April 30, 2021

Consolidated Financial Results for the First Three Months of Fiscal Year Ending December 31, 2021 (Three Months Ended March 31, 2021)

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Scheduled date to file Quarterly Securities Report: May 12, 2021
Scheduled date of dividend payments: -
Supplementary materials: Yes Investors meeting: No

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended March 31, 2021 (January 1, 2021 – March 31, 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	%
Three months ended Mar. 31, 2021	46,017	24.6	6,009	33.4	6,083	35.0	4,240	33.9
Three months ended Mar. 31, 2020	36,933	18.9	4,504	26.2	4,506	25.7	3,166	27.0

Note: Comprehensive income: Three months ended Mar. 31, 2021: 4,336 million yen (45.8%)
Three months ended Mar. 31, 2020: 2,975 million yen (21.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar. 31, 2021	8.54	8.53
Three months ended Mar. 31, 2020	6.37	6.37

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 Mar. 31, 2021	83,201	49,908	58.6
As of Dec. 31, 2020	81,263	47,658	57.5

Reference: Shareholders' equity Mar. 31, 2021: 48,776 million 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)	-				
Year ending Dec. 31, 2021 (forecast)		5.75	-	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
Half year (accumulated)	94,133	25.0	12,041	29.2	12,075	29.2	8,427	28.9	16.96
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 three-month period ended March 31, 2021: 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)

Mar. 31, 2021: 501,262,000 shares Dec. 31, 2020: 501,262,000 shares

2) Number of treasury stock at the end of period

Mar. 31, 2021: 4,443,576 shares Dec. 31, 2020: 4,443,576shares

3) Average number of shares outstanding during the period

Three months ended Mar. 31, 2021: 496,818,424 shares Three months ended Mar. 31, 2020: 496,844,424 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 three 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 spread of the novel coronavirus infectious disease (COVID-19) 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.

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 three 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 333,820 newly registered accounts for the first three months of the fiscal year ending December 31, 2021 and the number of registered accounts totaled 5,834,594 as of the end of the first three 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 46,017 million yen (24.6% increase from the same period of the previous fiscal year), operating income of 6,009 million yen (33.4% increase from the same period of the previous fiscal year), ordinary income of 6,083 million yen (35.0% increase from the same period of the previous fiscal year), and net income attributable to owners of the parent of 4,240 million yen, a corresponding 33.9% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of March 31, 2021 (the end of the first three months of the fiscal year ending December 31, 2021) amounted to 83,201 million yen, an increase of 1,938 million yen from the end of the previous fiscal year. This was attributable to increases of 5,851 million yen, 2,564 million yen and 1,401 million yen in Buildings, notes and accounts receivable-trade and Machinery and equipment, respectively, despite a decrease of 8,855 million yen in cash and deposits.

On the other hand, total liabilities as of March 31, 2021 amounted to 33,293 million yen, a decrease of 311 million yen from the end of the previous fiscal year. This was due mainly to decreases of 2,328 million yen and 1,422 million yen in income taxes payable and accrued consumption taxes, respectively, despite increases of 2,852 million yen and 998 million yen in accounts payable-trade and accounts payable-other, respectively.

Total net assets amounted to 49,908 million yen, an increase of 2,249 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of the parent of 4,240 million yen offset by dividend payments of 2,359 million yen for the first three months of the fiscal year ending December 31, 2021.

As a result, the equity ratio as of March 31, 2021 was 58.6%, up 1.1 percentage points from the end of the previous fiscal year.

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

Our consolidated financial results for the first three months of this fiscal year were almost in line with our plan. Therefore, 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

(In millions of yen)

Accounts	As of Dec. 31, 2020	As of Mar. 31, 2021
Assets		
Current assets		
Cash and deposits	18,843	9,988
Notes and accounts receivable-trade	17,766	20,330
Electronically recorded monetary claims	501	144
Merchandise	11,445	11,973
Goods in transit	326	419
Supplies	102	200
Accounts receivable-other	4,901	4,701
Other	459	618
Allowance for doubtful accounts	(82)	(82)
Total current assets	54,264	48,294
Noncurrent assets		
Property, plant and equipment		
Buildings, net	4,285	10,136
Leased assets, net	3,792	3,658
Other, net	11,009	12,458
Total property, plant and equipment	19,086	26,253
Intangible assets		
Goodwill	803	817
Other	4,025	4,795
Total intangible assets	4,829	5,613
Investments and other assets		
Guarantee deposits	1,478	1,538
Other	1,652	1,547
Allowance for doubtful accounts	(49)	(45)
Total investments and other assets	3,081	3,040
Total noncurrent assets	26,998	34,907
Total assets	81,263	83,201
Liabilities		
Current liabilities		
Accounts payable-trade	11,643	14,496
Lease obligations	659	26
Accounts payable-other	3,931	4,929
Income taxes payable	4,185	1,856
Provision for employees' bonuses	104	250
Provision for directors' bonuses	45	—
Provision for accident related loss	9	9
Other	1,962	509
Total current liabilities	22,542	22,078
Noncurrent liabilities		
Long-term loans payable	9,000	9,000
Lease obligations	591	590
Net defined benefit liability	345	373
Other	1,124	1,251
Total noncurrent liabilities	11,062	11,214
Total liabilities	33,604	33,293
Net assets		
Shareholders' equity		
Capital stock	1,993	1,993
Capital surplus	816	816
Retained earnings	44,311	46,191
Treasury stock	(315)	(315)
Total shareholders' equity	46,805	48,686
Accumulated other comprehensive income		
Foreign currency translation adjustment	(35)	96
Remeasurements of defined benefit plans	(7)	(6)
Total accumulated other comprehensive income	(43)	90
Subscription rights to shares	72	84
Non-controlling interests	823	1,046
Total net assets	47,658	49,908
Total liabilities and net assets	81,263	83,201

(2) Consolidated quarterly statements of (comprehensive) income

(In millions of yen)

Accounts	Three months period ended Mar. 31, 2020	Three months period ended Mar. 31, 2021
Net sales	36,933	46,017
Cost of sales	26,462	32,706
Gross profit	10,470	13,311
Selling, general and administrative expenses	5,965	7,301
Operating income	4,504	6,009
Non-operating income		
Interest income	6	11
Foreign exchange gains	7	37
Gain on sale of materials	2	3
Differences in consumption taxes, etc.	—	37
Other	15	11
Total non-operating income	31	101
Non-operating expenses		
Interest expenses	10	8
Loss on disposal of inventories	7	10
Accident related loss	6	3
Other	5	4
Total non-operating expenses	29	27
Ordinary income	4,506	6,083
Extraordinary income		
Gain on sales of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary loss		
Loss on disposal of fixed assets	0	6
Total extraordinary losses	0	6
Income before income taxes	4,506	6,077
Income taxes-current	1,363	1,776
-deferred	39	105
Total income taxes	1,403	1,881
Net income	3,103	4,195
Net income attributable to:		
owners of the parent	3,166	4,240
non-controlling interests	(62)	(45)
Other comprehensive income		
Foreign currency translation adjustment	(125)	140
Remeasurements of defined benefit plans	(2)	1
Total other comprehensive income	(128)	141
Comprehensive income	2,975	4,336
Comprehensive income attributable to:		
owners of the parent	3,079	4,321
non-controlling interests	(104)	15