

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

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

Stock code: 3064

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

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, 2021

(January 1, 2021 – September 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	%
Nine months ended Sep. 30, 2021	138,450	20.6	17,541	22.1	17,668	22.6	12,291	20.6
Nine months ended Sep. 30, 2020	114,837	18.8	14,368	27.1	14,405	27.0	10,191	31.5

Note: Comprehensive income: Nine months ended Sep. 30, 2021: 12,285 million yen (23.7%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2021	24.74	24.74
Nine months ended Sep. 30, 2020	20.51	20.51

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, 2021	87,572	54,972	61.6
As of Dec. 31, 2020	81,263	47,658	57.5

Reference: Shareholders' equity Sep. 30, 2021: 53,953million 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 Nine-month period ended September 30, 2021: Yes

Excluded: 1 company (Zoro Shanghai Co., Ltd.)

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

2) Number of treasury stock at the end of period

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

3) Average number of shares outstanding during the period

Nine months ended Sep. 30, 2021: 496,825,489 shares Nine months ended Sep. 30, 2020: 496,825,513 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 nine 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) and the impact on the economy of shortages in the supply of semiconductors and other components 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 and we also published REDBOOK vol. 17 Autumn Edition in late September, divided into 10 volumes with 266 thousand items and approximately 2.8 million issues available in total. In addition, we broadcasted TV commercials throughout Japan during this quarter to enhance our visibility much further.

Furthermore, the total number of our product lineup reached approximately 18 million items in total and 489 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, 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 963,405 newly registered accounts for the first nine months of the fiscal year ending December 31, 2021 and the number of registered accounts totaled 6,464,179 as of the end of the first nine 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 138,450 million yen (20.6% increase from the same period of the previous fiscal year), operating income of 17,541 million yen (22.1% increase from the same period of the previous fiscal year), ordinary income of 17,668 million yen (22.6% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 12,291 million yen, a corresponding 20.6% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of September 30, 2021 (the end of the first nine months of the fiscal year ending December 31, 2021) amounted to 87,572 million yen, an increase of 6,309 million yen from the end of the previous fiscal year. This was attributable to increases of 5,658 million yen, 2,725 million yen and 2,102 million yen in buildings, merchandise and notes and accounts receivable-trade, respectively, despite a decrease of 9,943 million yen in cash and deposits.

On the other hand, total liabilities as of September 30, 2021 amounted to 32,600 million yen, a decrease of 1,004 million yen from the end of the previous fiscal year. This was due mainly to decreases of 1,705 million yen, 1,493 million yen and 628 million yen in income tax payable, accrued consumption taxes and lease obligations, respectively, despite an increase of 1,508 million yen in accounts payable-trade.

Total net assets amounted to 54,972 million yen, an increase of 7,314 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 12,291 million yen offset by dividend payments of 5,216 million yen for the first nine months of the fiscal year ending December 31, 2021.

As a result, the equity ratio as of September 30, 2021 was 61.6%, up 4.1 percentage points from the end of the previous fiscal year.

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

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	As of Dec. 31, 2020	(In millions of yen) As of Sep. 30, 2021
Assets		
Current assets		
Cash and deposits	18,843	8,900
Notes and accounts receivable-trade	17,766	19,868
Electronically recorded monetary claims	501	1,395
Merchandise	11,445	14,171
Goods in transit	326	507
Supplies	102	456
Accounts receivable-other	4,901	5,267
Other	459	712
Allowance for doubtful accounts	(82)	(85)
Total current assets	<u>54,264</u>	<u>51,195</u>
Noncurrent assets		
Property, plant and equipment		
Buildings, net	4,285	9,943
Leased assets, net	3,792	3,403
Other, net	11,009	13,571
Total property, plant and equipment	<u>19,086</u>	<u>26,919</u>
Intangible assets		
Goodwill	803	770
Other	4,025	5,396
Total intangible assets	<u>4,829</u>	<u>6,167</u>
Investments and other assets		
Guarantee deposits	1,478	1,734
Other	1,652	1,606
Allowance for doubtful accounts	(49)	(51)
Total investments and other assets	<u>3,081</u>	<u>3,289</u>
Total noncurrent assets	<u>26,998</u>	<u>36,376</u>
Total assets	<u>81,263</u>	<u>87,572</u>
Liabilities		
Current liabilities		
Accounts payable-trade	11,643	13,152
Lease obligations	659	35
Accounts payable-other	3,931	4,574
Income taxes payable	4,185	2,480
Provision for employees' bonuses	104	290
Provision for directors' bonuses	45	—
Provision for accident related loss	9	18
Other	1,962	476
Total current liabilities	<u>22,542</u>	<u>21,027</u>
Noncurrent liabilities		
Long-term loans payable	9,000	9,000
Lease obligations	591	587
Net defined benefit liability	345	419
Other	1,124	1,566
Total noncurrent liabilities	<u>11,062</u>	<u>11,572</u>
Total liabilities	<u>33,604</u>	<u>32,600</u>
Net assets		
Shareholders' equity		
Capital stock	1,993	2,000
Capital surplus	816	899
Retained earnings	44,311	51,386
Treasury stock	(315)	(413)
Total shareholders' equity	<u>46,805</u>	<u>53,873</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	(35)	84
Remeasurements of defined benefit plans	(7)	(4)
Total accumulated other comprehensive income	<u>(43)</u>	<u>80</u>
Subscription rights to shares	72	90
Non-controlling interests	823	928
Total net assets	<u>47,658</u>	<u>54,972</u>
Total liabilities and net assets	<u>81,263</u>	<u>87,572</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In millions of yen)	
	Nine months period ended Sep. 30, 2020	Nine months period ended Sep. 30, 2021
Net sales	114,837	138,450
Cost of sales	82,236	98,938
Gross profit	32,601	39,511
Selling, general and administrative expenses	18,233	21,970
Operating income	14,368	17,541
Non-operating income		
Interest income	14	43
Foreign exchange gains	52	89
Gain on sale of materials	10	11
Other	33	56
Total non-operating income	110	200
Non-operating expenses		
Interest expenses	26	18
Loss on disposal of inventories	26	33
Accident related loss	7	12
Other	12	9
Total non-operating expenses	72	73
Ordinary income	14,405	17,668
Extraordinary income		
Gain on sales of fixed assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Loss on liquidation of business	52	—
Loss on disposal of fixed assets	1	25
Loss on sales of non-current assets	—	1
Total extraordinary losses	53	26
Income before income taxes	14,353	17,641
Income taxes-current	4,420	5,457
-deferred	(66)	42
Total income taxes	4,353	5,499
Net income	9,999	12,142
Net income attributable to:		
owners of the parent	10,191	12,291
non-controlling interests	(192)	(149)
Other comprehensive income		
Foreign currency translation adjustment	(69)	139
Remeasurements of defined benefit plans	(2)	3
Total other comprehensive income	(71)	142
Comprehensive income	9,928	12,285
Comprehensive income attributable to:		
owners of the parent	10,145	12,375
non-controlling interests	(216)	(90)