

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020

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

Stock code: 3064

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Scheduled date of Annual General Shareholders' Meeting: March 26, 2021

Scheduled date to commence dividend payment: March 29, 2021

Scheduled date to file Securities Report: March 29, 2021

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, 2020

(January 1, 2020 – December 31, 2020)
(1) Consolidated results of operations
(Percentages show the change from the 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, 2020	157,337	19.7	19,607	23.8	19,671	23.8	13,771	25.4
Year ended Dec. 31, 2019	131,463	20.0	15,839	14.9	15,887	15.2	10,984	15.4

Note: Comprehensive income: Year ended Dec. 31, 2020: 13,422 million yen (25.3%)

Year ended Dec. 31, 2019: 10,708 million yen (15.1%)

	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, 2020	55.44	55.43	32.9	27.9	12.5
Year ended Dec. 31, 2019	44.23	44.21	33.0	28.8	12.0

(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, 2020	81,263	47,658	57.5	188.25
As of Dec. 31, 2019	59,691	37,512	62.1	149.15

Reference: Shareholders' equity Dec. 31, 2020: 46,761 million yen Dec. 31, 2019: 37,051 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, 2020	15,269	(9,015)	1,773	18,767
Year ended Dec. 31, 2019	9,064	(3,765)	(6,562)	10,746

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, 2019	-	7.50	-	7.50	15.00	3,725	33.9	11.2
Year ended Dec. 31, 2020	-	8.50	-	9.50	18.00	4,471	32.4	10.7
Year ending Dec. 31, 2021 (forecast)	-	5.75	-	5.75	11.50		33.1	

The Company will implement a 2-for-1 share split effective on April 1, 2021 in accordance with the decision at the board meeting held on February 2, 2021 and the 2Q-end and year-end dividend forecasts for the year ending December 31, 2021 are stated taking into consideration the effects of this future share split. The details are included in "Notice of share split and partial amendment of Articles of Incorporation" released simultaneously with this statement. The 2Q-end and year-end dividend for the year ending December 31, 2021 would be equivalent to 11.5 yen respectively, and total annual dividend for the year ending December 31, 2021 would be equivalent to 23 yen, based on the assumption that the share split is not implemented.

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2021 (January 1, 2021 – December 31, 2021)

(Percentages show the change from the 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)	94,133	25.0	12,041	29.2	12,075	29.2	8,427	28.9	16.96
Full year	194,220	23.4	24,678	25.9	24,738	25.8	17,273	25.4	34.77

The Company will implement a 2-for-1 share split effective on April 1, 2021 in accordance with the decision at the board meeting held on February 2, 2021 and net income per share for the year ending December 31, 2021 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 fiscal year ended December 31, 2020: 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, 2020: 250,631,000 shares Dec.31, 2019: 250,623,200 shares

2) Number of treasury stock at the end of period

Dec.31, 2020: 2,221,788 shares Dec.31, 2019: 2,200,988 shares

3) Average number of shares outstanding during the period

Year ended Dec.31, 2020: 248,411,770 shares Year ended Dec.31, 2019: 248,363,061 shares

(Reference) Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020

(January 1, 2020 – December 31, 2020)

(1) Results of operations

(Percentages show the change from the 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, 2020	151,798	20.0	20,149	22.6	20,194	22.8	13,139	16.2
Year ended Dec. 31, 2019	126,543	20.1	16,430	15.1	16,444	15.4	11,309	15.1

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Dec. 31, 2020	52.89	52.88
Year ended Dec. 31, 2019	45.53	45.52

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2020	80,962	48,138	59.4	193.50
As of Dec. 31, 2019	60,605	39,000	64.3	156.81

Reference: Shareholders' equity Dec. 31, 2020: 48,066 million yen Dec. 31, 2019: 38,955 million yen

2. Non-consolidated Forecasts for the Fiscal Year Ending December 31, 2021 (January 1, 2021 – December 31, 2021)

(Percentages show the change from the 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)	90,742	24.9	12,237	27.8	12,226	27.5	8,487	27.4	17.08
Full year	186,759	23.0	25,041	24.3	25,022	23.9	17,365	32.2	34.95

The Company will implement a 2-for-1 share split effective on April 1, 2021 in accordance with the decision at the board meeting held on February 2, 2021 and net income per share for the year ending December 31, 2021 is stated on the assumption that the share split was implemented at the beginning of this fiscal year.

These financial results are 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, 2020 generally continued to be weak with government economic and fiscal policies providing some support, while concerns about the global spread of the novel coronavirus infectious disease (COVID-19), 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 unpredictable.

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 and we also published REDBOOK vol. 16 Autumn Edition in late September, divided into 10 volumes with 270 thousand items and approximately 2.9 million issues available in total.

Furthermore, the total number of our product lineup reached approximately 18 million items in total and 476 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 fiscal year ended 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 1,391,073 newly registered accounts for the fiscal year ended December 31, 2020 and the number of registered accounts totaled 5,500,774 as of the end of the fiscal year ended December 31, 2020..

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 157,337 million yen (19.7% increase from the same period of the previous fiscal year), operating income of 19,607 million yen (23.8% increase from the same period of the previous fiscal year), ordinary income of 19,671 million yen (23.8% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 13,771 million yen, a corresponding 25.4% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of December 31, 2020 amounted to 81,263 million yen, an increase of 21,571 million yen from the end of the previous fiscal year. This was attributable to increases of 7,688 million yen, 7,441 million yen, and 3,876 million yen in cash and deposits, construction in progress and notes and accounts receivable-trade, respectively.

On the other hand, total liabilities as of December 31, 2020 amounted to 33,604 million yen, an increase of 11,425 million yen from the end of the previous fiscal year. This was due mainly to increases of 9,000 million yen and 1,813 million yen in long-term loans payable and accounts payable-trade, respectively, despite a decrease of 2,498 million yen in current portion of long-term loans payable.

Total net assets amounted to 47,658 million yen, an increase of 10,145 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 13,771 million yen offset by dividend payments of 3,974 million yen for the fiscal year ended December 31, 2020.

As a result, the equity ratio as of December 31, 2020 was 57.5%, down 4.6 percentage points from the end of the previous fiscal year.

(3) Forecast for the Fiscal Year Ending December 31, 2021

During the fiscal year ending December 31, 2021, 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 science tools, improving website design in order for customers to use it and place orders more easily, expanding the product lineup for the same day shipment including both goods in stock and drop shipment goods from suppliers and enhancing speedy and efficient delivery networks.

Also, NAVIMRO Co., Ltd., PT MONOTARO INDONESIA and IB MONOTARO PRIVATE LIMITED will continuously engage in acquiring new customers mainly through paid listings and focus on increasing each of their respective 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, 2021 are 194,220 million yen, 24,678 million yen, 24,738 million yen and 17,273 million yen, respectively.

2. Consolidated Financial Statements

(1) Consolidated balance sheets

Accounts	As of Dec. 31, 2019	(In millions of yen) As of Dec. 31, 2020
Assets		
Current assets		
Cash and deposits	11,155	18,843
Notes and accounts receivable-trade	13,889	17,766
Electronically recorded monetary claims	582	501
Merchandise	11,267	11,445
Goods in transit	193	326
Supplies	101	102
Accounts receivable-other	4,286	4,901
Other	366	459
Allowance for doubtful accounts	-71	-82
Total current assets	<u>41,771</u>	<u>54,264</u>
Noncurrent assets		
Property, plant and equipment		
Buildings, net	4,110	4,285
Structures, net	392	353
Machinery and equipment, net	479	428
Vehicles, net	6	11
Tools, furniture and fixtures, net	466	502
Land	2,238	2,238
Leased assets, net	4,321	3,792
Construction in progress	32	7,474
Total property, plant and equipment	<u>12,048</u>	<u>19,086</u>
Intangible assets		
Goodwill	75	803
Software	1,432	1,562
Other	1,576	2,463
Total intangible assets	<u>3,084</u>	<u>4,829</u>
Investments and other assets		
Guarantee deposits	1,371	1,478
Deferred tax assets	412	549
Other	1,057	1,103
Allowance for doubtful accounts	-54	-49
Total investments and other assets	<u>2,787</u>	<u>3,081</u>
Total noncurrent assets	<u>17,920</u>	<u>26,998</u>
Total assets	<u>59,691</u>	<u>81,263</u>

Accounts	As of Dec. 31, 2019	(In millions of yen) As of Dec. 31, 2020
Liabilities		
Current liabilities		
Accounts payable-trade	9,829	11,643
Current portion of long-term loans payable	2,498	—
Lease obligations	625	659
Accounts payable-other	3,142	3,931
Income taxes payable	2,766	4,185
Provision for employees' bonuses	97	104
Provision for directors' bonuses	28	45
Provision for accident related loss	110	9
Other	873	1,962
Total current liabilities	<u>19,973</u>	<u>22,542</u>
Noncurrent liabilities		
Long-term loans payable	—	9,000
Lease obligations	1,225	591
Net defined benefit liability	292	345
Other	687	1,124
Total noncurrent liabilities	<u>2,205</u>	<u>11,062</u>
Total liabilities	<u>22,179</u>	<u>33,604</u>
Net assets		
Shareholders' equity		
Capital stock	1,986	1,993
Capital surplus	809	816
Retained earnings	34,513	44,311
Treasury stock	-247	-315
Total shareholders' equity	<u>37,062</u>	<u>46,805</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	-15	-35
Remeasurements of defined benefit plans	4	-7
Total accumulated other comprehensive income	<u>-10</u>	<u>-43</u>
Subscription rights to shares	44	72
Non-controlling interests	416	823
Total net assets	<u>37,512</u>	<u>47,658</u>
Total liabilities and net assets	<u>59,691</u>	<u>81,263</u>

(2) Consolidated statements of (comprehensive) income

Accounts	(In millions of yen)	
	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020
Net sales	131,463	157,337
Cost of sales	94,367	112,643
Gross profit	37,095	44,694
Selling, general and administrative expenses	21,256	25,086
Operating income	15,839	19,607
Non-operating income		
Interest income	27	17
Foreign exchange gains	55	67
Commission fee	8	8
Compensation income	6	6
Gain on sale of materials	15	13
Other	42	44
Total non-operating income	156	158
Non-operating expenses		
Interest expenses	50	35
Loss on disposal of inventories	33	35
Other	24	23
Total non-operating expenses	108	94
Ordinary income	15,887	19,671
Extraordinary income		
Gain on sales of fixed assets	1	1
Total extraordinary income	1	1
Extraordinary loss		
Loss on liquidation of business	—	124
Impairment loss	—	65
Loss on disposal of fixed assets	6	9
Accident related loss	314	—
Total extraordinary losses	320	199
Income before income taxes and minority interests	15,568	19,473
Income taxes-current	4,874	6,124
-deferred	-58	-124
Total income taxes	4,816	5,999
Net income	10,751	13,473
Net income attributable to:		
owners of the parent	10,984	13,771
non-controlling interests	-232	-297
Other comprehensive income		
Foreign currency translation adjustment	-35	-39
Remeasurements of defined benefit plans	-7	-11
Total other comprehensive income	-43	-51
Comprehensive income	10,708	13,422
Comprehensive income attributable to:		
owners of the parent	10,945	13,739
non-controlling interests	-236	-316

(3) Consolidated statements of changes in net assets

Accounts	(In millions of yen)	
	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,979	1,986
Changes of items during the period		
Issuance of new shares	7	7
Total changes of items during the period	7	7
Balance at the end of current period	1,986	1,993
Capital surplus		
Balance at the beginning of current period	785	809
Changes of items during the period		
Issuance of new shares	7	7
Change of capital surplus due to change in ownership interest of consolidated subsidiaries	16	—
Total changes of items during the period	23	7
Balance at the end of current period	809	816
Retained earnings		
Balance at the beginning of current period	27,005	34,513
Changes of items during the period		
Dividends from surplus	-3,476	-3,974
Net income attributable to owners of the parent	10,984	13,771
Total changes of items during the period	7,508	9,797
Balance at the end of current period	34,513	44,311
Treasury stock		
Balance at the beginning of current period	-226	-247
Changes of items during the period		
Purchase of treasury stock	-21	-68
Total changes of items during the period	-21	-68
Balance at the end of current period	-247	-315
Total shareholders' equity		
Balance at the beginning of current period	29,544	37,062
Changes of items during the period		
Issuance of new shares	14	14
Change of capital surplus due to change in ownership interest of consolidated subsidiaries	16	—
Dividends from surplus	-3,476	-3,974
Net income attributable to owners of the parent	10,984	13,771
Purchase of treasury stock	-21	-68
Total changes of items during the period	7,517	9,743
Balance at the end of current period	37,062	46,805

Accounts	Year ended Dec. 31, 2019	(In millions of yen) Year ended Dec. 31, 2020
Accumulated other comprehensive income		
Foreign currency translation adjustment		
Balance at the beginning of current period	17	-15
Changes of items during the period		
Net changes of items other than shareholders' equity	-32	-20
Total changes of items during the period	-32	-20
Balance at the end of current period	-15	-35
Remeasurements of defined benefit plans		
Balance at the beginning of current period	7	4
Changes of items during the period		
Net changes of items other than shareholders' equity	-3	-11
Total changes of items during the period	-3	-11
Balance at the end of current period	4	-7
Total accumulated other comprehensive income		
Balance at the beginning of current period	24	-10
Changes of items during the period		
Net changes of items other than shareholders' equity	-35	-32
Total changes of items during the period	-35	-32
Balance at the end of current period	-10	-43
Subscription rights to shares		
Balance at the beginning of current period	35	44
Changes of items during the period		
Net changes of items other than shareholders' equity	9	27
Total changes of items during the period	9	27
Balance at the end of current period	44	72
Non-controlling interests		
Balance at the beginning of current period	232	416
Changes of items during the period		
Net changes of items other than shareholders' equity	183	407
Total changes of items during the period	183	407
Balance at the end of current period	416	823
Total net assets		
Balance at the beginning of current period	29,838	37,512
Changes of items during the period		
Issuance of new shares	14	14
Change of capital surplus due to change in ownership interest of consolidated subsidiaries	16	—
Dividends from surplus	-3,476	-3,974
Net income attributable to owners of the parent	10,984	13,771
Purchase of treasury stock	-21	-68
Net changes of items other than shareholders' equity	157	402
Total changes of items during the period	7,674	10,145
Balance at the end of current period	37,512	47,658

(4) Consolidated statements of cash flows

Accounts	(In millions of yen)	
	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	15,568	19,473
Depreciation and amortization	1,395	1,562
Increase (decrease) in allowance for doubtful accounts	26	5
Increase (decrease) in provision for employees' bonuses	-14	7
Increase (decrease) in provision for directors' bonuses	3	16
Increase (decrease) in net defined benefit liability	29	51
Interest income	-27	-17
Interest expenses	50	35
Accident related loss	314	—
Impairment loss	—	65
Loss on liquidation of business	—	48
Decrease (increase) in notes and accounts receivable-trade	-2,927	-3,753
Decrease (increase) in inventories	-1,593	-240
Decrease (increase) in accounts receivable-other	-304	-617
Increase (decrease) in notes and accounts payable-trade	1,523	1,784
Increase (decrease) in accounts payable-other	447	647
Increase (decrease) in accrued consumption taxes	-509	996
Other, net	219	134
Subtotal	<u>14,202</u>	<u>20,200</u>
Interest income received	30	20
Interest expenses paid	-51	-46
Income taxes paid	-4,948	-4,799
Payments for accident related loss	-167	-106
Net cash provided by (used in) operating activities	<u>9,064</u>	<u>15,269</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	-1,016	-265
Proceeds from withdrawal of time deposits	949	578
Purchase of property, plant and equipment	-1,055	-7,639
Purchase of intangible assets	-1,361	-1,472
Payments for guarantee deposits	-663	-121
Other, net	-618	-94
Net cash provided by (used in) investment activities	<u>-3,765</u>	<u>-9,015</u>
Net cash provided by (used in) financing activities		
Proceeds from Long-term loans payable	—	9,000
Repayments of long-term loans payable	-2,000	-2,498
Proceeds from exercise of stock option	0	0
Purchase of treasury stock	-21	-68
Cash dividends paid	-3,478	-3,975
Proceeds from share issuance to non-controlling shareholders	436	—
Repayments of lease obligations	-1,499	-683
Net cash provided by (used in) financing activities	<u>-6,562</u>	<u>1,773</u>
Effect of exchange rate change on cash and cash equivalents	<u>-29</u>	<u>-6</u>
Net increase (decrease) in cash and cash equivalents	<u>-1,293</u>	<u>8,021</u>
Cash and cash equivalents at beginning of period	<u>12,040</u>	<u>10,746</u>
Cash and cash equivalents at end of period	<u>10,746</u>	<u>18,767</u>

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

Accounts	As of Dec. 31, 2019	(In millions of yen) As of Dec. 31, 2020
Assets		
Current assets		
Cash and deposits	9,958	16,691
Notes receivable-trade	21	18
Accounts receivable-trade	13,772	17,609
Electronically recorded monetary claims	582	501
Merchandise	10,787	10,863
Goods in transit	205	329
Supplies	101	102
Advance payments-trade	3	25
Prepaid expenses	263	291
Accounts receivable-other	4,276	4,894
Other	13	23
Allowance for doubtful accounts	-71	-78
Total current assets	<u>39,914</u>	<u>51,271</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	4,110	4,285
Structures	392	353
Machinery and equipment	479	428
Vehicles	6	11
Tools, furniture and fixtures	441	468
Land	2,238	2,238
Leased assets	4,321	3,791
Construction in progress	32	7,474
Total property, plant and equipment	<u>12,023</u>	<u>19,052</u>
Intangible assets		
Software	1,342	1,548
Software in progress	1,348	2,236
Other	228	223
Total intangible assets	<u>2,919</u>	<u>4,008</u>
Investments and other assets		
Stocks of subsidiaries and affiliates	3,020	3,333
Claims provable in bankruptcy, rehabilitation and other	54	49
Bonds of subsidiaries and associates	—	100
Long-term prepaid expenses	693	688
Guarantee deposits	1,323	1,419
Insurance funds	308	364
Deferred tax assets	401	722
Allowance for doubtful accounts	-54	-49
Total investments and other assets	<u>5,748</u>	<u>6,629</u>
Total noncurrent assets	<u>20,691</u>	<u>29,690</u>
Total assets	<u>60,605</u>	<u>80,962</u>

Accounts	As of Dec. 31, 2019	(In millions of yen) As of Dec. 31, 2020
Liabilities		
Current liabilities		
Accounts payable-trade	9,446	11,165
Current portion of long-term loans payable	2,498	—
Lease obligations	625	639
Accounts payable-other	3,040	3,808
Accrued expenses	267	289
Income taxes payable	2,765	4,176
Accrued consumption taxes	423	1,414
Advances received	24	37
Deposits received	101	100
Provision for employees' bonuses	83	100
Provision for directors' bonuses	28	45
Provision for accident related loss	110	9
Other	9	22
Total current liabilities	<u>19,424</u>	<u>21,810</u>
Noncurrent liabilities		
Long-term loans payable	—	9,000
Lease obligations	1,225	591
Provision for retirement benefits	267	296
Other	687	1,124
Total noncurrent liabilities	<u>2,180</u>	<u>11,013</u>
Total liabilities	<u>21,604</u>	<u>32,823</u>
Net assets		
Shareholders' equity		
Capital stock	1,986	1,993
Capital surplus		
Legal capital surplus	791	798
Total capital surpluses	<u>791</u>	<u>798</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward	36,425	45,589
Total retained earnings	<u>36,425</u>	<u>45,589</u>
Treasury stock	-247	-315
Total shareholders' equity	<u>38,955</u>	<u>48,066</u>
Subscription rights to shares	44	72
Total net assets	<u>39,000</u>	<u>48,138</u>
Total liabilities and net assets	<u>60,605</u>	<u>80,962</u>

(2) Non-consolidated statements of income

Accounts	(In millions of yen)	
	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020
Net sales	126,543	151,798
Cost of sales	90,431	108,323
Gross profit	36,111	43,475
Selling, general and administrative expenses	19,681	23,325
Operating income	16,430	20,149
Non-operating income		
Interest income	0	0
Foreign exchange gains	61	70
Commission fee	8	8
Compensation income	3	3
Gain on sale of materials	15	13
Other	27	37
Total non-operating income	116	134
Non-operating expenses		
Interest expenses	50	34
Loss on disposal of inventories	29	34
Other	22	21
Total non-operating expenses	102	89
Ordinary income	16,444	20,194
Extraordinary income		
Gain on sales of fixed assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Accident related loss	314	—
Loss on valuation of shares of subsidiaries	—	1,251
Loss on disposal of fixed assets	6	9
Total extraordinary losses	320	1,261
Income before income taxes	16,125	18,933
Income taxes-current	4,873	6,115
Income taxes-deferred	-57	-321
Total income taxes	4,816	5,794
Net income	11,309	13,139

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

Accounts	Year ended Dec. 31, 2019	(In millions of yen) Year ended Dec. 31, 2020
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,979	1,986
Changes of items during the period		
Issuance of new shares	<u>7</u>	<u>7</u>
Total changes of items during the period	<u>7</u>	<u>7</u>
Balance at the end of current period	<u>1,986</u>	<u>1,993</u>
Capital surplus		
Balance at the beginning of current period	784	791
Changes of items during the period		
Issuance of new shares	<u>7</u>	<u>7</u>
Total changes of items during the period	<u>7</u>	<u>7</u>
Balance at the end of current period	<u>791</u>	<u>798</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of current period	28,593	36,425
Changes of items during the period		
Dividends from surplus	-3,476	-3,974
Net income	<u>11,309</u>	<u>13,139</u>
Total changes of items during the period	<u>7,832</u>	<u>9,164</u>
Balance at the end of current period	<u>36,425</u>	<u>45,589</u>
Total retained earnings		
Balance at the beginning of current period	28,593	36,425
Changes of items during the period		
Dividends from surplus	-3,476	-3,974
Net income	<u>11,309</u>	<u>13,139</u>
Total changes of items during the period	<u>7,832</u>	<u>9,164</u>
Balance at the end of current period	<u>36,425</u>	<u>45,589</u>
Treasury stock		
Balance at the beginning of current period	-226	-247
Changes of items during the period		
Purchase of treasury stock	<u>-21</u>	<u>-68</u>
Total changes of items during the period	<u>-21</u>	<u>-68</u>
Balance at the end of current period	<u>-247</u>	<u>-315</u>
Total shareholders' equity		
Balance at the beginning of current period	31,130	38,955
Changes of items during the period		
Issuance of new shares	14	14
Dividends from surplus	-3,476	-3,974
Net income	11,309	13,139
Purchase of treasury stock	<u>-21</u>	<u>-68</u>
Total changes of items during the period	<u>7,825</u>	<u>9,110</u>
Balance at the end of current period	<u>38,955</u>	<u>48,066</u>

Accounts	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020
<hr/>		
Subscription rights to shares		
Balance at the beginning of current period	35	44
Changes of items during the period		
Net changes of items other than shareholders' equity	9	27
Total changes of items during the period	<u>9</u>	<u>27</u>
Balance at the end of current period	<u>44</u>	<u>72</u>
Total net assets		
Balance at the beginning of current period	31,166	39,000
Changes of items during the period		
Issuance of new shares	14	14
Dividends from surplus	-3,476	-3,974
Net income	11,309	13,139
Purchase of treasury stock	-21	-68
Net changes of items other than shareholders' equity	9	27
Total changes of items during the period	<u>7,834</u>	<u>9,138</u>
Balance at the end of current period	<u>39,000</u>	<u>48,138</u>