

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

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

Stock code: 3064

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Scheduled date to file Quarterly Securities Report: November 9, 2020

Scheduled date of dividend payments: -

Supplementary materials: Yes Investors meeting: No

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 Nine Months Ended September 30, 2020

(January 1, 2020 – September 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	%
Nine months ended Sep. 30, 2020	114,837	18.8	14,368	27.1	14,405	27.0	10,191	31.5
Nine months ended Sep. 30, 2019	96,653	22.4	11,303	11.3	11,345	11.8	7,752	11.0

Note: Comprehensive income: Nine months ended Sep. 30, 2020: 9,928 million yen (32.2%)

Nine months ended Sep. 30, 2019: 7,507 million yen (9.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2020	41.03	41.02
Nine months ended Sep. 30, 2019	31.22	31.20

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2020	73,877	43,427	58.4
As of Dec. 31, 2019	59,691	37,512	62.1

Reference: Shareholders' equity Sep. 30, 2020: 43,165 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 nine-month period ended September 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)

Sep. 30, 2020:	250,629,800 shares	Dec. 31, 2019:	250,623,200 shares
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 - 2) Number of treasury stock at the end of period

Sep. 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

Nine months ended Sep. 30, 2020:	248,412,756 shares	Nine months ended Sep. 30, 2019:	248,343,722 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 nine 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 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 471 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, 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 1,079,497 newly registered accounts for the first nine months of the fiscal year ending December 31, 2020 and the number of registered accounts totaled 5,189,198 as of the end of the third 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 114,837 million yen (18.8% increase from the same period of the previous fiscal year), operating income of 14,368 million yen (27.1% increase from the same period of the previous fiscal year), ordinary income of 14,405 million yen (27.0% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 10,191 million yen, a corresponding 31.5% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of September 30, 2020 (the end of the first nine months of the fiscal year ending December 31, 2020) amounted to 73,877 million yen, an increase of 14,186 million yen from the end of the previous fiscal year. This was attributable to increases of 5,954 million yen, 3,400 million yen and 2,481 million yen in construction in progress, cash and deposits and notes and accounts receivable-trade, respectively.

On the other hand, total liabilities as of September 30, 2020 amounted to 30,450 million yen, an increase of 8,271 million yen from the end of the previous fiscal year. This was due mainly to increases of 6,501 million yen and 1,176 million yen in long-term loans payable and accounts payable-trade, respectively, despite a decrease of 598 million yen in lease obligations. Total net assets amounted to 43,427 million yen, an increase of 5,914 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 10,191 million yen offset by dividend payments of 3,974 million yen for the first nine months of the fiscal year ending December 31, 2020.

As a result, the equity ratio as of September 30, 2020 was 58.4%, down 3.7 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.

The results of the Group for the first nine months of this fiscal year were almost in line with the plan. However, if revisions to our business forecasts become necessary due to the social and economic impact of the spread of COVID-19 and other factors, 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 Sep. 30, 2020
Assets		
Current assets		
Cash and deposits	11,155	14,556
Notes and accounts receivable-trade	13,889	16,371
Electronically recorded monetary claims	582	591
Merchandise	11,267	11,674
Goods in transit	193	463
Supplies	101	463
Accounts receivable-other	4,286	4,504
Other	366	524
Allowance for doubtful accounts	(71)	(78)
Total current assets	<u>41,771</u>	<u>49,070</u>
Noncurrent assets		
Property, plant and equipment		
Buildings, net	4,110	4,343
Leased assets, net	4,321	3,943
Other, net	3,616	9,557
Total property, plant and equipment	<u>12,048</u>	<u>17,844</u>
Intangible assets		
Goodwill	75	60
Other	3,009	3,902
Total intangible assets	<u>3,084</u>	<u>3,963</u>
Investments and other assets		
Guarantee deposits	1,371	1,471
Other	1,470	1,580
Allowance for doubtful accounts	(54)	(52)
Total investments and other assets	<u>2,787</u>	<u>2,999</u>
Total noncurrent assets	<u>17,920</u>	<u>24,807</u>
Total assets	<u>59,691</u>	<u>73,877</u>
Liabilities		
Current liabilities		
Accounts payable-trade	9,829	11,006
Current portion of long-term loans payable	2,498	—
Lease obligations	625	657
Accounts payable-other	3,142	3,964
Income taxes payable	2,766	2,377
Provision for employees' bonuses	97	243
Provision for directors' bonuses	28	19
Provision for accident related loss	110	9
Other	873	1,453
Total current liabilities	<u>19,973</u>	<u>19,731</u>
Noncurrent liabilities		
Long-term loans payable	—	9,000
Lease obligations	1,225	594
Net defined benefit liability	292	341
Other	687	782
Total noncurrent liabilities	<u>2,205</u>	<u>10,718</u>
Total liabilities	<u>22,179</u>	<u>30,450</u>
Net assets		
Shareholders' equity		
Capital stock	1,986	1,992
Capital surplus	809	815
Retained earnings	34,513	40,731
Treasury stock	(247)	(315)
Total shareholders' equity	<u>37,062</u>	<u>43,223</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	62
Non-controlling interests	416	199
Total net assets	<u>37,512</u>	<u>43,427</u>
Total liabilities and net assets	<u>59,691</u>	<u>73,877</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	Nine months period ended Sep. 30, 2019	(In millions of yen) Nine months period ended Sep. 30, 2020
Net sales	96,653	114,837
Cost of sales	69,347	82,236
Gross profit	27,306	32,601
Selling, general and administrative expenses	16,003	18,233
Operating income	11,303	14,368
Non-operating income		
Interest income	19	14
Foreign exchange gains	46	52
Gain on sale of materials	11	10
Other	46	33
Total non-operating income	123	110
Non-operating expenses		
Interest expenses	39	26
Loss on disposal of inventories	21	26
Other	19	20
Total non-operating expenses	80	72
Ordinary income	11,345	14,405
Extraordinary income		
Gain on sales of fixed assets	1	1
Total extraordinary income	1	1
Extraordinary loss		
Loss on liquidation of business	—	52
Accident related loss	238	—
Loss on disposal of fixed assets	0	1
Total extraordinary losses	238	53
Income before income taxes	11,108	14,353
Income taxes-current	3,562	4,420
-deferred	(34)	(66)
Total income taxes	3,528	4,353
Net income	7,580	9,999
Net income attributable to:		
owners of the parent	7,752	10,191
non-controlling interests	(171)	(192)
Other comprehensive income		
Foreign currency translation adjustment	(73)	(69)
Remeasurements of defined benefit plans	1	(2)
Total other comprehensive income	(72)	(71)
Comprehensive income	7,507	9,928
Comprehensive income attributable to:		
owners of the parent	7,693	10,145
non-controlling interests	(185)	(216)