplus due to change in ownership interest of consolidated subsidiaries	—	1,237
Dividends from surplus	(2,480,321)	(2,979,745)
Net income attributable to owners of the parent	8,464,464	9,515,450
Purchase of treasury stock	(12,631)	(19,908)
Net changes of items other than shareholders' equity	(67,454)	81,297
Total changes of items during the period	5,953,296	6,621,368
Balance at the end of current period	23,216,709	29,838,077

(4) Consolidated statements of cash flows

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	11,853,971	13,767,265
Depreciation and amortization	1,064,610	1,212,043
Increase (decrease) in allowance for doubtful accounts	19,490	16,361
Increase (decrease) in provision for bonuses	8,991	37,884
Increase (decrease) in provision for directors' bonuses	(3,485)	(4,354)
Increase (decrease) in provision for directors' retirement benefits	5,423	(67,893)
Increase (decrease) in net defined benefit liability	(7,882)	250,843
Interest income	(16,207)	(29,419)
Interest expenses	69,280	68,254
Decrease (increase) in notes and accounts receivable-trade	(2,466,371)	(1,513,631)
Decrease (increase) in inventories	(2,057,057)	(1,932,605)
Decrease (increase) in accounts receivable-other	(866,532)	(430,252)
Increase (decrease) in notes and accounts payable-trade	1,501,324	1,511,978
Increase (decrease) in accounts payable-other	363,421	429,826
Other, net	(56,292)	925,446
Subtotal	9,412,683	14,241,746
Interest income received	16,612	24,539
Interest expenses paid	(7,575)	(98,331)
Income taxes paid	(3,324,219)	(3,630,276)
Net cash provided by (used in) operating activities	6,097,501	10,537,678
Net cash provided by (used in) investment activities		
Proceeds from withdrawal of time deposits	—	(341,461)
Purchase of property, plant and equipment	(3,236,385)	(423,799)
Purchase of intangible assets	(564,185)	(629,861)
Payments for guarantee deposits	(8,913)	(60,435)
Proceeds from collection of guarantee deposits	46,143	1,059
Other, net	478,513	(12,639)
Net cash provided by (used in) investment activities	(3,284,825)	(1,467,137)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(225,000)	(2,125,666)
Proceeds from exercise of stock option	16,746	2,813
Purchase of treasury stock	(12,631)	(19,908)
Cash dividends paid	(2,478,272)	(2,978,644)
Proceeds from share issuance to non-controlling shareholders	—	292,897
Repayments of lease obligations	(1,120,812)	(845,274)
Proceeds from sales and leasebacks	2,440,000	—
Net cash provided by (used in) financing activities	(1,379,969)	(5,673,782)
Effect of exchange rate change on cash and cash equivalents	26,363	(44,520)
Net increase (decrease) in cash and cash equivalents	1,459,070	3,352,237
Cash and cash equivalents at beginning of period	7,229,021	8,688,091
Cash and cash equivalents at end of period	8,688,091	12,040,329

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

Accounts	(In thousands of yen)	
	As of Dec. 31, 2017	As of Dec. 31, 2018
Assets		
Current assets		
Cash and deposits	8,097,519	11,610,735
Notes receivable - trade	9,692	17,477
Accounts receivable-trade	9,035,516	11,123,824
Electronically recorded monetary claims	932,322	334,932
Merchandise	7,384,729	8,974,509
Goods in transit	200,700	453,380
Supplies	104,199	115,719
Advance payments-trade	4,164	9,558
Prepaid expenses	164,723	218,662
Accounts receivable-other	3,576,072	4,017,089
Deferred tax assets	145,764	195,758
Other	21,376	37,196
Allowance for doubtful accounts	(50,140)	(56,709)
Total current assets	29,626,641	37,052,135
Noncurrent assets		
Property, plant and equipment		
Buildings	4,238,688	4,270,045
Structures	471,553	430,024
Machinery and equipment	350,910	294,685
Vehicles	3,440	2,289
Tools, furniture and fixtures	198,585	310,474
Land	1,814,147	1,817,432
Lease assets	2,775,310	2,466,023
Construction in progress	—	7,128
Total property, plant and equipment	9,852,634	9,598,104
Intangible assets		
Trademark	17,116	15,351
Software	1,155,033	1,225,889
Telephone subscription right	35	35
Software in progress	46,335	74,839
Total intangible assets	1,218,520	1,316,115
Investments and other assets		
Stocks of subsidiaries and affiliates	1,984,091	2,452,337
Claims provable in bankruptcy, rehabilitation and other	32,442	42,429
Long-term prepaid expenses	60,234	56,864
Guarantee deposits	652,461	690,685
Insurance funds	—	270,698
Deferred tax assets	130,944	148,712
Allowance for doubtful accounts	(32,442)	(42,429)
Total investments and other assets	2,827,730	3,619,297
Total noncurrent assets	13,898,886	14,533,517
Total assets	43,525,528	51,585,652

Accounts	(In thousands of yen)	
	As of Dec. 31, 2017	As of Dec. 31, 2018
Liabilities		
Current liabilities		
Accounts payable-trade	6,510,346	8,015,493
Current portion of long-term loans payable	2,125,666	2,000,666
Lease obligations	751,805	794,378
Accounts payable-other	1,972,751	2,439,615
Accrued expenses	246,458	243,859
Income taxes payable	1,994,418	2,835,615
Accrued consumption taxes	—	966,444
Advances received	11,456	16,825
Deposits received	70,080	95,474
Provision for bonuses	68,899	96,544
Provision for directors' bonuses	30,104	25,749
Other	4,876	8,665
Total current liabilities	13,786,863	17,539,333
Noncurrent liabilities		
Long-term loans payable	4,499,334	2,498,668
Lease obligations	798,884	20,702
Provision for retirement benefits	—	237,145
Other	120,229	123,379
Total noncurrent liabilities	5,418,448	2,879,895
Total liabilities	19,205,312	20,419,229
Net assets		
Shareholders' equity		
Capital stock	1,968,189	1,979,707
Capital surplus		
Legal capital surplus	772,727	784,245
Total capital surpluses	772,727	784,245
Retained earnings		
Other retained earnings		
Retained earnings brought forward	21,747,422	28,593,011
Total retained earnings	21,747,422	28,593,011
Treasury stock	(206,417)	(226,325)
Total shareholders' equity	24,281,921	31,130,639
Subscription rights to shares	38,294	35,783
Total net assets	24,320,216	31,166,423
Total liabilities and net assets	43,525,528	51,585,652

(2) Non-consolidated statements of income

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018
Net sales	84,656,679	105,331,519
Cost of sales	58,452,143	74,184,243
Gross profit	26,204,535	31,147,275
Selling, general and administrative expenses	14,035,706	16,868,799
Operating income	12,168,829	14,278,476
Non-operating income		
Interest income	138	315
Foreign exchange gains	70,154	33,320
Commission fee	6,805	7,890
Compensation income	2,092	3,727
Gain on sale of materials	13,571	15,125
Other	18,525	17,229
Total non-operating income	111,287	77,608
Non-operating expenses		
Interest expenses	69,280	68,254
Loss on disposal of inventories	31,569	28,863
Other	1,519	8,422
Total non-operating expenses	102,369	105,540
Ordinary income	12,177,747	14,250,545
Extraordinary income		
Gain on sales of fixed assets	30	74
Total extraordinary income	30	74
Extraordinary loss		
Loss on sales of fixed assets	342	70
Loss on disposal of fixed assets	2,317	21,392
Total extraordinary losses	2,659	21,462
Income before income taxes	12,175,117	14,229,157
Income taxes-current	3,440,597	4,471,585
Income taxes-deferred	35,161	(67,762)
Total income taxes	3,475,758	4,403,822
Net income	8,699,358	9,825,334

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

Accounts	(In thousands of yen)	
	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,943,569	1,968,189
Changes of items during the period		
Issuance of new shares	24,619	11,518
Total changes of items during the period	24,619	11,518
Balance at the end of current period	1,968,189	1,979,707
Capital surplus		
Balance at the beginning of current period	748,107	772,727
Changes of items during the period		
Issuance of new shares	24,619	11,518
Total changes of items during the period	24,619	11,518
Balance at the end of current period	772,727	784,245
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of current period	15,528,385	21,747,422
Changes of items during the period		
Dividends from surplus	(2,480,321)	(2,979,745)
Net income	8,699,358	9,825,334
Total changes of items during the period	6,219,037	6,845,588
Balance at the end of current period	21,747,422	28,593,011
Total retained earnings		
Balance at the beginning of current period	15,528,385	21,747,422
Changes of items during the period		
Dividends from surplus	(2,480,321)	(2,979,745)
Net income	8,699,358	9,825,334
Total changes of items during the period	6,219,037	6,845,588
Balance at the end of current period	21,747,422	28,593,011
Treasury stock		
Balance at the beginning of current period	(193,786)	(206,417)
Changes of items during the period		
Purchase of treasury stock	(12,631)	(19,908)
Total changes of items during the period	(12,631)	(19,908)
Balance at the end of current period	(206,417)	(226,325)
Total shareholders' equity		
Balance at the beginning of current period	18,026,275	24,281,921
Changes of items during the period		
Issuance of new shares	49,239	23,037
Dividends from surplus	(2,480,321)	(2,979,745)
Net income	8,699,358	9,825,334
Purchase of treasury stock	(12,631)	(19,908)
Total changes of items during the period	6,255,645	6,848,717
Balance at the end of current period	24,281,921	31,130,639

Accounts	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018
Subscription rights to shares		
Balance at the beginning of current period	55,582	38,294
Changes of items during the period		
Net changes of items other than shareholders' equity	(17,287)	(2,510)
Total changes of items during the period	(17,287)	(2,510)
Balance at the end of current period	38,294	35,783
Total net assets		
Balance at the beginning of current period	18,081,858	24,320,216
Changes of items during the period		
Issuance of new shares	49,239	23,027
Dividends from surplus	(2,480,321)	(2,979,745)
Net income	8,699,358	9,825,334
Purchase of treasury stock	(12,631)	(19,908)
Net changes of items other than shareholders' equity	(17,287)	(2,510)
Total changes of items during the period	6,238,357	6,846,206
Balance at the end of current period	24,320,216	31,166,423