



**monotaro**

MonotaRO Co., Ltd.

FY2013

(Jan. to Dec., 2013)



# 1. Company profile

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## 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 to mid-sized domestic manufacturers which have not been treated well by conventional tool retailers

MRO products:	Cutting tools/Safety products/Bearings/Fasteners/ Industrial equipment (# of SKUs in products lineup exceeds 5 million)
# of customers:	1,122,000 and more throughout Japan
Date of foundation:	October 19, 2000
Full-scale operation start date:	November 13, 2001
Capital stock:	1.82 billion yen or 17.2million dollars (U\$1=JPY105.39)
# of employees:	711 including 188 regular employees (as of Dec. 2013 Consolidated)
Main Office:	Amagasaki City, Hyogo
Distribution center:	(1) Amagasaki City, Hyogo (2) Tagajyo City, Miyagi



## 2. Our Product Lineup

-Safety



-Packing, Material handling, Cleaning



-Cutting Tools, Abrasives, Product Processing Tools

-Hand tools, Power tools, Pneumatics, Chemicals



-FA, Mechanical Parts

-Fasteners



-Electrical

-Auto/Cargo Truck Maintenance & Parts

-Motor Bike/Bicycle Maintenance & Parts

-Construction

-Laboratory

-Office supplies





### 3. Our Strength

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#### -Efficient Sales through Internet

Conventional supplier:  
Labor Intensive, Localized, Small size

Our sales through internet, targeting whole of Japan, realize economies of scale.  
Our promotions are efficient, leveraging IT and cutting-edge data-base marketing.

#### -One-Price Policy

Conventional supplier:  
Individual and unclear price

We present the same prices to all customers on our web site.  
Our customers trust in our open, fair and proper prices,  
and now they are free from bothers in asking quotes every time.

#### -Product Availability

Conventional supplier:  
Limited product availability, Small selection

We sell 5.0 million items, our paper catalogues cover 301 thousand items and we provide 126 thousand items from our inventory.

Conventional supplier:  
Mainly sell expensive top brand products

#### -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  
among quite a few options.



## 4. Our Marketing

### 1. Customer Acquisition

- Sending direct e-mail fliers and faxes to prospects
- Search engine marketing (SEO and paid search)

### 2. Website

- Recommendations and personalized contents

### 3. Direct Email Fliers and Faxes

- Semi-personalized contents

### 4. Direct Mail Flyers

- Small batches of on-demand printed fliers with DTP

### 5. Catalog

- Split catalogs into 12 in 2013 for targeting better

### 6. Data Mining & Campaign Management





## 5. Our Procurement

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### **Enhancement of Product Sources**

- Developing new suppliers and new products through various channels

### **Implication of Direct Import and Private Brand Products Sales**

- Higher Margin
- Higher inventory turnover
- Unique competitive advantage



## 6-1. Our Growth – Development Cycle

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Broaden the potential market  
More keywords for internet search

Broaden  
Product Lineup

Increase  
customers

Sales Growth

Increase  
Frequently  
Ordered  
Products

More products in inventory  
More PB products



## 6-2. Our Growth- Industrial Beachhead Expansion

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2002 Started with Small-to-Mid Manufacturing

- Iron Works
- Metal Working
- Machine Assembly

2008 Automotive Aftermarket

2009 Independent Contractor Market

2010 Laboratory Products to Enter Large Accounts

US business :

Introducing industrial MRO direct marketing in US through the Grainger's subsidiary, "Zoro Tools"

2011 Small Retail Customers

2012 API connection with Large size companies increased

2013 South Korean business:

Established a subsidiary in January 2013

Start business in April 2013





## 7. New Managements

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**Hiroki Yoshino**, born in 1973 Executive Officer,  
Logistics & Customer Support

Wide experience in the improvement of operational efficiency  
Participated in the operational-improvement program of the company  
Work for the operational-efficiency improvement of the company

**Tetsuya Koda**, born in 1974 Executive Officer, Administration

Has the career of a lawyer and a management consultant  
Work for building up more reliable and stable business base

**Taku Yasui**, born in 1977 Executive Officer, Web Development & IT

Wide experience in IT development and deep insights in Internet  
Work for the development of the cutting-edge search engine and  
more convenient website



## 8. Organization

### Supervisory function

#### Board of Directors

**Masaya Suzuki** President of the company

**Kinya Seto** Chairman of the company

**Masanori Miyajima** Japan Kantar Research Inc.  
President and CEO

**Yasuo Yamagata** Attorney at law

**Haruo Kitamura** CPA

**Masahiro Kishida** A.T. Kearney, Managing Director Japan

**David Rawlinson II** W.W.Grainger Inc.  
Vice President, Deputy General Counsel  
& Corporate Secretary

**name** Internal Officer

**name** External Officer

### Executive function

#### Executive Committee

**Masaya Suzuki** President

**Kohei Shibagaki** Executive Officer  
Procurement System Solution

**Hiroki Yoshino** Executive Officer  
Logistics & customer support

**Tetsuya Koda** Executive Officer  
Administration

**Taku Yasui** Executive Officer  
Web Development & IT



## 9-1. FY2013 Financial Result – P/L

(MonotaRO Non-consolidated)

	2012FY Result		2013FY Result		
	Amount (million yen)	Ratio to sales	Amount (million yen)	Ratio to sales	YoY
Sales	28,639		34,484		+20.4%
Gross Profit	8,169	28.5%	10,403	30.2%	+27.3%
SGA Exp.	5,256	18.4%	6,325	18.3%	+20.3%
Operation Income	2,913	10.2%	4,077	11.8%	+40.0%
Current Profit	2,928	10.2%	4,104	11.9%	+40.1%
Net income	1,683	5.9%	2,492	7.2%	+48.1%

Extraordinary Profit Yen195m

Transfer of K-engine share 140m, Compensation from the manufacturer for the voluntary collection 55m

Extraordinary Loss Yen235m

Cost for the voluntary collection 218m, etc.

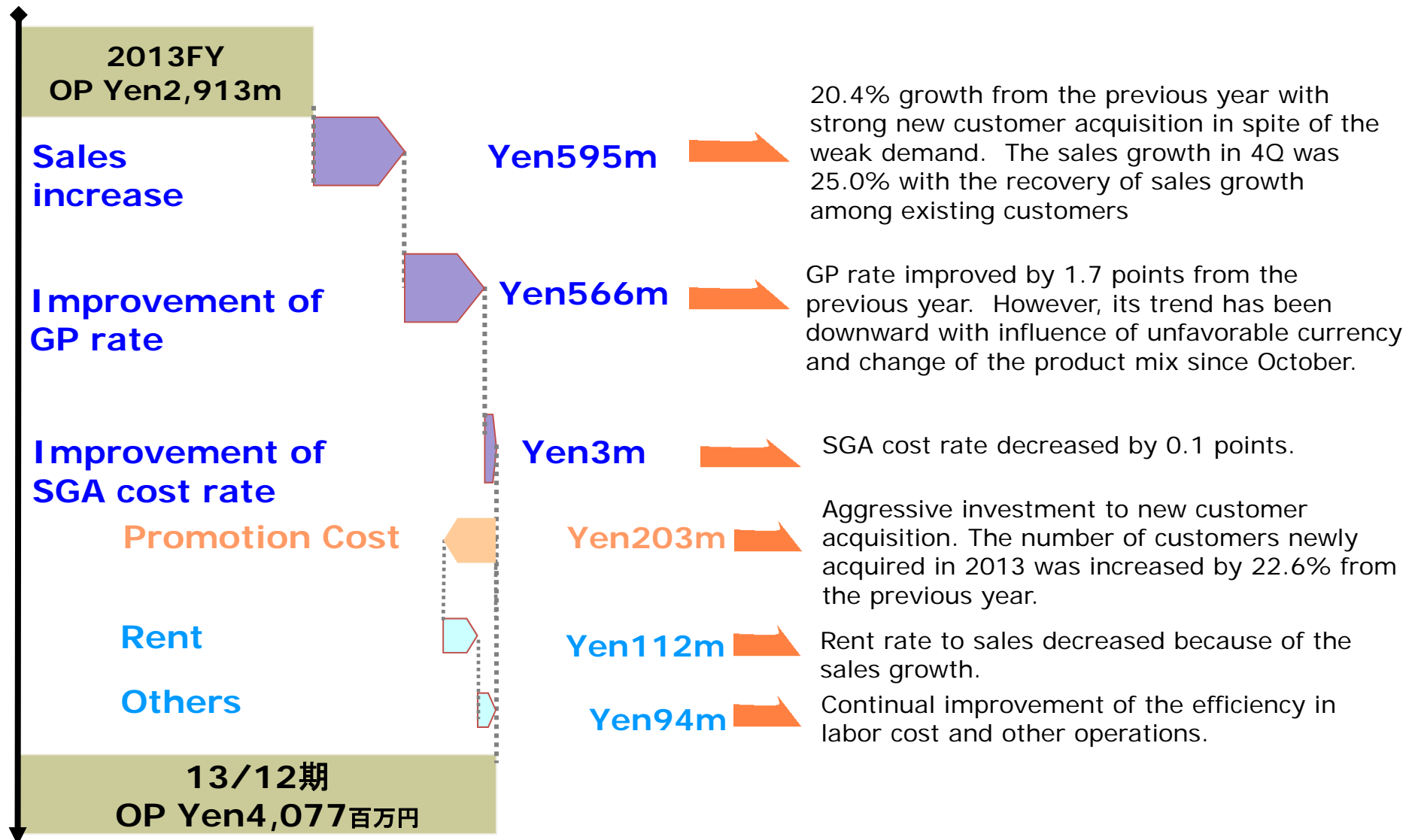


## 9-2. FY2013 Financial Result - B/S (MonotaRO Non-consolidated)

	DEC.	DEC. 2013			DEC.	DEC. 2013	
	2012	Million	Ratio		2012	Million	Ratio
<b>Asset</b>				<b>Liabilities</b>			
CASH	2,786	4,158	28.4%	Accounts Payable	2,153	2,666	18.2%
Accounts Receivable	2,855	3,757	25.7%	Short-term Debt	1,300	1,300	8.9%
Inventory	3,135	3,211	21.9%	Others	2,065	2,787	19.0%
Others	1,169	1,395	9.5%	<b>Total Current Liabilities</b>	<b>5,519</b>	<b>6,753</b>	<b>46.1%</b>
<b>Total Current Asset</b>	<b>9,946</b>	<b>12,522</b>	<b>85.5%</b>	Long term Liabilities	96	359	2.5%
Tangible Fixed Asset	171	388	2.7%	<b>Total Liabilities</b>	<b>5,616</b>	<b>7,113</b>	<b>48.6%</b>
Intangible Fixed Asset	762	820	5.6%	<b>Net Assets</b>			
Others	291	911	6.2%	Shareholder's Equity	5,488	7,456	50.9%
<b>Total Fixed Assets</b>	<b>1,226</b>	<b>2,120</b>	<b>14.5%</b>	Others	68	73	0.5%
<b>Total Assets</b>	<b>11,172</b>	<b>14,643</b>		<b>Total Net Assets</b>	<b>5,556</b>	<b>7,530</b>	<b>51.4%</b>
				<b>Total Liabilities &amp; Net Assets</b>	<b>11,172</b>	<b>14,643</b>	

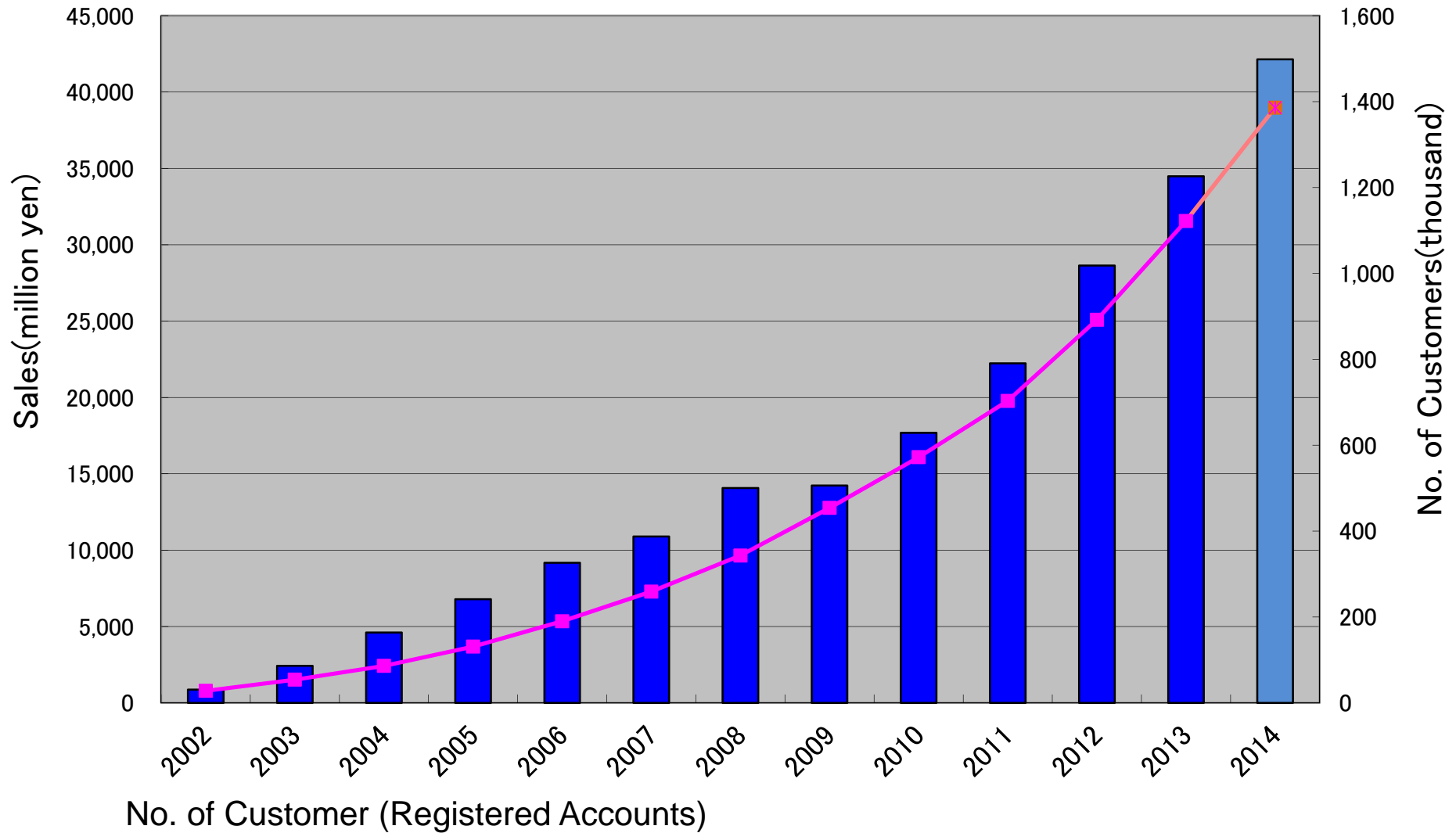
## 9-3. FY2013 Financial Results

### - Operating Income Change Factor (Non-Consolidated)





## 10-1. Our Progress -Sales & Customers (MonotaRO Non-Consolidated)

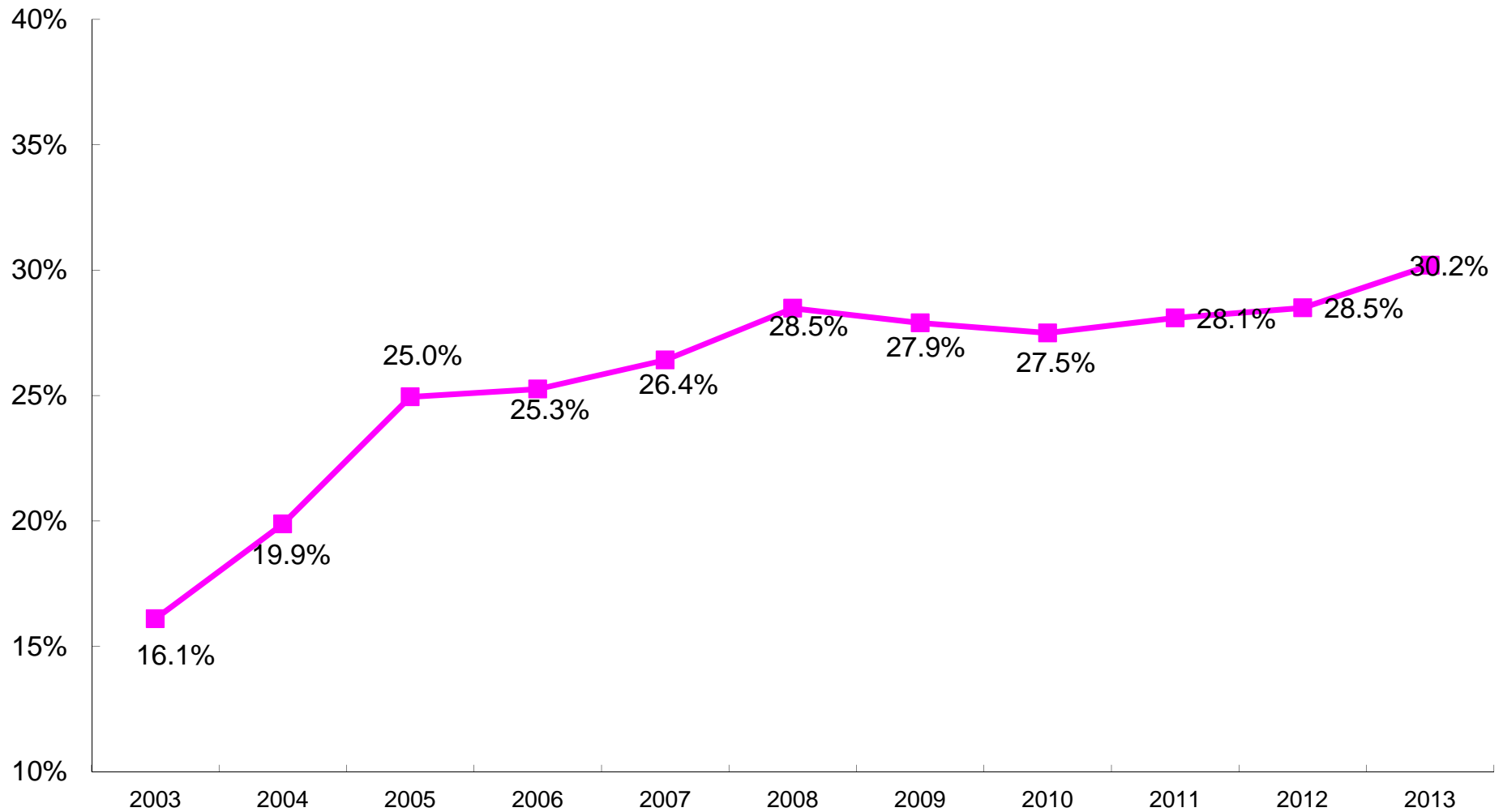


Dec., 2012 892,162     $\Rightarrow$     Dec., 2013 1,122,291



## 10-2. Our Progress -Gross Profit (MonotaRO Non-Consolidated)

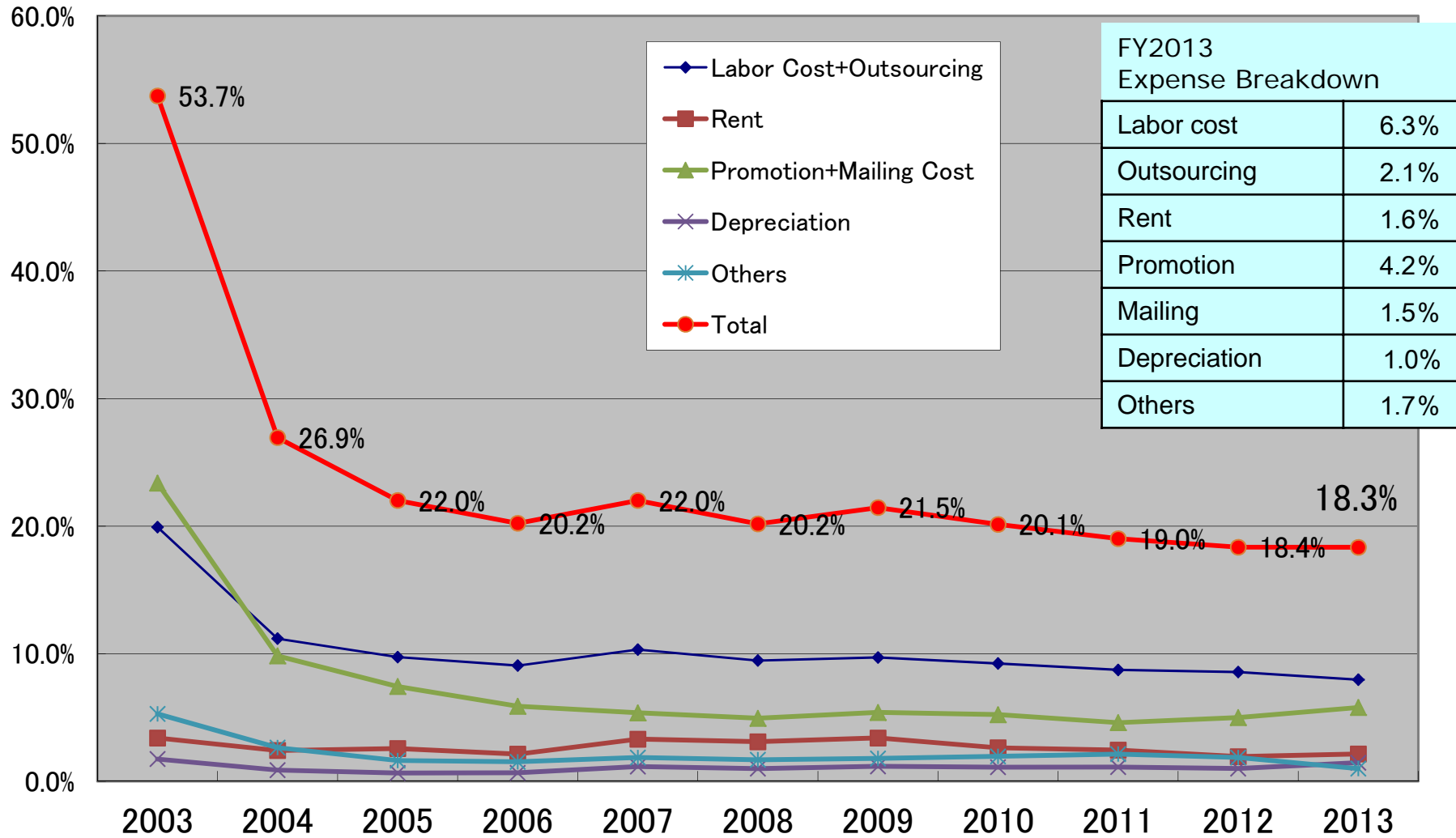
Ratio to Sales





## 10-3. Our Progress -Fixed Cost (MonotaRO Non-Consolidated)

Ratio to Sales







## 11-1. FY2014 Business Strategy-1/2

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- \* Consistent expansion of customer base,  
product lineup and inventory
  - Higher name recognition and new customers leveraging multi media channels
  - Expansion of product categories and inventory
  - Improvement of the user interface with pursuit of more convenient website

- \* New distribution center

- Will starts June 2014

- Inventory Capacity

June. 2014	130k SKU
The end of 2014	200k SKU
The end of 2015	270k SKU
2016~	300k~400k SKU

- Shipping capacity

More than twice compared to the current distribution center

- Shipping efficiency

Apprx. 20%up

- The related cost

- Investment Apprx. : 1 billion yen

- Depreciation Cost : In 2014, +110m yen

- Rent : In 2014 +370m yen,

- In 2015 -70m yen from 2014

- Cost for transfer: 70m yen



## 11-2. FY2014 Business Strategy-2/2

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### \* Overseas development

- South Korea

  - The enhancement of the marketing such as the adaptation to the local search engine and so on.

  - Expansion of the product lineup, no. of customers and sales.

- Singapore

  - As the beachhead to the Asian market

  - More website traffic and sales by expanding product lineup

- Consulting business in overseas

  - Online business consulting service will start in Europe following the success in the United States.

### \* Sales to large companies

- The number of companies connected with our product catalogs increased to 120 in 2013 from 80.

  - Sales to large companies through the system connection increased by 78% from the previous year

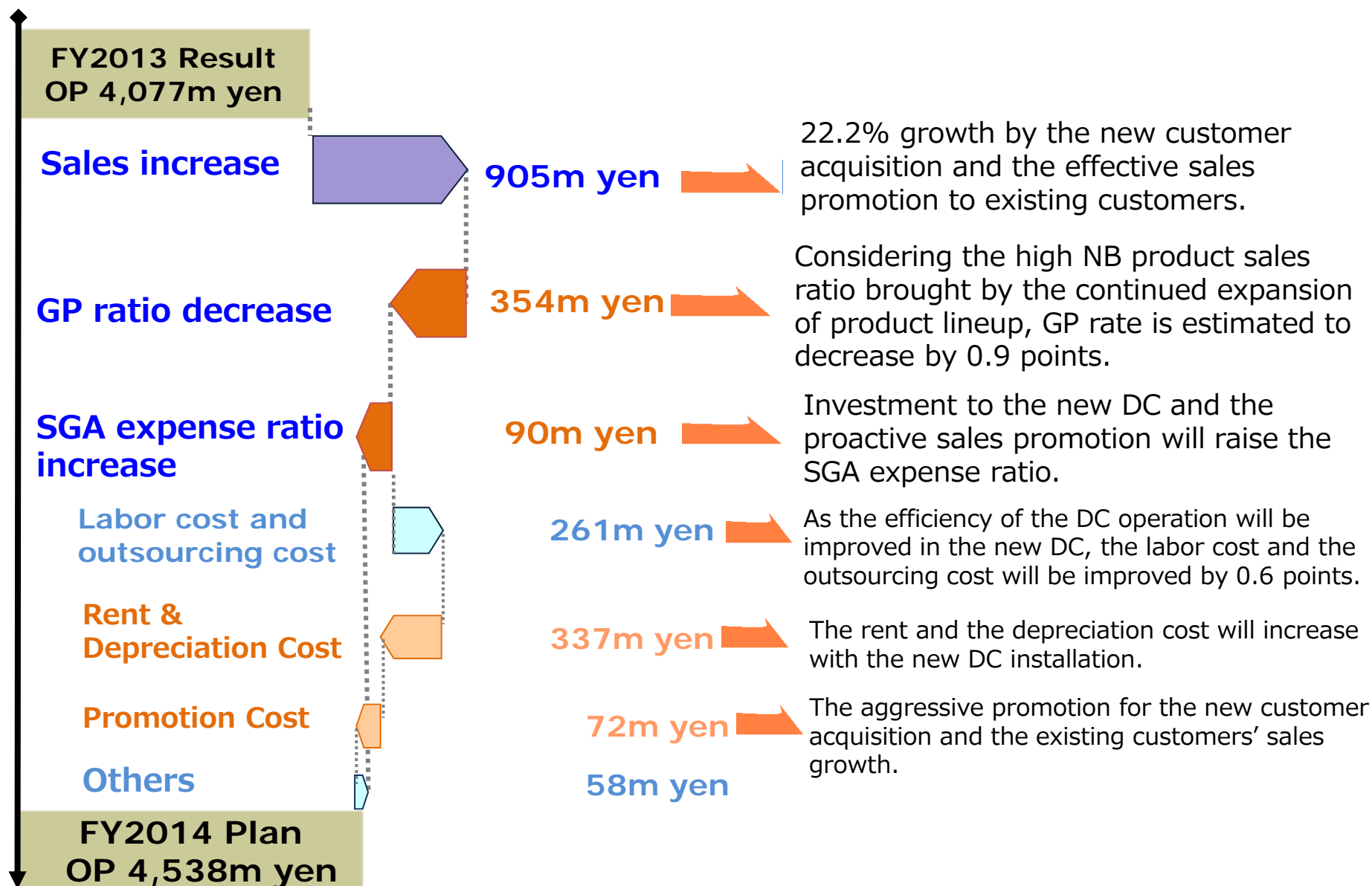
- The new procurement management system to be introduced in May 2014

  - Leveraging our vast product lineup, this system can manage the purchase of long-tail products, which the existing purchase management system cannot cover.



# 12-1. FY2014 Plan / Operating Income Change Factor

## -MonotaRO Non-Consolidated





## 12-2. FY2014 Plan / P/L– MonotaRO non-consolidated

million	FY2013 Result		FY2014 Plan		
	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales	34,484		42,140		+22.2%
Gross Profit	10,403	30.2%	12,358	29.3%	+18.8%
SGA Expense	6,325	18.3%	7,819	18.6%	+23.6%
Operating Income	4,077	11.8%	4,538	10.8%	+11.3%
Current Income	4,104	11.9%	4,528	10.8%	+10.3%
Net Income	2,492	7.2%	2,776	6.6%	11.4%

million	1 <sup>st</sup> Half (Jan to Jun)			2 <sup>nd</sup> Half (Jul to Dec)		
	Amount	Ratio to Sales	YoY	Amount	Ratio to Sales	YoY
Sales	19,902		+24.5%	22,238		+20.2%
Gross Profit	5,696	28.6%	+15.9%	6,662	30.0%	+21.4%
SGA Expense	3,645	18.3%	+31.4%	4,174	18.8%	+17.6%
Operating Income	2,051	10.3%	-4.1%	2,487	11.2%	+28.4%
Current Income	2,047	10.3%	-5.1%	2,481	11.2%	+27.5%
Net Income	1,255	6.3%	-10.6%	1,521	6.8%	+39.6%



## 12-3. FY2014 Plan / Outline - Consolidated

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### -Sales: 42,647 million yen YonY+23.4%

Acquisition of more customers is expected with the consistent aggressive promotion. The existing customers' sales growth should be stronger as they are showing the recovery of demand. The South Korean subsidiary's sales is expected to 500 million yen.

### -Gross Profit: 12,422 million yen YonY+19.3%

The expansion of the product lineup leads the National Brand products sales growth. As the result, NB product sales share will increase and Gross Profit rate will decrease.

### -SGA Expense 8,212 million yen YonY+25.8%

Active investment for the consistent expansion of the business will increase the expense ratio to sales in 2014, such as the new DC expansion (details are in P17) and the aggressive promotion including TV commercial. On the other hand, the operational efficiency is expected to be improved in the new DC.

### -Operating Income 4,210 million yen YonY+8.4%

Although operating income ratio will decrease to 9.9% in 2014, the investment in 2014 will ensure the consistent growth in the following years.

### -Net Income 2,444 million yen YonY+6.8%

Dividend shall increase to 14yen per share considering the income growth.



## 12-4. FY2014 Plan / P/L – Consolidated

million	FY2013 Result		FY2014 Plan		
	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales	34,556		42,647		+23.4%
Gross Profit	10,410	30.1%	12,422	29.1%	+19.3%
SGA Expense	6,525	18.9%	8,212	19.2%	+25.8%
Operating Income	3,885	11.2%	4,210	9.9%	+8.4%
Current Income	3,901	11.3%	4,197	9.8%	+7.6%
Net Income	2,289	6.6%	2,444	5.7%	+6.8%

million	1 <sup>st</sup> Half (Jan to Jun)			2 <sup>nd</sup> Half (Jul to Dec)		
	Amount	Ratio to Sales	YoY	Amount	Ratio to Sales	YoY
Sales	20,084		+25.6%	22,563		+21.5%
Gross Profit	5,717	28.5%	+16.3%	6,705	29.7%	+22.0%
SGA Expense	3,819	19.0%	+33.8%	4,393	19.4%	+19.7%
Operating Income	1,898	9.5%	-7.9%	2,312	10.2%	+26.7%
Current Income	1,893	9.4%	-8.7%	2,304	10.2%	+26.1%
Net Income	1,101	5.5%	-17.6%	1,343	6.0%	+41.0%



## 13-1.2013\_3Q Financial Result-P/L (Consolidated)

	FY2012		FY2013		
Million yen	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY
Sales	28,742		34,556		+20.2%
Gross Profit	8,234	28.6%	10,410	30.1%	+26.4%
SGA Exp.	5,308	18.5%	6,525	18.9%	+22.9%
Operating Income	2,925	10.2%	3,885	11.2%	+32.8%
Current Income	2,941	10.2%	3,901	11.3%	+32.6%
Net Income	1,689	5.9%	2,289	6.6%	+35.5%

Extraordinary Profit Yen194m

Transfer of K-engine share 138m, Compensation from the manufacturer for the voluntary collection 55m

Extraordinary Loss Yen235m

Cost for the voluntary collection 218m, etc.



## 13-2.2013\_3Q Financial Result-B/S (Consolidated)

	Dec., 2012		Dec., 2013	
	Amount	Ratio	Amount	Ratio
<b>Asset</b>				
CASH	2,925	26.0%	4,248	29.3%
Accounts Receivable	2,868	25.5%	3,760	25.9%
Inventory	3,147	27.9%	3,242	22.4%
Others	1,167	10.4%	1,408	9.7%
<b>Total Current Asset</b>	<b>10,109</b>	<b>89.7%</b>	<b>12,660</b>	<b>87.3%</b>
Tangible Fixed Asset	171	1.5%	404	2.8%
Intangible Fixed Asset	762	6.8%	870	6.0%
Others	221	2.0%	570	3.9%
<b>Total Fixed Assets</b>	<b>1,156</b>	<b>10.3%</b>	<b>1,845</b>	<b>12.7%</b>
<b>Total Assets</b>	<b>11,265</b>		<b>14,505</b>	

	Dec., 2012		Dec., 2013	
	Amount	Ratio	Amount	Ratio
<b>Liabilities</b>				
Accounts Payable	2,178	19.3%	2,667	18.4%
Short-term Debt	1,300	11.5%	1,300	9.0%
Others	2,101	18.7%	2,820	18.8%
<b>Total Current Liabilities</b>	<b>5,580</b>	<b>49.5%</b>	<b>6,787</b>	<b>46.8%</b>
<b>Long term Liabilities</b>	<b>96</b>	<b>0.9%</b>	<b>361</b>	<b>2.5%</b>
<b>Total Liabilities</b>	<b>5,676</b>	<b>50.4%</b>	<b>7,149</b>	<b>49.3%</b>
<b>Net Assets</b>				
Shareholder's Equity	5,489	48.7%	7,255	50.0%
Others	99	0.9%	100	0.7%
<b>Total Net Assets</b>	<b>5,588</b>	<b>49.6%</b>	<b>7,355</b>	<b>50.7%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>11,265</b>		<b>14,505</b>	





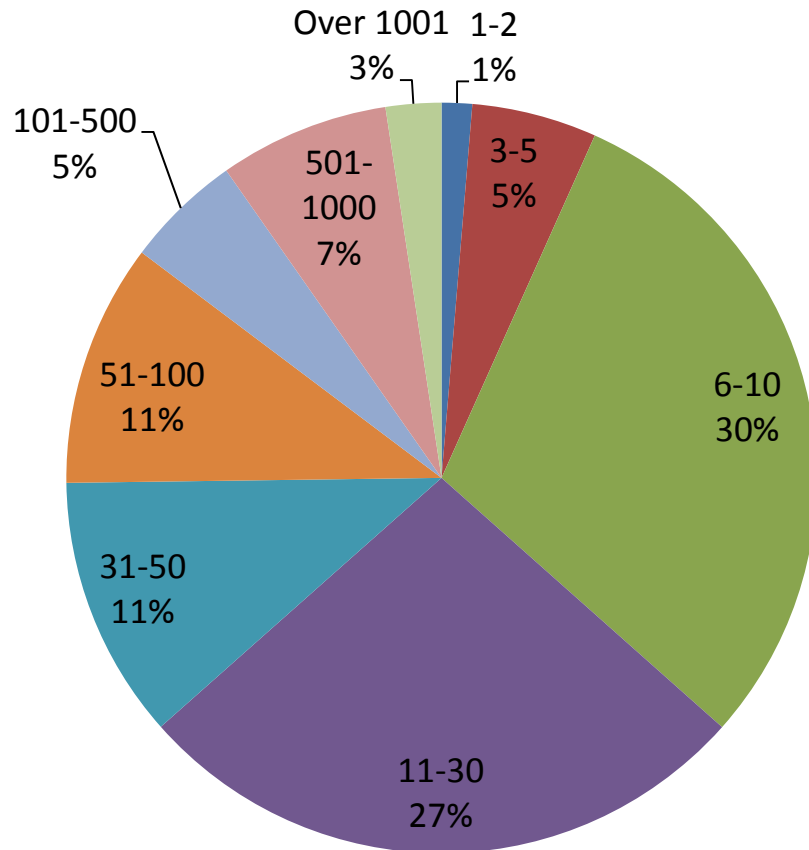
## 13-3.2013\_3Q Financial Result-C/F (Consolidated)

(M Yen)		FY2012	FY2013
<b>I Cash Flow from Operating Activity</b>			
	Net Income before Tax	2,940	3,860
	Increase or Decrease in Accounts Receivable	-548	-901
	Increase or Decrease in Inventory	-216	-119
	Increase or Decrease in Accounts Payable	242	510
	Others	-310	-832
	<b>Total</b>	<b>2,212</b>	<b>2,354</b>
<b>II Cash Flow from Investing Activity</b>			
	Acquisition of Tangible Assets	-38	-160
	Acquisition of Intangible Assets	-381	-374
	Others	-99	-437
	<b>Total</b>	<b>-520</b>	<b>-972</b>
<b>III Cash Flow from Financing Activity</b>			
	Dividend	-447	-605
	Others	61	331
	<b>Total</b>	<b>-386</b>	<b>-274</b>
<b>IV Currency Exchange Adjustment</b>		<b>0</b>	<b>15</b>
<b>V Net Increase/Decrease of Cash and Cash Equivalent</b>		<b>1,305</b>	<b>1,123</b>
<b>VI Cash and Cash Equivalent at the beginning of the period</b>		<b>1,519</b>	<b>2,825</b>
<b>VII Cash and Cash Equivalent at the end of the period</b>		<b>2,825</b>	<b>3,948</b>

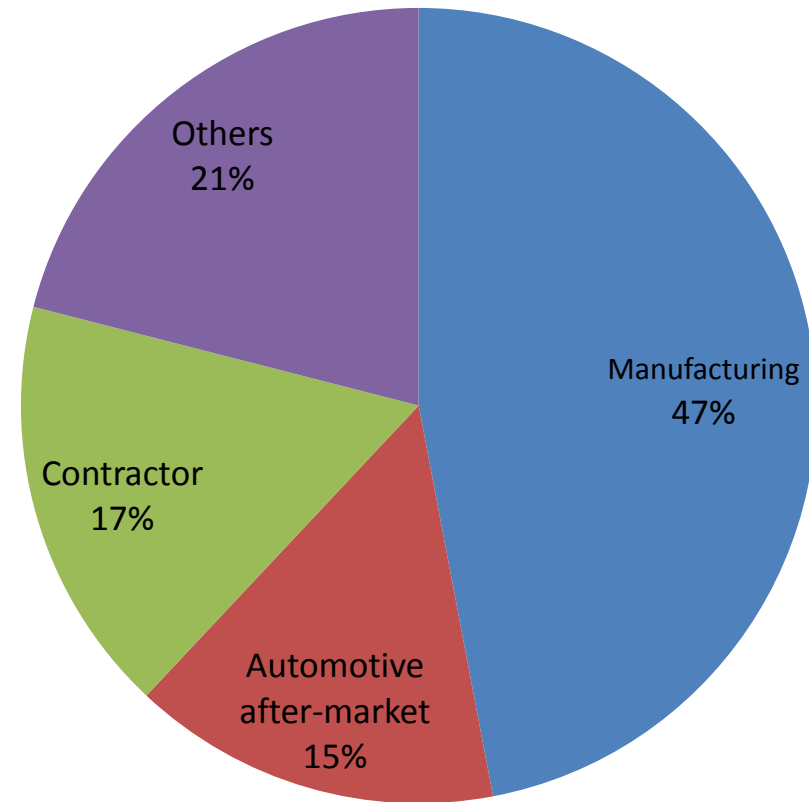


# Reference 1: Customer Demographics

### Size (number of employees)



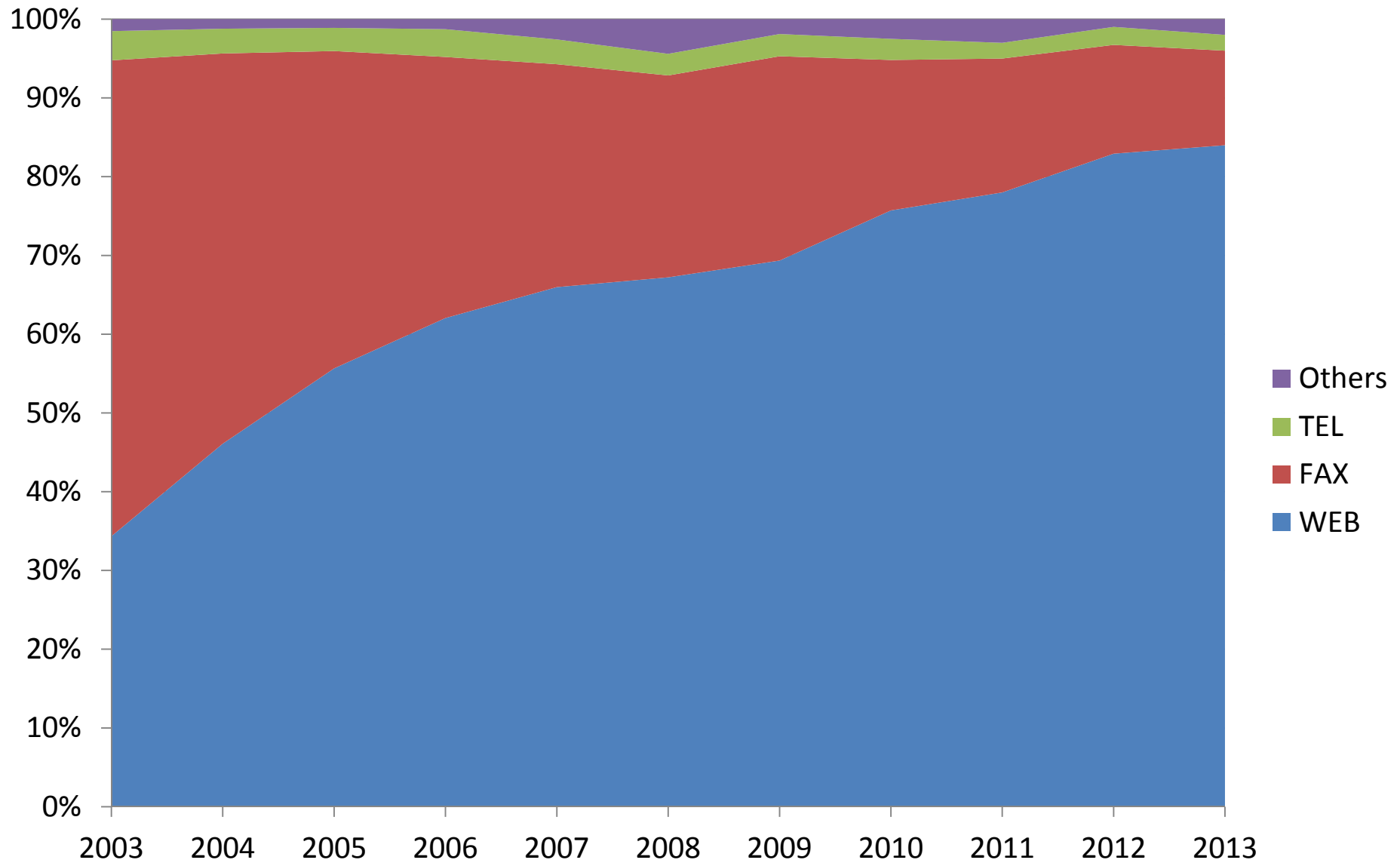
### Industry



Ratio by sales amount in 2013



## 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 R : Retailer	Upper : Sales Lower : Operating Profit (Yen MM)				Change 2007 to 2013
		2007	2009	2011	2013	
Yuasa (8074) - (M)	W	468,476	309,196	396,732	420,000	-10.4%
		8,254	204	6,634	9,100	+10.3%
Yamazen (8051) - (M)	W	376,852	241,410	372,830	385,000	+2.2%
		11,518	836	10,528	10,000	-13.2%
Trusco (9830) - (M)	W	134,430	99,201	129,912	141,300	+5.1%
		9,120	3,745	8,369	9,800	+7.5%
Misumi (9962) - (M)	R	126,668	89,180	130,212	160,000	+26.3%
		16,317	8,408	16,646	17,500	+7.3%
Nichiden (9902) - (M)	W	92,745	58,639	84,687	86,000	-7.3%
		5,533	1,283	4,036	3,830	-30.8%
NaI TO (7624) - (F)	W	51,479	26,256	36,837	36,500	-29.1%
		1,343	-668	269	135	-90.0%
Sugimoto (9932) - (M)	W · R	41,461	24,724	30,477	31,500	-24.0%
		2,292	-84	929	1,100	-52.0%
Toba (7472) - (M)	R	25,800	11,438	19,180	18,500	-28.3%
		2,115	-28	1,077	950	-55.1%
Uematsu (9914) - (M)	R	7,647	4,428	5,933	6,150	-19.6%
		190	-161	37	49	-74.2%
MonotaRO (3064) - (D)	R	10,897	14,209	22,239	34,556	+217.1%
		480	910	2,009	3,885	+709.4%

The amounts of 2013 are based on each company's forecasts except for MonotaRO's.



Cautionary Statement Concerning Forward-looking Statements

This presentation may include forward-looking statements relating to our future plans, forecasts, objectives, expectations and intentions. Actual results may differ materially, for a wide range of possible reasons. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements.

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