

Consolidated Financial Results for the First Three Months of Fiscal Year Ending December 31, 2020 (Three Months Ended March 31, 2020)

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

Stock code: 3064

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Scheduled date to file Quarterly Securities Report: May 12, 2020

Scheduled date of dividend payments: -

Supplementary materials: Yes Investors meeting: None

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 Three Months Ended March 31, 2020

(January 1, 2020 – March 31, 2020)

(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, 2020	36,933	18.9	4,504	26.2	4,506	25.7	3,166	27.0
Three months ended Mar.31, 2019	31,065	24.1	3,569	15.0	3,585	16.9	2,492	18.0

Note: Comprehensive income: Three months ended Mar.31, 2020: 2,975 million yen (21.7%)

Three months ended Mar.31, 2019: 2,444 million yen (19.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar.31, 2020	12.75	12.74
Three months ended Mar.31, 2019	10.04	10.03

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar.31, 2020	60,126	38,630	63.6
As of Dec.31, 2019	59,691	37,512	62.1

Reference: Shareholders' equity Mar. 31, 2020: 38,267 million yen Dec. 31, 2019: 37,051 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, 2019	-	7.50	-	7.50	15.00
Year ending Dec.31, 2020 (actual)	-				
Year ending Dec.31, 2020 (forecast)		8.50		8.50	17.00

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2020 (January 1, 2020 – December 31, 2020)

(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)	74,744	18.7	8,925	17.5	8,934	17.4	6,239	17.7	25.12
Full year	156,468	19.0	18,569	17.0	18,584	17.0	12,997	18.3	52.32

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, 2020: None
- (2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles and estimates, or retrospective restatements:
- 1) Changes in accounting principles caused by the revision of accounting standards: None
 - 2) Changes in accounting principles other than mentioned in 1): None
 - 3) Changes in estimates: None
 - 4) Retrospective restatements: None
- (4) Number of shares outstanding (common shares)
- 1) Number of shares outstanding at the end of period (including treasury stock)

Mar.31, 2020:	250,623,200 shares	Dec.31, 2019:	250,623,200 shares
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 - 2) Number of treasury stock at the end of period

Mar.31, 2020:	2,200,988 shares	Dec.31, 2019:	2,200,988 shares
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 - 3) Average number of shares outstanding during the period

Three months ended Mar.31, 2020:	248,422,212 shares	Three months ended Mar.31, 2019:	248,349,148 shares
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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, 2020 generally continued to be weak with government economic and fiscal policies providing some support, while concerns about the global spread of the new coronavirus infectious disease, the policy trend in the United States, and the continuity of the growth momentum of the Chinese economy made the outlook for the future Japanese economy weak and unpredictable.

Among mid-to-small manufacturers, the major customers of our industrial MRO products, economic conditions also remained weak due to uncertain outlook.

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 direct mail using e-mail and mail flyers, daily special prices, the publication and distribution of catalogs. In terms of catalogs, we newly published REDBOOK vol. 16 Spring Edition in late February, divided into 11 volumes with 194 thousand items and approximately 2.6 million issues available in total.

Furthermore, the total number of our product lineup reached approximately 18 million items in total and 464 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, 2020.

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 274,791 newly registered accounts for the first three months of the fiscal year ending December 31, 2020 and the number of registered accounts totaled 4,384,492 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 36,933 million yen (18.9% increase from the same period of the previous fiscal year), operating income of 4,504 million yen (26.2% increase from the same period of the previous fiscal year), ordinary income of 4,506 million yen (25.7% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 3,166 million yen, a corresponding 27.2% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of March 31, 2020 (the end of the first three months of the fiscal year ending December 31, 2020) amounted to 60,126 million yen, an increase of 434 million yen from the end of the previous fiscal year. This was attributable to increases of 2,187 million yen and 500 million yen in notes and accounts receivable-trade and construction in progress, respectively, despite decreases of 1,881 million yen and 651 million yen in cash and deposits and merchandise, respectively. On the other hand, total liabilities as of March 31, 2020 amounted to 21,495 million yen, a decrease of 683 million yen from the end of the previous fiscal year. This was due mainly to decreases of 1,298 million yen, 1,000 million yen and 616 million yen in income tax payable, long-term loans payable and lease obligations, respectively, despite an increase of 1,352 million yen in accounts payable-trade.

Total net assets amounted to 38,630 million yen, an increase of 1,118 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 3,166 million yen offset by dividend payments of 1,863 million yen for the first three months of the fiscal year ending December 31, 2020.

As a result, the equity ratio as of March 31, 2020 was 63.6%, up 1.6 percentage points from the end of the previous fiscal year.

(3) Forecast for the Fiscal Year Ending December 31, 2020

Our consolidated financial forecast for the fiscal year ending December 31, 2020 disclosed on February 3, 2020 is calculated based on figures that do not incorporate assumptions about the impact of the new coronavirus infection. However, the spread of new coronavirus infection is expected to have various social and economic effects in the future. The results of the Group for the first three months of this fiscal year were almost in line with the plan. However, if revisions to our business forecasts become necessary, we will disclose them promptly.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

Accounts	As of Dec. 31, 2019	(In millions of yen) As of Mar. 31, 2020
Assets		
Current assets		
Cash and deposits	11,155	9,273
Notes and accounts receivable - trade	13,889	16,077
Electronically recorded monetary claims	582	402
Merchandise	11,267	10,616
Goods in transit	193	228
Supplies	101	197
Accounts receivable - other	4,286	4,258
Other	366	573
Allowance for doubtful accounts	(71)	(77)
Total current assets	41,771	41,550
Noncurrent assets		
Property, plant and equipment		
Buildings, net	4,110	4,058
Leased assets, net	4,321	4,187
Other, net	3,616	4,132
Total property, plant and equipment	12,048	12,379
Intangible assets		
Goodwill	75	61
Other	3,009	3,384
Total intangible assets	3,084	3,445
Investments and other assets		
Guarantee deposits	1,371	1,373
Other	1,470	1,434
Allowance for doubtful accounts	(54)	(57)
Total investments and other assets	2,787	2,751
Total noncurrent assets	17,920	18,575
Total assets	59,691	60,126
Liabilities		
Current liabilities		
Accounts payable-trade	9,829	11,182
Current portion of long-term loans payable	2,498	1,498
Lease obligations	625	638
Accounts payable-other	3,142	3,529
Income taxes payable	2,766	1,467
Provision for employees' bonuses	97	216
Provision for directors' bonuses	28	22
Provision for accident related loss	110	38
Other	873	1,159
Total current liabilities	19,973	19,754
Noncurrent liabilities		
Lease obligations	1,225	594
Net defined benefit liability	292	310
Other	687	836
Total noncurrent liabilities	2,205	1,741
Total liabilities	22,179	21,495
Net assets		
Shareholders' equity		
Capital stock	1,986	1,986
Capital surplus	809	809
Retained earnings	34,513	35,816
Treasury stock	(247)	(247)
Total shareholders' equity	37,062	38,365
Accumulated other comprehensive income		
Foreign currency translation adjustment	(15)	(99)
Remeasurements of defined benefit plans	4	1
Total accumulated other comprehensive income	(10)	(98)
Subscription rights to shares	44	50
Non-controlling interests	416	312
Total net assets	37,512	38,630
Total liabilities and net assets	59,691	60,126

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In millions of yen)	
	Three months period ended Mar. 31, 2019	Three months period ended Mar. 31, 2020
Net sales	31,065	36,933
Cost of sales	22,233	26,462
Gross profit	8,832	10,470
Selling, general and administrative expenses	5,263	5,965
Operating income	3,569	4,504
Non-operating income		
Interest income	6	6
Foreign exchange gains	14	7
Gain on sale of materials	4	2
Other	20	15
Total non-operating income	45	31
Non-operating expenses		
Interest expenses	12	10
Loss on disposal of inventories	10	7
Accident related loss	—	6
Other	6	5
Total non-operating expenses	29	29
Ordinary income	3,585	4,506
Extraordinary income		
Gain on sales of fixed assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Loss on disposal of fixed assets	0	0
Total extraordinary losses	0	0
Income before income taxes	3,586	4,506
Income taxes-current	1,113	1,363
-deferred	31	39
Total income taxes	1,145	1,403
Net income	2,440	3,103
Net income attributable to:		
owners of the parent	2,492	3,166
non-controlling interests	(51)	(62)
Other comprehensive income		
Foreign currency translation adjustment	3	(125)
Remeasurements of defined benefit plans	0	(2)
Total other comprehensive income	3	(128)
Comprehensive income	2,444	2,975
Comprehensive income attributable to:		
owners of the parent	2,484	3,079
non-controlling interests	(40)	(104)