

Consolidated Financial Results for the First Six Months of Fiscal Year Ending December 31, 2022 (Six Months Ended June 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: August 10, 2022

Scheduled date of dividend payments: September 9, 2022

Supplementary materials: Yes Investors meeting: Yes

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended June 30, 2022

(January 1, 2022 – June 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	%
Six months ended Jun. 30, 2022	109,863	19.6	13,136	10.4	13,319	11.2	9,317	11.7
Six months ended Jun. 30, 2021	91,868	22.0	11,898	27.7	11,973	28.2	8,344	27.6

Note: Comprehensive income: Six months ended Jun. 30, 2022: 9,476 million yen (12.7%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2022	18.75	18.75
Six months ended Jun. 30, 2021	16.80	16.79

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, 2022	105,996	66,921	62.3
As of Dec. 31, 2021	95,789	60,283	61.9

Reference: Shareholders' equity Jun. 30, 2022: 66,030 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 six-month period ended June 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)

Jun. 30, 2022:	501,313,800 shares	Dec. 31, 2021:	501,275,000 shares
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2) Number of treasury stock at the end of period

Jun. 30, 2022:	4,443,916 shares	Dec. 31, 2021:	4,443,812 shares
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3) Average number of shares outstanding during the period

Six months ended Jun. 30, 2022:	496,869,945 shares	Six months ended Jun. 30, 2021:	496,822,639 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 six 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, shortages in the supply of semiconductors and other components, rising energy and raw material prices, a rapid depreciation of the yen, as well as 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.

Furthermore, the total number of our product lineup reached approximately 18 million items in total and 494 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, 2022. In addition, in order to strengthen the logistics base, "Inagawa Distribution Center" (Kawabe-gun, Hyogo Prefecture, total floor area of about 189,000 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 636,978 newly registered accounts for the first six months of the fiscal year ending December 31, 2022 and the number of registered accounts totaled 7,416,297 as of the end of the first six 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 109,863 million yen (19.6% increase from the same period of the previous fiscal year), operating income of 13,136 million yen (10.4% increase from the same period of the previous fiscal year), ordinary income of 13,319 million yen (11.2% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 9,317 million yen, a corresponding 11.7% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of June 30, 2022 (the end of the first six months of the fiscal year ending December 31, 2022) amounted to 105,996 million yen, an increase of 10,207 million yen from the end of the previous fiscal year. This was attributable to increases of 6,746 million yen, 2,939 million yen, 2,604 million yen, 2,518 million yen, and 2,323 million yen in machinery and equipment, buildings, notes and accounts receivable-trade, merchandise, and software, respectively, despite decreases of 6,536 million yen and 2,696 million yen, 1,618 million yen in cash and deposits, construction in progress, and software in progress, respectively.

On the other hand, total liabilities as of June 30, 2022 amounted to 39,074 million yen, an increase of 3,569 million yen from the end of the previous fiscal year. This was due mainly to increases of 1,974 million yen and 986 million yen in accounts payable-trade and accounts payable-other, respectively.

Total net assets amounted to 66,921 million yen, an increase of 6,637 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 9,317 million yen offset by dividend payments of 2,856 million yen for the first six months of the fiscal year ending December 31, 2022.

As a result, the equity ratio as of June 30, 2022 was 62.3%, up 0.4 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 six 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 at this time due to continued rapid inflation mainly in Europe and the United States, 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.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

Accounts	As of Dec. 31, 2021	(In millions of yen) As of Jun. 30, 2022
Assets		
Current assets		
Cash and deposits	12,379	5,843
Notes and accounts receivable-trade	21,665	24,270
Electronically recorded monetary claims	900	1,499
Merchandise	14,647	17,166
Goods in transit	696	695
Supplies	86	115
Accounts receivable-other	5,961	6,041
Other	844	1,565
Allowance for doubtful accounts	(95)	(92)
Total current assets	<u>57,086</u>	<u>57,105</u>
Noncurrent assets		
Property, plant and equipment		
Buildings, net	9,822	12,762
Leased assets, net	3,282	3,013
Construction in progress	9,164	6,468
Other, net	5,835	13,370
Total property, plant and equipment	<u>28,105</u>	<u>35,615</u>
Intangible assets		
Goodwill	770	816
Other	5,562	6,259
Total intangible assets	<u>6,332</u>	<u>7,076</u>
Investments and other assets		
Guarantee deposits	2,634	3,041
Other	1,683	3,220
Allowance for doubtful accounts	(54)	(62)
Total investments and other assets	<u>4,264</u>	<u>6,199</u>
Total noncurrent assets	<u>38,702</u>	<u>48,890</u>
Total assets	<u>95,789</u>	<u>105,996</u>
Liabilities		
Current liabilities		
Accounts payable-trade	14,562	16,536
Short-term loans	—	17
Current portion of long-term loans payable	—	2,250
Lease obligations	34	23
Accounts payable-other	4,409	5,395
Income taxes payable	4,090	4,457
Provision for employees' bonuses	121	137
Provision for accident related loss	16	16
Other	589	771
Total current liabilities	<u>23,824</u>	<u>29,606</u>
Noncurrent liabilities		
Long-term loans payable	9,000	6,750
Lease obligations	586	596
Net defined benefit liability	388	453
Asset retirement obligations	1,222	1,416
Other	484	251
Total noncurrent liabilities	<u>11,681</u>	<u>9,467</u>
Total liabilities	<u>35,505</u>	<u>39,074</u>
Net assets		
Shareholders' equity		
Capital stock	2,000	2,008
Capital surplus	899	1,003
Retained earnings	56,646	63,107
Treasury stock	(413)	502
Total shareholders' equity	<u>59,133</u>	<u>65,616</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	151	415
Remeasurements of defined benefit plans	1	(1)
Total accumulated other comprehensive income	<u>152</u>	<u>413</u>
Subscription rights to shares	99	95
Non-controlling interests	897	795
Total net assets	<u>60,283</u>	<u>66,921</u>
Total liabilities and net assets	<u>95,789</u>	<u>105,996</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	Six months period ended Jun. 30, 2021	(In millions of yen) Six months period ended Jun. 30, 2022
Net sales	91,868	109,863
Cost of sales	65,468	78,355
Gross profit	26,399	31,508
Selling, general and administrative expenses	14,501	18,371
Operating income	11,898	13,136
Non-operating income		
Interest income	27	20
Foreign exchange gains	57	163
Gain on sale of materials	7	10
Other	38	40
Total non-operating income	131	233
Non-operating expenses		
Interest expenses	13	9
Loss on disposal of inventories	22	31
Other	20	9
Total non-operating expenses	56	50
Ordinary income	11,973	13,319
Extraordinary income		
Gain on sales of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary loss		
Loss on sales of fixed assets	—	0
Loss on disposal of fixed assets	16	2
Total extraordinary losses	16	2
Income before income taxes	11,957	13,317
Income taxes-current	3,668	4,228
-deferred	39	33
Total income taxes	3,708	4,194
Net income	8,249	9,122
Net income attributable to:		
owners of the parent	8,344	9,317
non-controlling interests	(95)	(195)
Other comprehensive income		
Foreign currency translation adjustment	156	364
Remeasurements of defined benefit plans	2	(9)
Total other comprehensive income	159	354
Comprehensive income	8,409	9,476
Comprehensive income attributable to:		
owners of the parent	8,454	△ 9,570
non-controlling interests	(45)	93

(3) Consolidated statements of cash flows

Accounts	Six months period ended Jun. 30, 2021	(In millions of yen) Six months period ended Jun. 30, 2022
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	11,957	13,317
Depreciation and amortization	1,389	1,610
Increase (decrease) in allowance for doubtful accounts	3	4
Increase (decrease) in provision for bonuses	10	16
Increase (decrease) in provision for directors' bonuses	(45)	—
Increase (decrease) in net defined benefit liability	47	62
Interest income	(27)	(20)
Interest expenses	13	9
Decrease (increase) in notes and accounts receivable-trade	(2,610)	(3,171)
Decrease (increase) in inventories	(2,843)	(2,450)
Decrease (increase) in accounts receivable-other	(52)	(114)
Increase (decrease) in notes and accounts payable-trade	2,387	1,924
Increase (decrease) in accounts payable-other	62	667
Increase (decrease) in accrued consumption taxes	(1,818)	(253)
Other, net	20	49
Subtotal	<u>8,494</u>	<u>11,653</u>
Interest income received	15	57
Interest expenses paid	(30)	(16)
Income taxes paid	(4,005)	(3,860)
Payments for accident related loss	(2)	(1)
Net cash provided by (used in) operating activities	<u>4,471</u>	<u>7,832</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	(1,628)	—
Proceeds from withdrawal of time deposits	76	582
Purchase of property, plant and equipment	(8,358)	(8,341)
Purchase of intangible assets	(1,435)	(1,421)
Payments of guarantee deposits	(271)	(411)
Purchase of investment securities	—	(1,500)
Other, net	37	37
Net cash provided by (used in) investment activities	<u>(11,580)</u>	<u>(11,054)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans	—	16
Proceeds from exercise of stock option	13	0
Purchase of treasury stock	(97)	(89)
Cash dividends paid	(2,359)	(2,833)
Proceeds from share issuance to non-controlling shareholders	212	—
Repayments of lease obligations	(661)	(17)
Net cash provided by (used in) financing activities	<u>(2,892)</u>	<u>(2,923)</u>
Effect of exchange rate change on cash and cash equivalents	81	67
Net increase (decrease) in cash and cash equivalents	<u>(9,918)</u>	<u>(6,077)</u>
Cash and cash equivalents at beginning of period	<u>18,767</u>	<u>11,068</u>
Cash and cash equivalents at end of period	<u>8,849</u>	<u>4,991</u>