

Consolidated Financial Results for the First Six Months of Fiscal Year Ending December 31, 2021 (Six Months Ended June 30, 2021)

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

Stock code: 3064

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Scheduled date to file Quarterly Securities Report: August 10, 2021

Scheduled date of dividend payments: September 10, 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 Six Months Ended June 30, 2021

(January 1, 2021 – June 30, 2021)

(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	%
Six months ended Jun. 30, 2021	91,868	22.0	11,898	27.7	11,973	28.2	8,344	27.6
Six months ended Jun. 30, 2020	75,281	19.6	9,318	22.7	9,342	22.8	6,540	23.3

Note: Comprehensive income: Six months ended Jun. 30, 2021: 8,409 million yen (32.3%)

Six months ended Jun. 30, 2020: 6,357 million yen (23.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2021	16.80	16.79
Six months ended Jun. 30, 2020	13.16	13.16

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 Jun. 30, 2021	88,114	53,938	60.0
As of Dec. 31, 2020	81,263	47,658	57.5

Reference: Shareholders' equity Jun. 30, 2021: 52,872 million yen Dec. 31, 2020: 46,761 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, 2020	-	8.50	-	9.50	18.00
Year ending Dec. 31, 2021 (actual)	-	5.75			
Year ending Dec. 31, 2021 (forecast)			-	5.75	11.50

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

The Company implemented a 2-for-1 share split effective on April 1, 2021, and the interim and year-end dividend for the year ended December 31, 2020 would be equivalent to 4.25 yen and 4.75 yen respectively, and the annual dividend would be 9.00 yen, 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, 2021 (January 1, 2021 – December 31, 2021)

(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	194,220	23.4	24,678	25.9	24,738	25.8	17,273	25.4	34.77

Note: Revision of consolidated forecast during this quarter: None

The Company implemented a 2-for-1 share split effective on April 1, 2021 and net income per share is stated on the assumption that the share split was implemented at the beginning of the current fiscal year

4. Others

(1) Changes in the number of material subsidiaries resulting in changes in scope of consolidation during the six-month period ended June 30, 2021: 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)

Jun. 30, 2021: 501,275,000 shares Dec. 31, 2020: 501,262,000 shares

2) Number of treasury stock at the end of period

Jun. 30, 2021: 4,443,812 shares Dec. 31, 2020: 4,443,576 shares

3) Average number of shares outstanding during the period

Six months ended Jun. 30, 2021: 496,822,639 shares Six months ended Jun. 30, 2020: 496,830,924 shares

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 six months of the fiscal year ending December 31, 2021 generally continued to be weak with government economic and fiscal policies providing some support, while concerns about the global rebound of the novel coronavirus infectious disease (COVID-19) 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. 17 Spring Edition in late February, divided into 13 volumes with 180 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 479 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 six months of the fiscal year ending December 31, 2021. In addition, in order to strengthen the logistics base, "Ibaraki Chuo Satellite Center" (total floor area of about 49,000 m²), which has both a warehousing function for imported items and a shipping function for high-demand items, started its operation in March.

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 653,104 newly registered accounts for the first six months of the fiscal year ending December 31, 2021 and the number of registered accounts totaled 6,153,878 as of the end of the first six months of the fiscal year ending December 31, 2021.

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 91,868 million yen (22.0% increase from the same period of the previous fiscal year), operating income of 11,898 million yen (27.7% increase from the same period of the previous fiscal year), ordinary income of 11,973 million yen (28.2% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 8,344 million yen, a corresponding 27.6% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of June 30, 2021 (the end of the first six months of the fiscal year ending December 31, 2021) amounted to 88,114 million yen, an increase of 6,851 million yen from the end of the previous fiscal year. This was attributable to increases of 5,748 million yen, 2,516 million yen and 2,208 million yen in Buildings, Merchandise and notes and accounts receivable-trade, respectively, despite a decrease of 8,339 million yen in cash and deposits.

On the other hand, total liabilities as of June 30, 2021 amounted to 34,176 million yen, an increase of 571 million yen from the end of the previous fiscal year. This was due mainly to an increase of 2,408 million yen in accounts payable-trade, despite decreases of 1,483 million yen and 614 million yen in accrued consumption taxes and lease obligations, respectively.

Total net assets amounted to 53,938 million yen, an increase of 6,280 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 8,344 million yen offset by dividend payments of 2,359 million yen for the first six months of the fiscal year ending December 31, 2021.

As a result, the equity ratio as of June 30, 2021 was 60.0%, up 2.5 percentage points from the end of the previous fiscal year.

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

Our consolidated financial results for the first six months of this fiscal year were almost in line with our plan. Therefore, the consolidated forecast for the fiscal year ending December 31, 2021, disclosed on February 2, 2021, has not been changed at this time.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

Accounts	(In millions of yen)	
	As of Dec. 31, 2020	As of Jun. 30, 2021
Assets		
Current assets		
Cash and deposits	18,843	10,504
Notes and accounts receivable-trade	17,766	19,974
Electronically recorded monetary claims	501	910
Merchandise	11,445	13,961
Goods in transit	326	646
Supplies	102	130
Accounts receivable-other	4,901	4,966
Other	459	1,072
Allowance for doubtful accounts	(82)	(89)
Total current assets	<u>54,264</u>	<u>52,077</u>
Noncurrent assets		
Property, plant and equipment		
Buildings, net	4,285	10,033
Leased assets, net	3,792	3,553
Other, net	11,009	13,222
Total property, plant and equipment	<u>19,086</u>	<u>26,809</u>
Intangible assets		
Goodwill	803	786
Other	4,025	5,147
Total intangible assets	<u>4,829</u>	<u>5,934</u>
Investments and other assets		
Guarantee deposits	1,478	1,733
Other	1,652	1,605
Allowance for doubtful accounts	(49)	(46)
Total investments and other assets	<u>3,081</u>	<u>3,293</u>
Total noncurrent assets	<u>26,998</u>	<u>36,036</u>
Total assets	<u>81,263</u>	<u>88,114</u>
Liabilities		
Current liabilities		
Accounts payable-trade	11,643	14,047
Lease obligations	659	47
Accounts payable-other	3,931	4,127
Income taxes payable	4,185	3,851
Provision for employees' bonuses	104	115
Provision for directors' bonuses	45	—
Provision for accident related loss	9	18
Other	1,962	569
Total current liabilities	<u>22,542</u>	<u>22,777</u>
Noncurrent liabilities		
Long-term loans payable	9,000	9,000
Lease obligations	591	588
Net defined benefit liability	345	394
Other	1,124	1,415
Total noncurrent liabilities	<u>11,062</u>	<u>11,398</u>
Total liabilities	<u>33,604</u>	<u>34,176</u>
Net assets		
Shareholders' equity		
Capital stock	1,993	2,000
Capital surplus	816	917
Retained earnings	44,311	50,296
Treasury stock	(315)	(413)
Total shareholders' equity	<u>46,805</u>	<u>52,800</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	(35)	75
Remeasurements of defined benefit plans	(7)	(4)
Total accumulated other comprehensive income	<u>(43)</u>	<u>71</u>
Subscription rights to shares	72	80
Non-controlling interests	823	985
Total net assets	<u>47,658</u>	<u>53,938</u>
Total liabilities and net assets	<u>81,263</u>	<u>88,114</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In millions of yen)	
	Six months period ended Jun. 30, 2020	Six months period ended Jun. 30, 2021
Net sales	75,281	91,868
Cost of sales	54,039	65,468
Gross profit	21,241	26,399
Selling, general and administrative expenses	11,922	14,501
Operating income	9,318	11,898
Non-operating income		
Interest income	11	27
Foreign exchange gains	31	57
Gain on sale of materials	5	7
Other	24	38
Total non-operating income	73	131
Non-operating expenses		
Interest expenses	18	13
Loss on disposal of inventories	15	22
Accident related loss	7	9
Other	8	11
Total non-operating expenses	49	56
Ordinary income	9,342	11,973
Extraordinary income		
Gain on sales of fixed assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Loss on disposal of fixed assets	0	16
Total extraordinary losses	0	16
Income before income taxes	9,343	11,957
Income taxes-current	2,925	3,668
-deferred	(0)	39
Total income taxes	2,924	3,708
Net income	6,419	8,249
Net income attributable to:		
owners of the parent	6,540	8,344
non-controlling interests	(121)	(95)
Other comprehensive income		
Foreign currency translation adjustment	(60)	156
Remeasurements of defined benefit plans	(1)	2
Total other comprehensive income	(62)	159
Comprehensive income	6,357	8,409
Comprehensive income attributable to:		
owners of the parent	6,493	8,454
non-controlling interests	(136)	(45)

(3) Consolidated statements of cash flows

Accounts	(In millions of yen)	
	Six months period ended Jun. 30, 2020	Six months period ended Jun. 30, 2021
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	9,343	11,957
Depreciation and amortization	747	1,389
Increase (decrease) in allowance for doubtful accounts	5	3
Increase (decrease) in provision for bonuses	3	10
Increase (decrease) in provision for directors' bonuses	16	(45)
Increase (decrease) in net defined benefit liability	36	47
Interest income	(11)	(27)
Interest expenses	18	13
Decrease (increase) in notes and accounts receivable-trade	(2,977)	(2,610)
Decrease (increase) in inventories	(662)	(2,843)
Decrease (increase) in accounts receivable-other	178	(52)
Increase (decrease) in notes and accounts payable-trade	1,668	2,387
Increase (decrease) in accounts payable-other	372	62
Increase (decrease) in accrued consumption taxes	317	(1,818)
Other, net	35	20
Subtotal	<u>9,092</u>	<u>8,494</u>
Interest income received	13	15
Interest expenses paid	(44)	(30)
Income taxes paid	(2,632)	(4,005)
Payments for accident related loss	(103)	(2)
Net cash provided by (used in) operating activities	<u>6,325</u>	<u>4,471</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	(191)	(1,628)
Proceeds from withdrawal of time deposits	393	76
Purchase of property, plant and equipment	(2,368)	(8,358)
Purchase of intangible assets	(665)	(1,435)
Payments of guarantee deposits	(10)	(271)
Other, net	9	37
Net cash provided by (used in) investment activities	<u>(2,831)</u>	<u>(11,580)</u>
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(1,000)	—
Proceeds from exercise of stock option	0	13
Purchase of treasury stock	(68)	(97)
Cash dividends paid	(1,864)	(2,359)
Proceeds from share issuance to non-controlling shareholders	—	212
Repayments of lease obligations	(661)	(661)
Net cash provided by (used in) financing activities	<u>(3,594)</u>	<u>(2,892)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(35)</u>	<u>81</u>
Net increase (decrease) in cash and cash equivalents	<u>(135)</u>	<u>(9,918)</u>
Cash and cash equivalents at beginning of period	<u>10,746</u>	<u>18,767</u>
Cash and cash equivalents at end of period	<u>10,610</u>	<u>8,849</u>