

MonotaRO Co., Ltd.

FY2013_2Q
(Jan. to Jun., 2013)

1. Company profile

MonotaRO Co., Ltd.

MonotaRO means

- 1) Maintenance, Repair & Operation
- 2) “The sufficient number of products” in Japanese
- 3) Fight with unfair old distribution system as “Momotaro”



Overview: MonotaRO provides MRO products through Internet and catalogs, targeting small and mid-sized domestic manufacturing companies which aren't treated well by conventional tool retailers

MRO products: Cutting tools/Safety products/Bearings/Fasteners/ Industrial equipment
(We sell more than 3,000,000 products)

of customers: 1,003,000 and more throughout Japan

Date of foundation: October 19, 2000

Full-scale operation start date: November 13, 2001

Capital stock: 1.81 billion yen or 18.2million dollars (U\$1=JPY99.6)

of employees: 580 including regular employees 174 (Jun.,2013 Consolidated)

Address/Distribution base: GLP Amagasaki 3F, Nishimukojima-cho, Amagasaki-city, Hyogo 660-0857



2. Our Product Lineup

-Safety



-Packing, Material handling, Cleaning, Office Supplies



- Cutting Tools, Abrasives ,Products Processing Tools



-Hand tools, Power tools, Pneumatics



-FA, Mechanical Parts



-Auto/Cargo Truck/Motor Bike/Bicycle Maintenance & Parts

-Construction



-Laboratory



3. Our Strength

-Efficient Sales through Internet

Our sales through internet, which targets whole of Japan, creates economy of scale.

Our promotions are also efficient using IT based on leading data-base marketing.

-One-Price Policy

We present the same price to all customers on our web site.

Our customers trust in our open, fair and proper prices, and now they are free from bothers to ask quotes every time.

Conventional supplier:
Labor Intensive, Localized, Small size

-Product Availability

We sell 3.0 million items, our paper catalogues cover 257 thousand of them and we have 110 thousand of them in our inventory.

Conventional supplier:
Individual and unclear price

-Private Label Brand and Direct Import Products

We introduce our private label brand and direct import products, so that our customers can choose a best one to meet their needs from the big selection.

Conventional supplier:
Limited product availability, Small selection

Conventional supplier:
Mainly sell expensive top brand products

4. Our Marketing

1. Customer Acquisition

- Sending Direct Mail Fliers and Faxes to Prospect Lists
- Paid Search with Bid-Optimization Tool

2. Website

- Recommendations and Personalized Content



3. Direct email Fliers and Faxes

- Semi-Personalized Content



4. Direct Mail Flyers

- Small Batches of On-Demand Printed Fliers with DTP

5. Catalog

- Split Catalog into 8 in 2012 for better targeting



6. Data Mining & Campaign Management Solution

5. Our Procurement

- **Direct Import Goods** **17.4% of Sales**
- **Private Label Brand Goods** **26.2% of Sales**

- **Direct Import and/or Private Label Brand** **28.4% of Sales**
(FY2012)

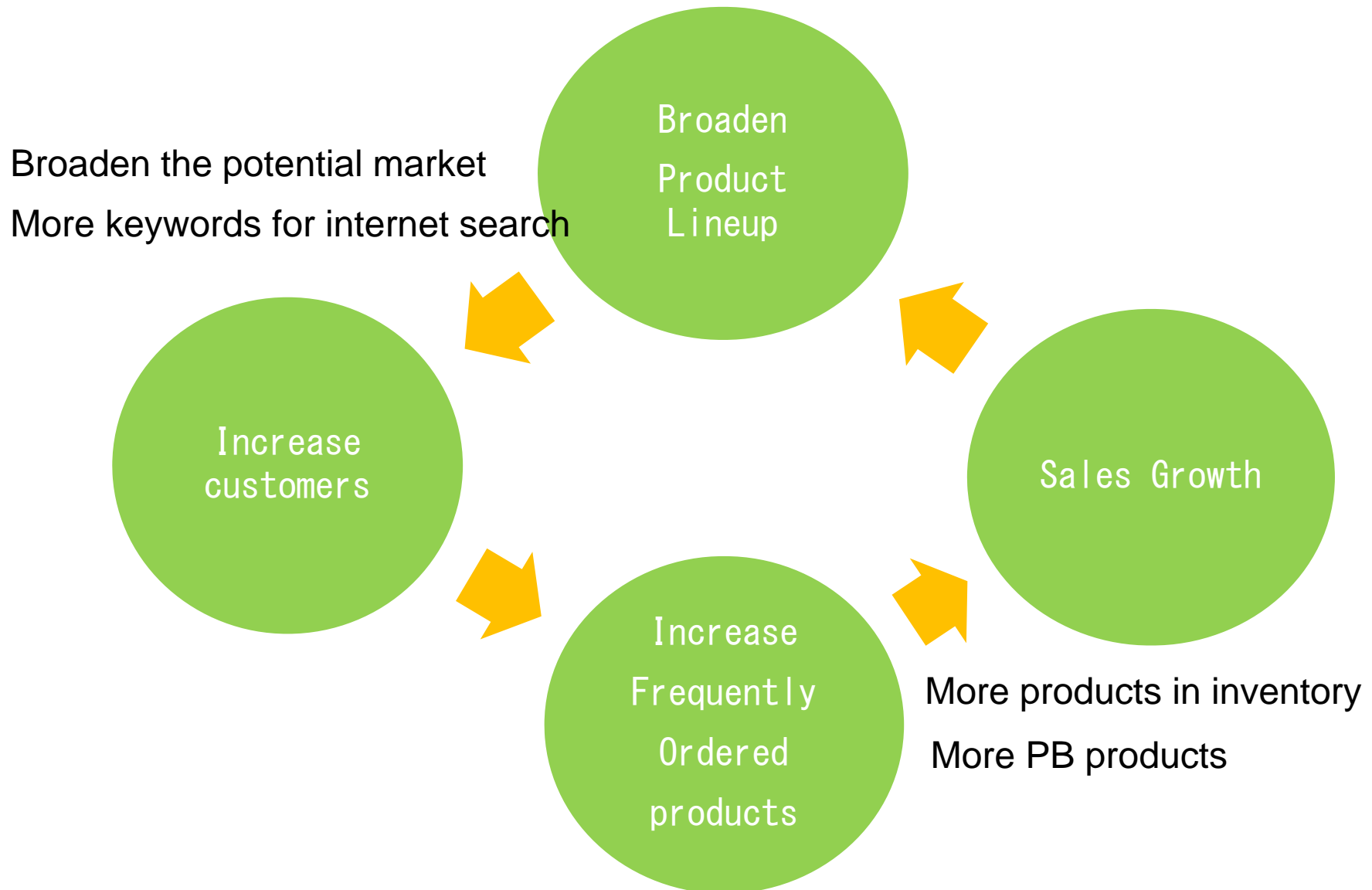
Implication of Direct import and Private Label Brand Goods

- Higher Margin
- Lower Inventory Turnover
- Unique Competitive Advantage

Promotion Strategy

- Trade Down from National Brand.

6-1. Our Growth - Growth Cycle





6-2. Our Growth- Industrial Beach Head Strategy

2002 Start with Mid to Small Manufacturing

- Iron Works
- Metal Working
- Machine Assembly

2008 Automotive After Market

2009 Independent Contractor Market

2010 Laboratory Products to enter large account

US business : Introducing industrial MRO direct marketing
in US through a Grainger's subsidiary company "Zoro Tools"

2011 Small Retail Customers

2012 API connection with Large size companies increased

2013 South Korean business :

Established a subsidiary company in Jan.2013

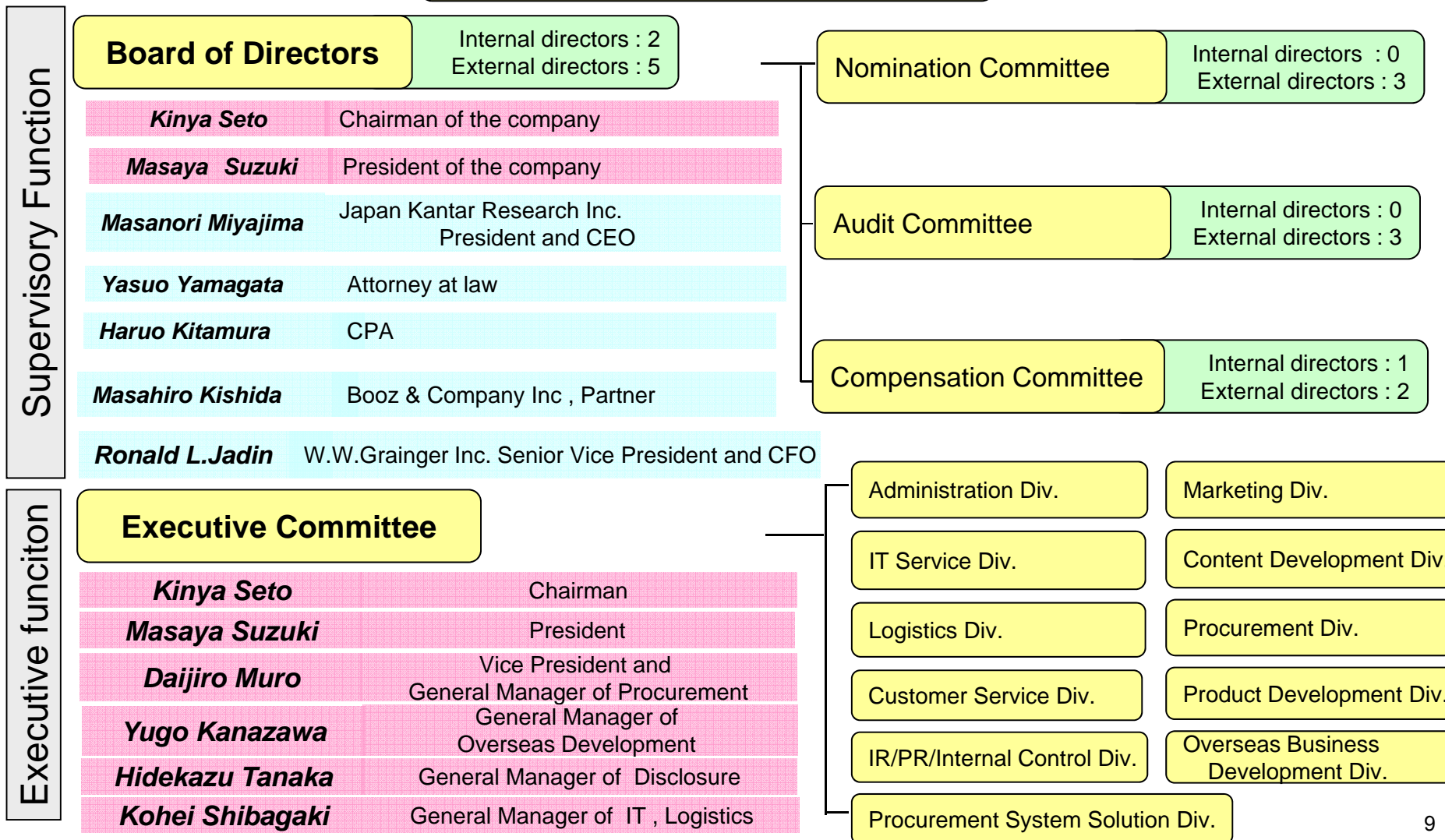
Start business in Apr. 2013

7. Organization

General Meeting Of Shareholders

name Internal Officer

name External Officer



8-1. 2013_2Q Financial Result – P/L (MonotaRO Non-consolidated)

Accumulated results from Jan to Jun, 2013

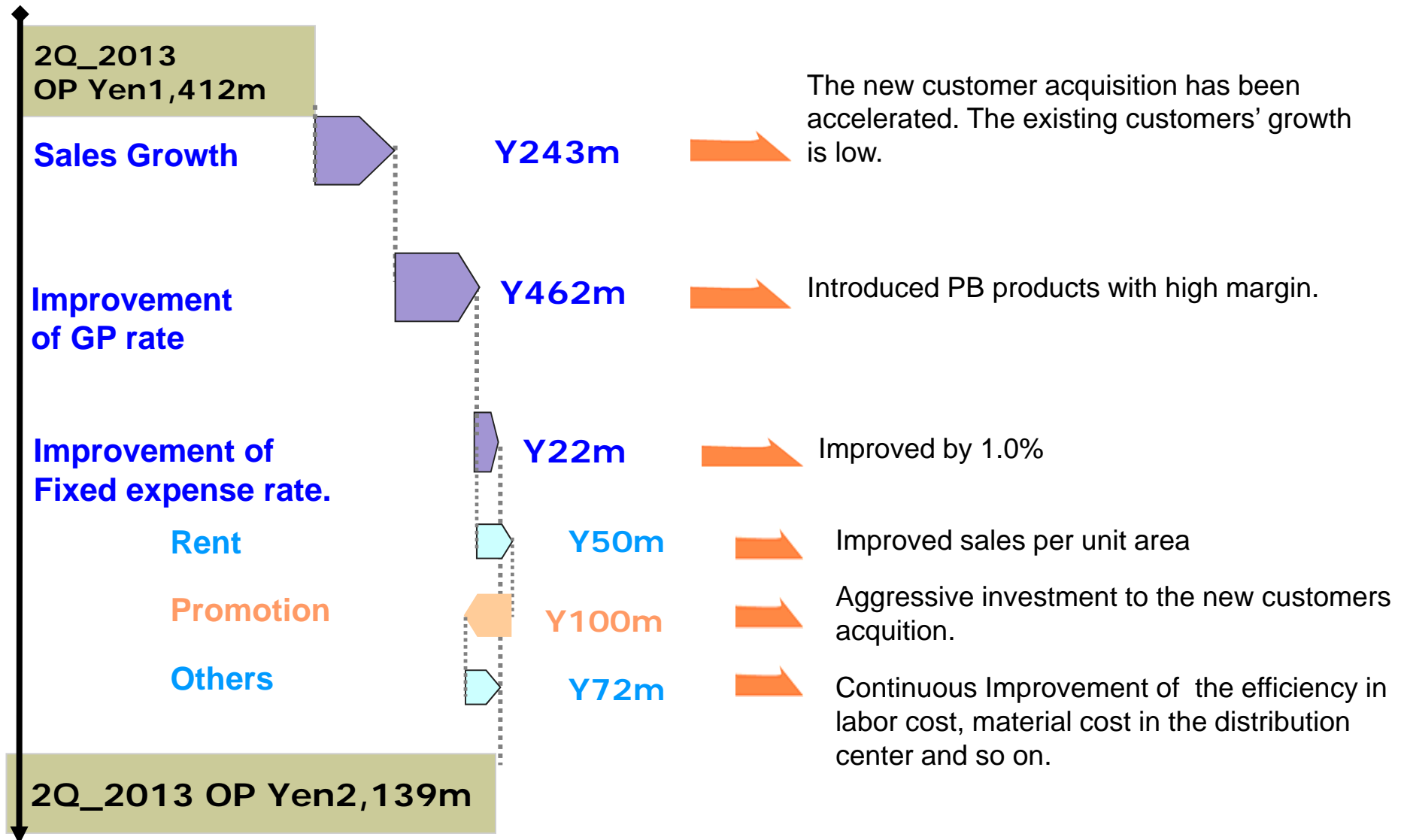
	2012_2Q Result		2013_2Q Result		
	Amount	Ratio to	Amount	Ratio to	Y on Y
	(million Yen)	Sales	(million Yen)	Sales	
Sales	13,638		15,982		+17.2%
Gross Profit	3,799	27.9%	4,914	30.7%	+29.3%
Fixed Expense	2,386	17.5%	2,774	17.4%	+16.2%
Operating Income	1,412	10.4%	2,139	13.4%	+51.4%
Current Income	1,428	10.5%	2,158	13.5%	+51.1%
Net Income	822	6.0%	1,403	8.8%	+70.6%



8-2. 2013_2Q Financial Result - B/S (MonotaRO Non-consolidated)

	Jun.	Dec.	Jun. 2013			Jun.	Dec.	Jun. 2013	
	2012	2012	(Y M)	Ratio		2012	2012	(Y M)	Ratio
Assets					Liabilities				
Cash	1,583	2,786	3,068	25.4%	Accounts Payable	2,064	2,153	2,171	17.9%
Accounts Receivable	2,749	2,855	3,087	25.5%	Short-term Debt	1,300	1,300	1,300	10.7%
Inventory	2,951	3,135	3,160	26.1%	Others	1,341	2,065	1,708	14.1%
Others	1,238	1,169	1,233	10.2%	Total Current Liabilities	4,705	5,519	5,179	42.8%
Total Current Assets	8,523	9,946	10,550	87.2%	Long term Liabilities	99	96	147	1.2%
Tangible Fixed Assets	187	171	163	1.3%	Total Liabilities	4,805	5,616	5,326	44.0%
Intangible Fixed Assets	653	762	783	6.5%	Net Assets				
Others	291	291	602	5.0%	Shareholder's Equity	4,789	5,488	6,709	55.5%
Total Fixed Assets	1,133	1,226	1,549	12.8%	Stock Option	62	68	63	0.5%
Total Assets	9,656	11,172	12,099	100%	Total Net Assets	4,851	5,556	6,773	56.0%
					Total Liabilities & Net Assets	9,656	11,172	12,099	100%

8-3. FY2013_2Q_accumulated Financial Result – Operating Income Change Factor (Non-consolidated)





8-4. 2013_2Q Financial Result - Outline (MonotaRO Non-consolidated)

Sales

- 17.2% growth year on year
- Market demand is still weak, and our existing customers growth is low.
- New customer acquisition is strong.

Gross Profit

- 29.3% growth year on year
- GP rate dropped by 0.1% from the previous quarter because of the currency exchange, but it is within the plan.
- The sales ratio of PB and direct import products is slightly increased from the previous quarter.

Fixed Cost

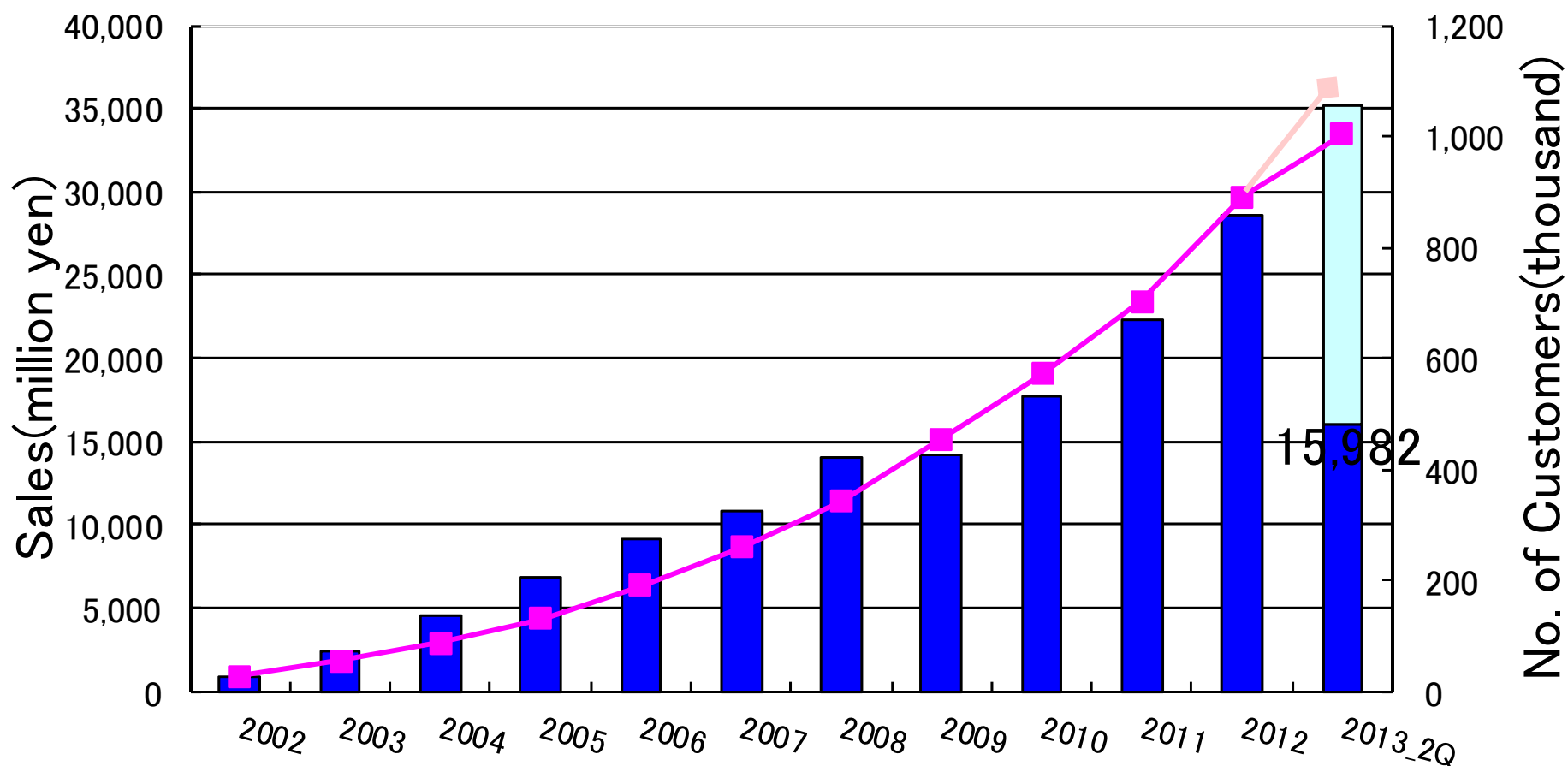
- Strong investment to the paid search for the new customer acquisition increased the cost, whereas the labor cost, material cost and so on in DC operation are well controlled and DC rent became more efficient.
- As a result, the cost increase was controlled as 16.2% from the previous year.

Operating Income

- 51.4% growth year on year



9-1. Our Progress -Sales & Customers (MonotaRO Non-Consolidated)



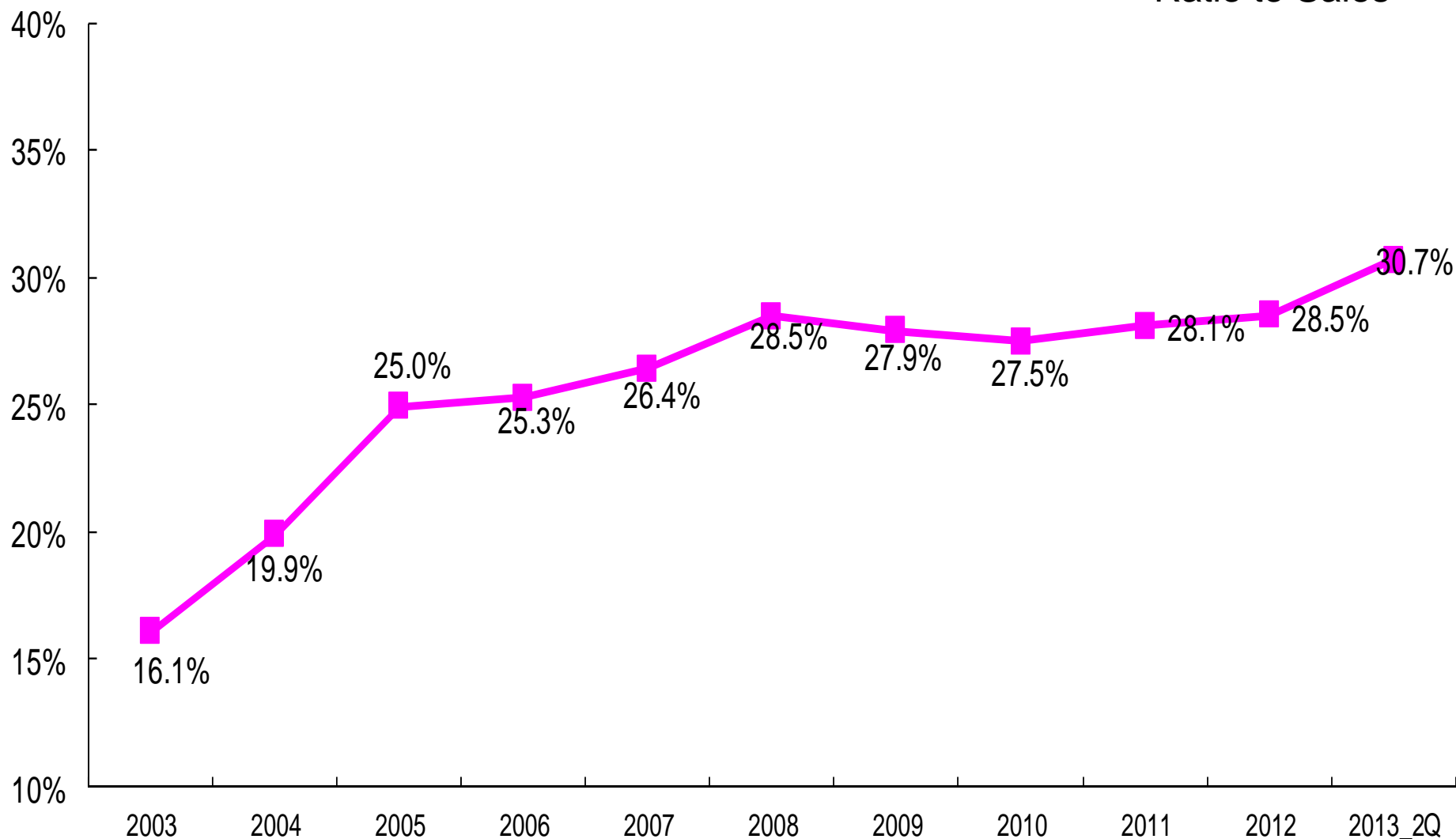
No. of Customer (Registered Accounts)

Dec., 2012 892,162 ⇒ Jun., 2013 1,003,507



9-2. Our Progress -Gross Profit (MonotaRO Non-Consolidated)

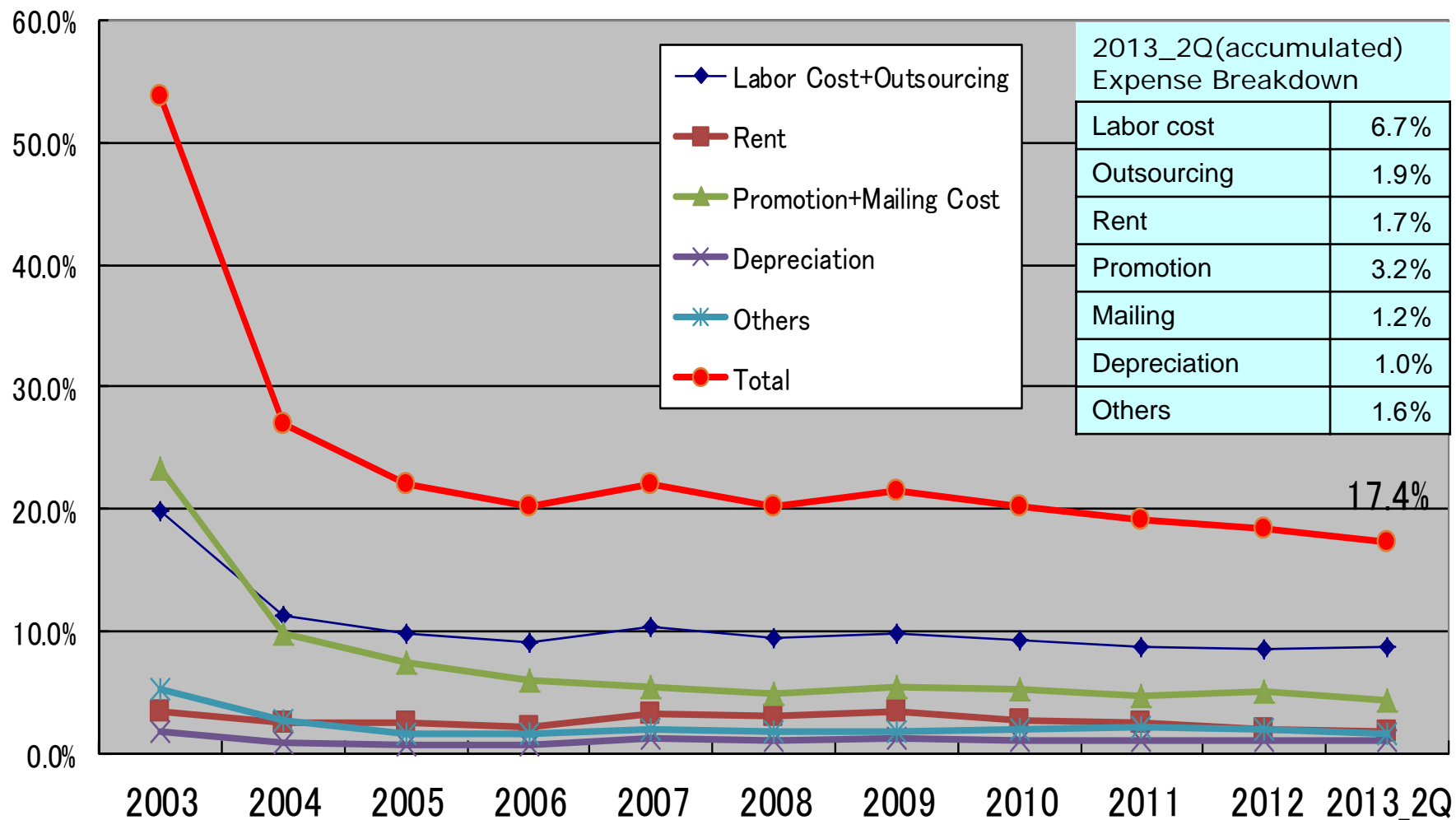
Ratio to Sales





9-3. Our Progress -Fixed Cost (MonotaRO Non-Consolidated)

Ratio to Sales



10-1. FY2013 Plan

Consolidated

Yen (million)	FY2012 Result		FY2013 Forecast		
	Amount	Ratio to sales	Amount	Ratio to sales	Y on Y
Sales	28,742		35,333		+22.9%
Gross Profit	8,234	28.6%	10,582	30.0%	+28.5%
Fixed Expense	5,308	18.5%	6,536	18.5%	+23.1%
Operating Income	2,925	10.2%	4,046	11.5%	+38.3%
Current Income	2,941	10.2%	4,046	11.5%	+37.6%
Net Income	1,689	5.9%	2,407	6.8%	+42.5%

Non-Consolidated

Yen (million)	MonotaRO, Japan		Subsidiary, Korea	
	Amount	Ratio to sales	Amount	Ratio to sales
Sales	35,143		190	
Gross Profit	10,560	30.0%	22	11.7%
Fixed Expense	6,307	17.9%	229	120.2%
Operating Income	4,253	12.1%	-206	-108.5%
Current Income	4,253	12.1%	-206	-108.5%
Net Income	2,613	7.4%	-206	-108.5%

10-2. FY2013 Strategy-Update

- **Overseas expansion**

- founded a subsidiary in Korea in Jan., 2013

- started business in Korea in Apr. 1, 2013

- **Expansion of Product line-up and Availability**

- Product line-up **2million** sku at Dec., 2012 to **3million** sku at Feb., 2013

- 5million** sku by the end of 2013

- 700K raw materials, pneumatic, hydraulics, electrical parts and so on were newly introduced.

- Inventory **93K** sku at Dec., 2012 to **110K** sku at Jun., 2013

- 140K** sku by the end of 2013

- **Private Label Brand**

- Continuous expansion

- PB/Direct import product sales ratio is slightly increased compared to the previous quarter

- Another business meeting will be held for the continuous aggressive introduction of new PB products

- **API connection with Large size companies**

- Jan-Jun, 2013 sales was increased by 72% YonY

10-3. FY2013_2nd Half Our Challenge

Enhancing Sale Promotion

- Restructuring sales promotion to expand the sales more
- Conducting TV commercial on trial in Sept, 2013 aiming the more name recognition.

New Distribution Center Plan

- Sep.2013 Building construction will be completed.
 - installation of our equipment
 - Start receiving products
- Spring 2014 Operation will start.
- Space 39,600sqm
- Investment 1 billion Yen



New Distribution Center under construction
(from the rooftop of the current Amagasaki DC)

DC Capacity	Unit: sqm		
	FY2013	FY2014	FY2015
Current Amagasaki DC	28,050	28,050	11,550
New Amagasaki DC	---	39,600	39,600
Sendai DC	8,250	8,250	8,250
Total	36,300	75,900	59,400

11-1.2013_1Q Financial Result-P/L (Consolidated)

Accumulated results from Jan. to Jun., 2013

	2012_2Q	2013_2Q		2013_2Q		
	Result	Plan		Result		
(m yen)	Amount	Amount	Ratio	Amount	Ratio to sales	Ratio to Plan
Sales	13,677	16,330		15,991		-2.1%
Gross Profit	3,830	4,909	30.1%	4,915	30.7%	+0.1%
Fixed Cost	2,406	2,996	18.3%	2,853	17.8%	-4.8%
Operating Income	1,423	1,913	11.7%	2,061	12.9%	+7.7%
Current Income	1,439	1,912	11.7%	2,074	13.0%	+8.5%
Net Income	828	1,184	7.3%	1,336	8.4%	+12.8%

11-2.2013_2Q Financial Result-B/S (Consolidated)

	Dec.2012		Jun.2013	
	M Yen	Ratio	M Yen	Ratio
Asset				
CASH	2,925	26.0%	3,270	27.2%
Accounts Receivable	2,868	25.5%	3,091	25.7%
Inventory	3,147	27.9%	3,185	26.5%
Others	1,167	10.4%	1,189	9.9%
Total Current Asset	10,109	89.7%	10,736	89.3%
Tangible Fixed Asset	171	1.5%	181	1.5%
Intangible Fixed Asset	762	6.8%	828	6.9%
Others	221	2.0%	276	2.3%
Total Fixed Assets	1,156	10.3%	1,285	10.7%
Total Assets	11,265	100.0%	12,022	100%

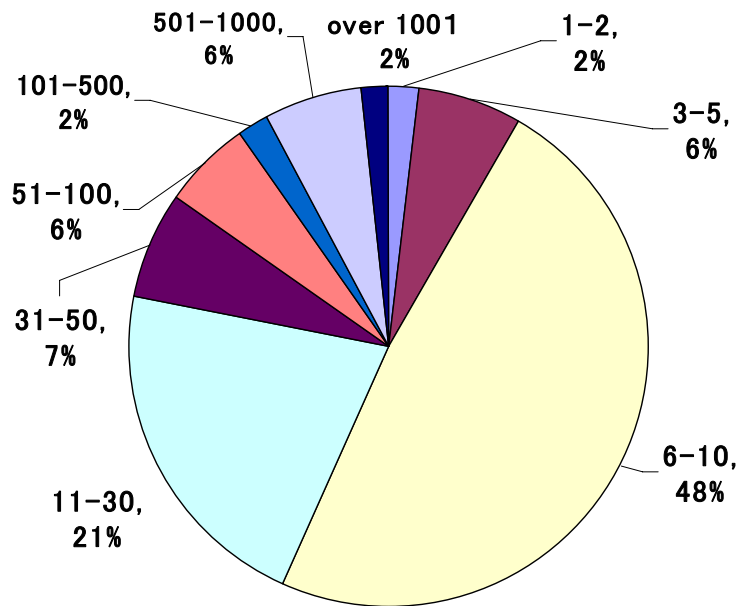
	Dec.2012		Jun.2013	
	M Yen	Ratio	M Yen	Ratio
Liabilities				
Accounts Payable	2,178	19.3%	2,152	17.9%
Short-term Debt	1,300	11.5%	1,300	10.8%
Others	2,101	18.7%	1,720	14.3%
Total Current Liabilities	5,580	49.5%	5,173	43.0%
Long term Liabilities	96	0.9%	147	1.2%
Total Liabilities	5,676	50.4%	5,320	44.3%
Net Assets				
Shareholder's Equity	5,489	48.7%	6,645	55.3%
Others	99	0.9%	56	0.5%
Total Net Assets	5,588	49.6%	6,701	55.7%
Total Liabilities & Net Assets	11,265	100%	12,022	100%

11-3.2013_2Q Financial Result-C/F (Consolidated)

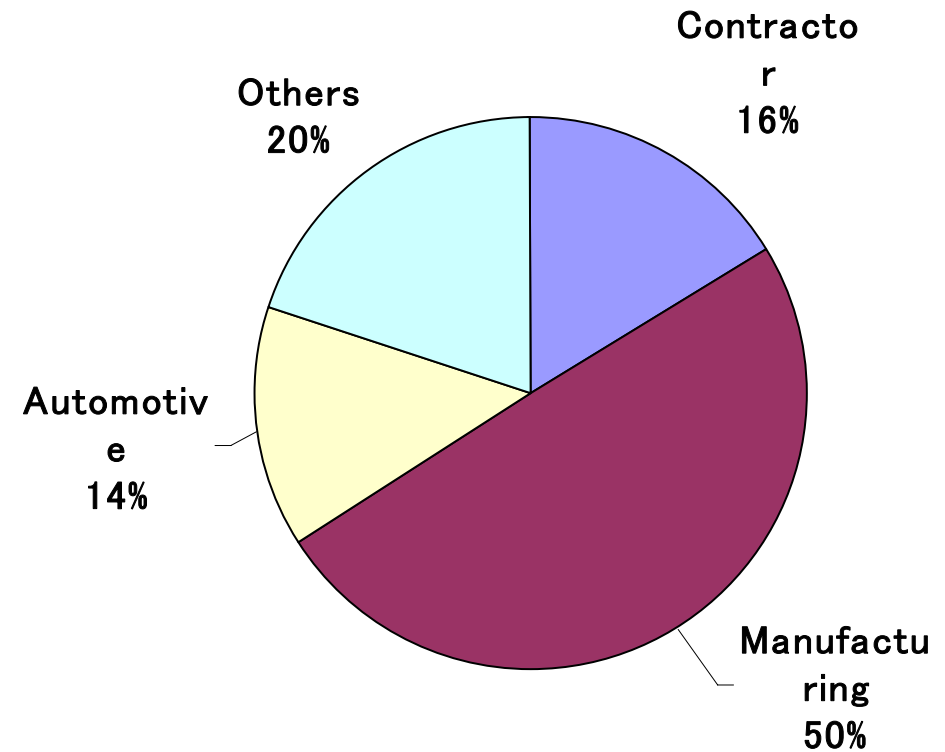
(M Yen)	Jan to Jun, 2012	Jan to Jun, 2013
I Cash Flow from Operating Activity		
Net Income before Tax	1,439	2,206
Increase or Decrease in Accounts Receivable	-438	-236
Increase or Decrease in Inventory	-19	-50
Increase or Decrease in Accounts Payable	134	-1
Others	-569	-1,190
Total	545	728
II Cash Flow from Investing Activity		
Tangible Assets	-15	-41
Intangible Assets	-134	-201
Others	0	-136
Total	-149	-379
III Cash Flow from Financing Activity		
Dividend	-209	-242
Others	-8	44
Total	-217	-197
IV Currency Exchange Adjustment	0	-5
V Net Increase/Decrease of Cash and Cash Equivalent	178	145
VI Cash and Cash Equivalent at the beginning of the period	1,519	2,825
VII Cash and Cash Equivalent at the end of the period	1,698	2,970

Reference 1: Customer Demographics

Size
(number of employees)

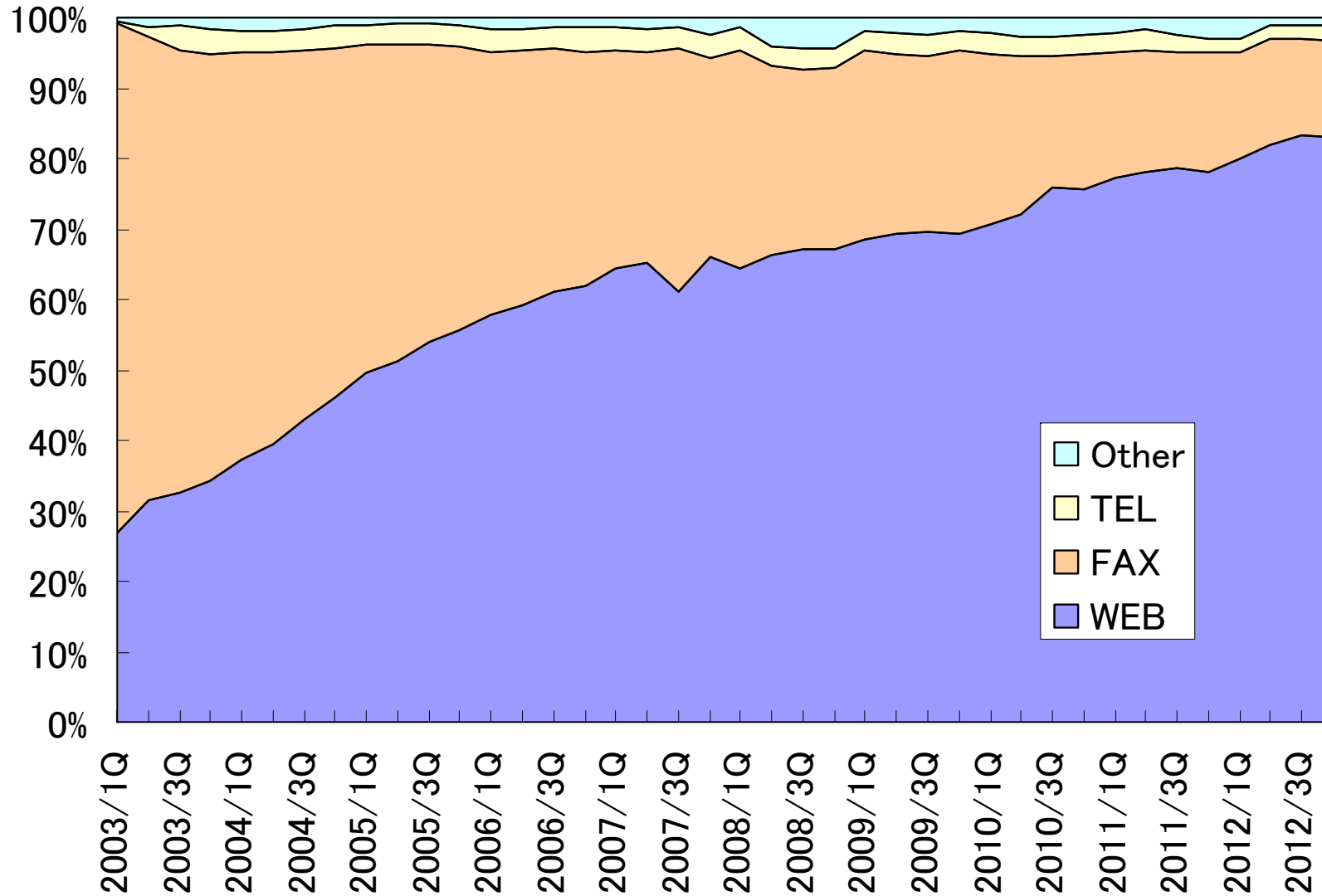


Industry



Ratio by sales amount in 2012

Reference 2 : Internet PO Ratio



Reference 3 : Other MRO Market Players

(M):Apr.[Year] to Mar.[Year+1] (F):Mar.[Year] to Feb.[Year+1] (D) Jan.[Year] to Dec.[Year]

	W : Wholesaler	Upper : Sales Lower : Operating Profit (Yen MM)						Change
	R : Retailer	2007	2008	2009	2010	2011	2012	2007 to 2012
Yuasa (8074) – (M)	W	468,476	426,262	309,196	355,910	396,732	400,252	-14.5%
		8,254	5,559	204	4,899	6,634	7,310	-11.4%
Yamazen (8051) – (M)	W	376,852	325,947	241,410	323,703	372,830	370,338	-1.7%
		11,518	6,807	836	7,415	10,528	9,756	-15.3%
Trusco (9830) – (M)	W	134,430	119,506	99,201	115,477	129,912	132,295	-1.5%
		9,120	6,489	3,745	5,479	8,369	8,356	-8.3%
Misumi (9962) – (M)	R	126,668	110,041	89,180	121,203	130,212	134,844	+6.4%
		16,317	11,016	8,408	15,562	16,646	16,809	+3.0%
Nichiden (9902) – (M)	W	92,745	80,741	58,639	79,606	84,687	80,350	-13.4%
		5,533	3,705	1,283	3,451	4,036	3,276	-40.8%
Naito (7624) – (F)	W	51,479	42,454	26,256	35,065	36,837	35,974	-30.1%
		1,343	371	-668	290	269	144	-89.3%
Sugimoto (9932) – (M)	W · R	41,461	34,168	24,724	29,420	30,477	29,448	-29.0%
		2,292	1,227	-84	845	929	811	-64.6%
Toba (7472) – (M)	R	25,800	19,489	11,438	17,581	19,180	18,151	-29.7%
		2,115	1,025	-28	762	1,077	913	-56.8%
Uematsu (9914) – (M)	R	7,647	6,470	4,428	5,477	5,933	5,861	-23.4%
		190	0	-161	9	37	19	-90.0%
MonotaRO (3064) – (D)	R	10,897	14,068	14,209	17,685	22,239	28,742	+163.8%
		480	1,168	910	1,307	2,009	2,925	+509.4%



Contact Us

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