

Consolidated Financial Results for the First Six Months of Fiscal Year Ending December 31, 2020 (Six Months Ended June 30, 2020)

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

Stock code: 3064

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Scheduled date to file Quarterly Securities Report: August 7, 2020

Scheduled date of dividend payments: September 10, 2020

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, 2020

(January 1, 2020 – June 30, 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	%
Six months ended Jun. 30, 2020	75,281	19.6	9,318	22.7	9,342	22.8	6,540	23.3
Six months ended Jun. 30, 2019	62,970	21.8	7,597	13.2	7,607	13.8	5,302	15.1

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

Six months ended Jun. 30, 2019: 5,151 million yen (14.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2020	26.33	26.32
Six months ended Jun. 30, 2019	21.35	21.34

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2020	65,407	41,955	63.6
As of Dec. 31, 2019	59,691	37,512	62.1

Reference: Shareholders' equity Jun. 30, 2020: 41,621 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)	-	8.50			
Year ending Dec. 31, 2020 (forecast)			-	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
Full year	156,468	19.0	18,569	17.2	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 six-month period ended June 30, 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)

Jun. 30, 2020:	250,627,600 shares	Dec. 31, 2019:	250,623,200 shares
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2) Number of treasury stock at the end of period

Jun. 30, 2020:	2,221,788 shares	Dec. 31, 2019:	2,200,988 shares
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3) Average number of shares outstanding during the period

Six months ended Jun. 30, 2020:	248,415,462 shares	Six months ended Jun. 30, 2019:	248,344,898 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 six 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 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 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 461 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, 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 725,681 newly registered accounts for the first six months of the fiscal year ending December 31, 2020 and the number of registered accounts totaled 4,835,382 as of the end of the second 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 75,281 million yen (19.6% increase from the same period of the previous fiscal year), operating income of 9,318 million yen (22.7% increase from the same period of the previous fiscal year), ordinary income of 9,342 million yen (22.8% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 6,540 million yen, a corresponding 23.3% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of June 30, 2020 (the end of the first six months of the fiscal year ending December 31, 2020) amounted to 65,407 million yen, an increase of 5,715 million yen from the end of the previous fiscal year. This was attributable to increases of 2,967 million yen, 2,246 million yen and 627 million yen in notes and accounts receivable-trade, construction in progress and software in progress, respectively, despite a decrease of 350 million yen in cash and deposits.

On the other hand, total liabilities as of June 30, 2020 amounted to 23,451 million yen, an increase of 1,272 million yen from the end of the previous fiscal year. This was due mainly to increases of 1,649 million yen and 460 million yen in accounts payable-trade and accounts payable-other, respectively, despite decreases of 1,000 million yen and 612 million yen in long-term loans payable and lease obligations, respectively.

Total net assets amounted to 41,955 million yen, an increase of 4,442 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 6,540 million yen offset by dividend payments of 1,863 million yen for the first six months of the fiscal year ending December 31, 2020.

As a result, the equity ratio as of June 30, 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 COVID-19.

However, the spread of COVID-19 infection is expected to have various social and economic effects in the future. The results of the Group for the first six 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	(In millions of yen)	
	As of Dec. 31, 2019	As of Jun. 30, 2020
Assets		
Current assets		
Cash and deposits	11,155	10,804
Notes and accounts receivable-trade	13,889	16,857
Electronically recorded monetary claims	582	586
Merchandise	11,267	11,681
Goods in transit	193	401
Supplies	101	120
Accounts receivable-other	4,286	4,104
Other	366	507
Allowance for doubtful accounts	(71)	(78)
Total current assets	<u>41,771</u>	<u>44,984</u>
Noncurrent assets		
Property, plant and equipment		
Buildings, net	4,110	4,019
Leased assets, net	4,321	4,059
Other, net	3,616	5,843
Total property, plant and equipment	<u>12,048</u>	<u>13,922</u>
Intangible assets		
Goodwill	75	66
Other	3,009	3,627
Total intangible assets	<u>3,084</u>	<u>3,693</u>
Investments and other assets		
Guarantee deposits	1,371	1,367
Other	1,470	1,491
Allowance for doubtful accounts	(54)	(53)
Total investments and other assets	<u>2,787</u>	<u>2,806</u>
Total noncurrent assets	<u>17,920</u>	<u>20,422</u>
Total assets	<u>59,691</u>	<u>65,407</u>
Liabilities		
Current liabilities		
Accounts payable-trade	9,829	11,479
Current portion of long-term loans payable	2,498	1,498
Lease obligations	625	639
Accounts payable-other	3,142	3,602
Income taxes payable	2,766	3,120
Provision for employees' bonuses	97	100
Provision for directors' bonuses	28	45
Provision for accident related loss	110	9
Other	873	1,238
Total current liabilities	<u>19,973</u>	<u>21,733</u>
Noncurrent liabilities		
Lease obligations	1,225	597
Net defined benefit liability	292	328
Other	687	792
Total noncurrent liabilities	<u>2,205</u>	<u>1,718</u>
Total liabilities	<u>22,179</u>	<u>23,451</u>
Net assets		
Shareholders' equity		
Capital stock	1,986	1,990
Capital surplus	809	813
Retained earnings	34,513	39,191
Treasury stock	(247)	(315)
Total shareholders' equity	<u>37,062</u>	<u>41,679</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	(15)	(60)
Remeasurements of defined benefit plans	4	2
Total accumulated other comprehensive income	<u>(10)</u>	<u>(57)</u>
Subscription rights to shares	44	53
Non-controlling interests	416	279
Total net assets	<u>37,512</u>	<u>41,955</u>
Total liabilities and net assets	<u>59,691</u>	<u>65,407</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In millions of yen)	
	Six months period ended Jun. 30, 2019	Six months period ended Jun. 30, 2020
Net sales	62,970	75,281
Cost of sales	45,102	54,039
Gross profit	17,867	21,241
Selling, general and administrative expenses	10,270	11,922
Operating income	7,597	9,318
Non-operating income		
Interest income	12	11
Foreign exchange gains	30	31
Gain on sale of materials	8	5
Other	32	24
Total non-operating income	83	73
Non-operating expenses		
Interest expenses	40	18
Loss on disposal of inventories	19	15
Other	14	15
Total non-operating expenses	74	49
Ordinary income	7,607	9,342
Extraordinary income		
Gain on sales of fixed assets	1	1
Total extraordinary income	1	1
Extraordinary loss		
Loss on disposal of fixed assets	0	0
Total extraordinary losses	0	0
Income before income taxes	7,608	9,343
Income taxes-current	2,399	2,925
-deferred	17	0
Total income taxes	2,416	2,924
Net income	5,191	6,419
Net income attributable to:		
owners of the parent	5,302	6,540
non-controlling interests	(110)	(121)
Other comprehensive income		
Foreign currency translation adjustment	(41)	(60)
Remeasurements of defined benefit plans	0	(1)
Total other comprehensive income	(40)	(62)
Comprehensive income	5,151	6,357
Comprehensive income attributable to:		
owners of the parent	5,252	6,493
non-controlling interests	(100)	(136)

(3) Consolidated statements of cash flows

Accounts	Six months period ended Jun. 30, 2019	(In millions of yen) Six months period ended Jun. 30, 2020
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,608	9,343
Depreciation and amortization	644	747
Increase (decrease) in allowance for doubtful accounts	12	5
Increase (decrease) in provision for bonuses	(19)	3
Increase (decrease) in provision for directors' bonuses	8	16
Increase (decrease) in net defined benefit liability	31	36
Interest income	(12)	(11)
Interest expenses	40	18
Decrease (increase) in notes and accounts receivable-trade	(1,706)	(2,977)
Decrease (increase) in inventories	(1,038)	(662)
Decrease (increase) in accounts receivable-other	70	164
Increase (decrease) in notes and accounts payable-trade	526	1,668
Increase (decrease) in accounts payable-other	312	372
Other, net	(439)	367
Subtotal	<u>6,038</u>	<u>9,092</u>
Interest income received	13	13
Interest expenses paid	(49)	(44)
Income taxes paid	(2,721)	(2,632)
Payments for accident related loss	—	(103)
Net cash provided by (used in) operating activities	<u>3,280</u>	<u>6,325</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	(236)	(191)
Proceeds from withdrawal of time deposits	380	393
Purchase of property, plant and equipment	(466)	(2,368)
Purchase of intangible assets	(754)	(665)
Other, net	(18)	(0)
Net cash provided by (used in) investment activities	<u>(1,094)</u>	<u>(2,831)</u>
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(1,000)	(1,000)
Proceeds from exercise of stock option	0	0
Purchase of treasury stock	(21)	(68)
Cash dividends paid	(1,613)	(1,864)
Proceeds from share issuance to non-controlling shareholders	222	—
Repayments of lease obligations	(2,140)	(661)
Net cash provided by (used in) financing activities	<u>(4,553)</u>	<u>(3,594)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(35)</u>	<u>(35)</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,402)</u>	<u>(135)</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>9,637</u>	<u>10,610</u>