

Consolidated Financial Results for the First Nine Months of Fiscal Year Ending December 31, 2022 (Nine Months Ended September 30, 2022)

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

Stock code: 3064

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Listing: Tokyo Stock Exchange, Prime Market

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Scheduled date to file Quarterly Securities Report: November 10, 2022

Scheduled date of dividend payments: -

Supplementary materials: Yes Investors meeting: No

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2022

(January 1, 2022 – September 30, 2022)

(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, 2022	165,993	19.9	19,323	10.2	19,566	10.7	13,119	6.7
Nine Months Ended Sep. 30, 2021	138,450	20.6	17,541	22.1	17,668	22.6	12,291	20.6

Note: Comprehensive income: Nine Months Ended Sep. 30, 2022: 13,169 million yen (7.2%)

Nine Months Ended Sep. 30, 2021: 12,285 million yen (23.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine Months Ended Sep. 30, 2022	26.40	26.40
Nine Months Ended Sep. 30, 2021	24.74	24.74

The Company implemented a 2-for-1 share split effective on April 1, 2021 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, 2022	105,805	67,385	63.0
As of Dec. 31, 2021	95,789	60,283	61.9

Reference: Shareholders' equity Sep. 30, 2022: 66,672 million yen Dec. 31, 2021: 59,286 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, 2021	-	5.75	-	5.75	11.50
Year ending Dec. 31, 2022 (actual)	-	6.50			
Year ending Dec. 31, 2022 (forecast)			-	7.00	13.50

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2022 (January 1, 2022 – December 31, 2022)

(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	226,073	19.2	24,380	1.0	24,392	0.4	17,067	(2.8)	34.35

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 nine-month period ended September 30, 2022: 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: Yes

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, 2022:	501,346,000 shares	Dec. 31, 2021:	501,275,000 shares
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2) Number of treasury stock at the end of period

Sep. 30, 2022:	4,443,037 shares	Dec. 31, 2021:	4,443,812 shares
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3) Average number of shares outstanding during the period

Nine Months ended Sep. 30, 2022:	496,880,632 shares	Nine Months Ended Sep. 30, 2021:	496,825,489 shares
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The Company implemented a 2-for-1 share split effective on April 1, 2021 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, 2022 generally continued to be unpredictable with concerns about the global rebound of the novel coronavirus infectious disease (COVID-19), supply chain disruptions, as well as shortages in the supply of semiconductors and other components, rising energy and raw material prices, a rapid depreciation of the yen, in addition to concerns about the impact on the economy from the Russian aggression in Ukraine.

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 RED BOOK vol. 18 Spring Edition in late February, divided into 13 volumes with 174 thousand items and approximately 3.1 million issues available in total. and we also published REDBOOK vol. 18 Autumn Edition in late September, divided into 10 volumes with 255 thousand items and approximately 1.3 million issues available in total. In addition, we broadcasted TV commercials during this quarter to enhance our visibility much further.

Furthermore, the total number of our product lineup reached approximately 19 million items in total and 511 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, 2022. In addition, in order to strengthen the logistics base, "Inagawa Distribution Center" (Kawabe-gun, Hyogo Prefecture, total floor area of about 194,000 m²) started its operation in April.

In addition, in relation to the sales of MRO products to enterprise customers through the integrated purchase systems, both the number of customers and the amount of sales steadily increased.

Consequently, we have successfully obtained 932,631 newly registered accounts for the first nine months of the fiscal year ending December 31, 2022 and the number of registered accounts totaled 7,711,950 as of the end of the first nine months of the fiscal year ending December 31, 2022.

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 165,993 million yen (19.9% increase from the same period of the previous fiscal year), operating income of 19,323 million yen (10.2% increase from the same period of the previous fiscal year), ordinary income of 19,566 million yen (10.7% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 13,119 million yen, a corresponding 6.7% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of September 30, 2022 (the end of the first nine months of the fiscal year ending December 31, 2022) amounted to 105,805 million yen, an increase of 10,016 million yen from the end of the previous fiscal year. This was attributable to increases of 6,551 million yen, 3,422 million yen, 3,057 million yen, 2,818 million yen, and 1,627 million yen in machinery and equipment, merchandise, software, buildings, and notes and accounts receivable-trade, respectively, despite decreases of 6,511 million yen and 2,720 million yen, 2,303 million yen in cash and deposits, construction in progress, and software in progress, respectively.

On the other hand, total liabilities as of September 30, 2022 amounted to 38,420 million yen, an increase of 2,915 million yen from the end of the previous fiscal year. This was due mainly to increases of 2,089 million yen and 1,054 million yen in accounts payable-other and short-term loans, respectively, despite a decrease of 1,175 million yen in income taxes payable.

Total net assets amounted to 67,385 million yen, an increase of 7,101 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 13,119 million yen offset by dividend payments of 6,086 million yen for the first nine months of the fiscal year ending December 31, 2022.

As a result, the equity ratio as of September 30, 2022 was 63.0%, up 1.1 percentage points from the end of the previous fiscal year.

(3) Forecast for the Fiscal Year Ending December 31, 2022

Our consolidated financial results for the first nine months of this fiscal year were almost in line with our plan in terms of sales and slightly higher in terms of operating income. However, the economic outlook is difficult to forecast due to continued rapid inflation, and the accompanying a policy of rising interest rates especially in the United States. Therefore, the consolidated forecast for the fiscal year ending December 31, 2022, disclosed on February 3, 2022, has not been changed at this time. We will announce it immediately in future when we judge a revisions of the earnings forecast to be necessary.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

Accounts	(In millions of yen)	
	As of Dec. 31, 2021	As of Sep. 30, 2022
Assets		
Current assets		
Cash and deposits	12,379	5,868
Notes and accounts receivable-trade	21,665	23,293
Electronically recorded monetary claims	900	1,425
Merchandise	14,647	18,070
Goods in transit	696	679
Supplies	86	287
Accounts receivable-other	5,961	6,263
Other	844	1,558
Allowance for doubtful accounts	(95)	(89)
Total current assets	57,086	57,357
Noncurrent assets		
Property, plant and equipment		
Buildings, net	9,822	12,641
Leased assets, net	3,282	2,759
Construction in progress	9,164	6,444
Other, net	5,835	13,313
Total property, plant and equipment	28,105	35,158
Intangible assets		
Goodwill	770	814
Other	5,562	6,304
Total intangible assets	6,332	7,118
Investments and other assets		
Guarantee deposits	2,634	2,739
Other	1,683	3,495
Allowance for doubtful accounts	(54)	(64)
Total investments and other assets	4,264	6,170
Total noncurrent assets	38,702	48,447
Total assets	95,789	105,805
Liabilities		
Current liabilities		
Accounts payable-trade	14,562	15,195
Short-term loans	—	2,089
Current portion of long-term loans payable	—	4,500
Lease obligations	34	10
Accounts payable-other	4,409	5,463
Income taxes payable	4,090	2,915
Provision for employees' bonuses	121	354
Provision for accident related loss	16	14
Other	589	682
Total current liabilities	23,824	31,226
Noncurrent liabilities		
Long-term loans payable	9,000	4,500
Lease obligations	586	595
Net defined benefit liability	388	483
Asset retirement obligations	1,222	1,417
Other	484	198
Total noncurrent liabilities	11,681	7,194
Total liabilities	35,505	38,420
Net assets		
Shareholders' equity		
Capital stock	2,000	2,039
Capital surplus	899	1,033
Retained earnings	56,646	63,680
Treasury stock	(413)	(502)
Total shareholders' equity	59,133	66,249
Accumulated other comprehensive income		
Foreign currency translation adjustment	151	423
Remeasurements of defined benefit plans	1	(0)
Total accumulated other comprehensive income	152	422
Subscription rights to shares	99	34
Non-controlling interests	897	678
Total net assets	60,283	67,385
Total liabilities and net assets	95,789	105,805

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In millions of yen)	
	Nine months period ended Sep. 30, 2021	Nine months period ended Sep. 30, 2022
Net sales	138,450	165,993
Cost of sales	98,938	118,147
Gross profit	39,511	47,846
Selling, general and administrative expenses	21,970	28,522
Operating income	17,541	19,323
Non-operating income		
Interest income	43	17
Foreign exchange gains	89	222
Gain on sale of materials	11	18
Other	56	60
Total non-operating income	200	318
Non-operating expenses		
Interest expenses	18	14
Loss on disposal of inventories	33	45
Accident related loss	12	—
Other	9	15
Total non-operating expenses	73	76
Ordinary income	17,668	19,566
Extraordinary income		
Gain on sales of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on closure of distribution center	—	837
Loss on sales of fixed assets	25	6
Loss on disposal of fixed assets	1	0
Total extraordinary losses	26	844
Income before income taxes	17,641	18,722
Income taxes-current	5,457	6,231
-deferred	42	(295)
Total income taxes	5,499	5,935
Net income	12,142	12,787
Net income attributable to:		
owners of the parent	12,291	13,119
non-controlling interests	(149)	(332)
Other comprehensive income		
Foreign currency translation adjustment	139	391
Remeasurements of defined benefit plans	3	(9)
Total other comprehensive income	142	382
Comprehensive income	12,285	13,169
Comprehensive income attributable to:		
owners of the parent	12,375	13,380
non-controlling interests	(90)	(210)