

Consolidated Financial Results for the First Six Months of Fiscal Year Ending December 31, 2023 (Six Months Ended June 30, 2023)

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Stock code: 3064

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Listing: Tokyo Stock Exchange, Prime Market

 URL: <https://www.monotaro.com>

Scheduled date to file Quarterly Securities Report: August 10, 2023

Scheduled date of dividend payments: September 8, 2023

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, 2023

(January 1, 2023 – June 30, 2023)

 (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 June 30, 2023	124,400	13.2	15,377	17.1	15,529	16.6	10,878	16.7
Six months ended June 30, 2022	109,863	19.6	13,136	10.4	13,319	11.2	9,317	11.7

Note: Comprehensive income: Six months ended June. 30, 2023: 10,789 million yen (13.8%)

Six months ended June. 30, 2022: 9,476 million yen (12.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2023	21.89	21.89
Six months ended June 30, 2022	18.75	18.75

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2023	120,746	80,385	65.9
As of Dec. 31, 2022	111,737	72,621	64.5

Reference: Shareholders' equity Jun. 30, 2023: 79,554 million yen Dec. 31, 2022: 72,105 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, 2022	-	6.50	-	7.00	13.50
Year ending Dec. 31, 2023 (actual)	-	8.00			
Year ending Dec. 31, 2023 (forecast)			-	8.00	16.00

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2023 (January 1, 2023 – December 31, 2023)

(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	265,195	17.4	32,030	22.2	31,986	21.2	22,789	22.1	45.86

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, 2023: 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, 2023:	501,351,000 shares	Dec. 31, 2022:	501,347,600 shares
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2) Number of treasury stock at the end of period

Jun. 30, 2023:	4,444,126 shares	Dec. 31, 2022:	4,444,037 shares
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3) Average number of shares outstanding during the period

Six months ended Jun. 30, 2023:	496,906,919 shares	Six months ended Jun. 30, 2022:	496,869,945 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, 2023, generally continued to be unpredictable due to rising raw material prices, continued depreciation of the Japanese yen, and economic trends caused by the situation in Russia and Ukraine, although there were signs of normalization of social and economic activities such as lowering the classification of novel coronavirus infection under the Infectious Diseases Control Law to a category 5 infectious disease, as coexistence with the novel coronavirus infection made progress.

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 mailing flyers with optimized product listings for each customer, daily special prices. In addition, we broadcasted TV commercials to enhance our visibility much further.

Furthermore, the total number of our product lineup reached approximately 20 million items in total with 519 thousand items in stock 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, 2023.

In addition, in relation to the sales of MRO products to large corporate customers through integrated purchase systems, both the number of customers and the amount of sales steadily increased. In addition, in order to strengthen our shipping and storage capacity in logistics, the "Inagawa Distribution Center" (Kawabe-gun, Hyogo Prefecture), which commenced operations in April last year, underwent the phase 2 of facility expansion in April.

Consequently, we have successfully obtained 571,864 newly registered accounts for the first six months of the fiscal year ending December 31, 2023 and the number of registered accounts totaled 8,578,358 as of the end of the first six months of the fiscal year ending December 31, 2023.

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 124,400 million yen (13.2% increase from the same period of the previous fiscal year), operating income of 15,377 million yen (17.1% increase from the same period of the previous fiscal year), ordinary income of 15,529 million yen (16.6% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 10,878 million yen, a corresponding 16.7% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of June 30, 2023 (the end of the first six months of the fiscal year ending December 31, 2023) amounted to 120,746 million yen, an increase of 9,008 million yen from the end of the previous fiscal year. This was attributable to increases of 5,505 million yen, 3,515 million yen, 2,157 million yen and 1,090 million yen in machinery and equipment, cash and deposits, notes and accounts receivable-trade, and merchandise, respectively, despite decreases of 4,749 million yen and 224 million yen in construction in progress and deferred tax assets, respectively.

On the other hand, total liabilities as of June 30, 2023 amounted to 40,360 million yen, an increase of 1,245 million yen from the end of the previous fiscal year. This was attributable to increases of 2,258 million yen and 459 million yen in accounts payable-trade, and asset retirement obligations, respectively, despite decreases of 2,223 million yen and 604 million yen in long-term loans payable and accounts payable-other, respectively.

Total net assets amounted to 80,385 million yen, an increase of 7,763 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 10,878 million yen offset by dividend payments of 3,478 million yen for the first six months of the fiscal year ending December 31, 2023.

As a result, the equity ratio as of June 30, 2023 was 65.9%, up 1.4 percentage points from the end of the previous fiscal year.

(3) Forecast for the Fiscal Year Ending December 31, 2023

Our consolidated financial results for the first six months of this fiscal year were down slightly in terms of sales and slightly higher in terms of operating income, however, at this point, we do not expect any deviation from our consolidated earnings forecast (full year) for the fiscal year ending December 31, 2023 that fall under our disclosure criteria (*).

Therefore, the consolidated forecast for the fiscal year ending December 31, 2023, disclosed on February 2, 2023, has not been changed.

* If consolidated financial forecast is expected to exceed by one of following ranges from disclosed consolidated financial forecast, revised forecast is disclosed.

Net sales (consolidated): $\pm 5\%$, Operating income (consolidated): $\pm 10\%$, Ordinary income (consolidated): $\pm 10\%$, Net income attributable to owners of the parent: $\pm 10\%$.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

Accounts	As of Dec. 31, 2022	(In millions of yen) As of Jun. 30, 2023
Assets		
Current assets		
Cash and deposits	8,887	12,402
Notes and accounts receivable-trade	25,244	27,402
Electronically recorded monetary claims	1,267	1,135
Merchandise	18,941	20,031
Goods in transit	614	795
Supplies	29	8
Accounts receivable-other	6,794	6,705
Other	1,379	1,256
Allowance for doubtful accounts	-113	-127
Total current assets	<u>63,045</u>	<u>69,610</u>
Noncurrent assets		
Property, plant and equipment		
Buildings, net	12,504	13,389
Machinery and equipment, net	8,164	13,669
Leased assets, net	2,636	2,599
Construction in progress	6,753	2,004
Other, net	4,988	5,136
Total property, plant and equipment	<u>35,046</u>	<u>36,799</u>
Intangible assets		
Goodwill	710	738
Software	5,113	5,050
Software in progress	1,077	1,414
Other	192	184
Total intangible assets	<u>7,093</u>	<u>7,386</u>
Investments and other assets		
Guarantee deposits	2,972	3,614
Other	3,657	3,426
Allowance for doubtful accounts	-79	-90
Total investments and other assets	<u>6,551</u>	<u>6,950</u>
Total noncurrent assets	<u>48,691</u>	<u>51,136</u>
Total assets	<u>111,737</u>	<u>120,746</u>
Liabilities		
Current liabilities		
Accounts payable-trade	15,667	17,926
Short-term borrowings	61	64
Current portion of long-term loans payabl	4,711	4,720
Lease obligations	7	41
Accounts payable-other	5,320	4,716
Income taxes payable	4,535	4,983
Provision for employees' bonuses	179	299
Other	1,091	1,841
Total current liabilities	<u>31,575</u>	<u>34,592</u>
Noncurrent liabilities		
Long-term loans payable	4,922	2,690
Lease obligations	594	606
Net defined benefit liability	464	511
Asset retirement obligation	1,418	1,878
Other	140	81
Total noncurrent liabilities	<u>7,539</u>	<u>5,767</u>
Total liabilities	<u>39,115</u>	<u>40,360</u>
Net assets		
Shareholders' equity		
Capital stock	2,039	2,042
Capital surplus	1,034	1,027
Retained earnings	69,218	76,618
Treasury stock	-502	-593
Total shareholders' equity	<u>71,789</u>	<u>79,095</u>
Accumulated other comprehensive income		
Foreign currency translation adjustmen	318	464
Remeasurements of defined benefit plan	-1	-4
Total accumulated other comprehensive income	<u>316</u>	<u>459</u>
Subscription rights to shares	33	28
Non-controlling interests	482	802
Total net assets	<u>72,621</u>	<u>80,385</u>
Total liabilities and net assets	<u>111,737</u>	<u>120,746</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	Six months period ended Jun. 30, 2022	(In millions of yen) Six months period ended Jun. 30, 2023
Net sales	109,863	124,400
Cost of sales	78,355	87,202
Gross profit	31,508	37,198
Selling, general and administrative expenses	18,371	21,820
Operating income	13,136	15,377
Non-operating income		
Interest income	20	9
Foreign exchange gains	163	119
Gain on sale of materials	10	15
Other	40	81
Total non-operating income	233	226
Non-operating expenses		
Interest expenses	9	51
Loss on disposal of inventories	31	2
Loss on sale of electronically recorded monetary claims	8	17
Other	1	2
Total non-operating expenses	50	74
Ordinary income	13,319	15,529
Extraordinary income		
Gain on sales of fixed assets	0	—
Total extraordinary income	0	—
Extraordinary loss		
Loss on sales of fixed assets	0	—
Loss on disposal of fixed assets	2	1
Total extraordinary losses	2	1
Income before income taxes	13,317	15,527
Income taxes-current	4,228	4,681
-deferred	-33	224
Total income taxes	4,194	4,906
Net income	9,122	10,621
Net income attributable to:		
owners of the parent	9,317	10,878
non-controlling interests	-195	-257
Other comprehensive income		
Foreign currency translation adjustment	364	174
Remeasurements of defined benefit plans	-9	-6
Total other comprehensive income	354	168
Comprehensive income	9,476	10,789
Comprehensive income attributable to:		
owners of the parent	9,570	11,013
non-controlling interests	-93	-224

(3) Consolidated statements of cash flows

Accounts	Six months period ended Jun. 30, 2022	(In millions of yen) Six months period ended Jun. 30, 2023
Net cash provided by (used in) operating activities		
Income before income taxes	13,317	15,527
Depreciation and amortization	1,610	2,165
Increase (decrease) in allowance for doubtful accounts	4	24
Increase (decrease) in provision for bonuses	16	113
Increase (decrease) in net defined benefit liability	62	35
Interest income	-20	-9
Interest expenses	9	51
Decrease (increase) in notes and accounts receivable-trade	-3,171	-1,984
Decrease (increase) in inventories	-2,450	-1,167
Decrease (increase) in accounts receivable-other	-114	87
Increase (decrease) in notes and accounts payable-trade	1,924	2,218
Increase (decrease) in accounts payable-other	667	-460
Increase (decrease) in accrued consumption taxes	-253	477
Other, net	49	828
Subtotal	<u>11,653</u>	<u>17,906</u>
Interest income received	57	10
Interest expenses paid	-16	-53
Income taxes paid	-3,860	-4,245
Payments for accident related loss	-1	-2
Net cash provided by (used in) operating activities	<u>7,832</u>	<u>13,616</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	—	-132
Proceeds from withdrawal of time deposits	582	240
Purchase of property, plant and equipment	-8,341	-2,956
Purchase of intangible assets	-1,421	-1,233
Payments of guarantee deposits	-411	-821
Purchase of investment securities	-1,500	—
Other, net	37	188
Net cash provided by (used in) investment activities	<u>-11,054</u>	<u>-4,714</u>
Net cash provided by (used in) financing activities		
Net Increase (decrease) in short-term loans	16	-2
Repayments of long-term loans payable	—	-2,250
Proceeds from exercise of stock option	0	0
Purchase of treasury stock	-89	-97
Cash dividends paid	-2,833	-3,477
Proceeds from share issuance to non-controlling shareholders	—	455
Repayments of lease obligations	-17	-3
Net cash provided by (used in) financing activities	<u>-2,923</u>	<u>-5,375</u>
Effect of exchange rate change on cash and cash equivalents	67	53
Net increase (decrease) in cash and cash equivalents	<u>-6,077</u>	<u>3,579</u>
Cash and cash equivalents at beginning of period	<u>11,068</u>	<u>8,586</u>
Cash and cash equivalents at end of period	<u>4,991</u>	<u>12,165</u>