



monotaro

MonotaRO Co., Ltd.

Q1, 2014

(Jan. to Mar., 2014)



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 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 7 million)
# of customers:	1.18 million 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 17.8million US dollars (U\$1=JPY102.27)
# of employees:	771 including 192 regular employees (Mar., 2014 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

-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 7.0 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

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

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

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

Broaden the potential market
More keywords for internet search

Broaden
Product Lineup



Sales Growth



More products in inventory
More PB products



6-2. Our Growth- Industrial Beachhead Expansion

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



7-1. FY2014_1Q Financial Result – Outline

(MonotaRO Non-consolidated)

◆ Sales 10,751 million yen YonY +38.9%

Sales to new customers and existing customers both steadily grew as planned. Sales in March was 20% more than our plan due to the last minute demands before the consumption tax hike and expiration of annual budget. The sales growth from April is expected to get back to the level of our plan. The above amount of sales includes the consulting fee in overseas business.

◆ Gross Profit 3,106 million yen YonY +30.2%

COGS both for import and domestic products increased due to the weak yen, and the sales ratio of the PB and import product decreased due to the strong sales of newly introduced National brand products. However the decrease of the gross profit rate resulting from the above was within our plan.

◆ SG&A Cost 1,836 million yen YonY +31.4%

Although variable expenses in SG&A cost increased in accordance with incremental sales in March, SG&A cost ratio to sales was improved by 1.0 point. The cost for the new distribution center will come up from the 2nd quarter.

◆ Operating Income 1,269 million yen YonY +28.5%



7-2. 2014_1Q Financial Result – P/L

(MonotaRO Non-consolidated)

	1Q, 2013 Result		1Q, 2014 Result		
	Amount (million yen)	Ratio to sales	Amount (million yen)	Ratio to sales	YonY
Sales	7,739		10,751		+38.9%
Gross Profit	2,385	30.8%	3,106	28.9%	+30.2%
SG&A Exp.	1,397	18.1%	1,836	17.1%	+31.4%
Operating Income	987	12.8%	1,269	11.8%	+28.5%
Current Income	989	12.8%	1,280	11.9%	+29.3%
Net income	686	8.9%	786	7.3%	+14.5%

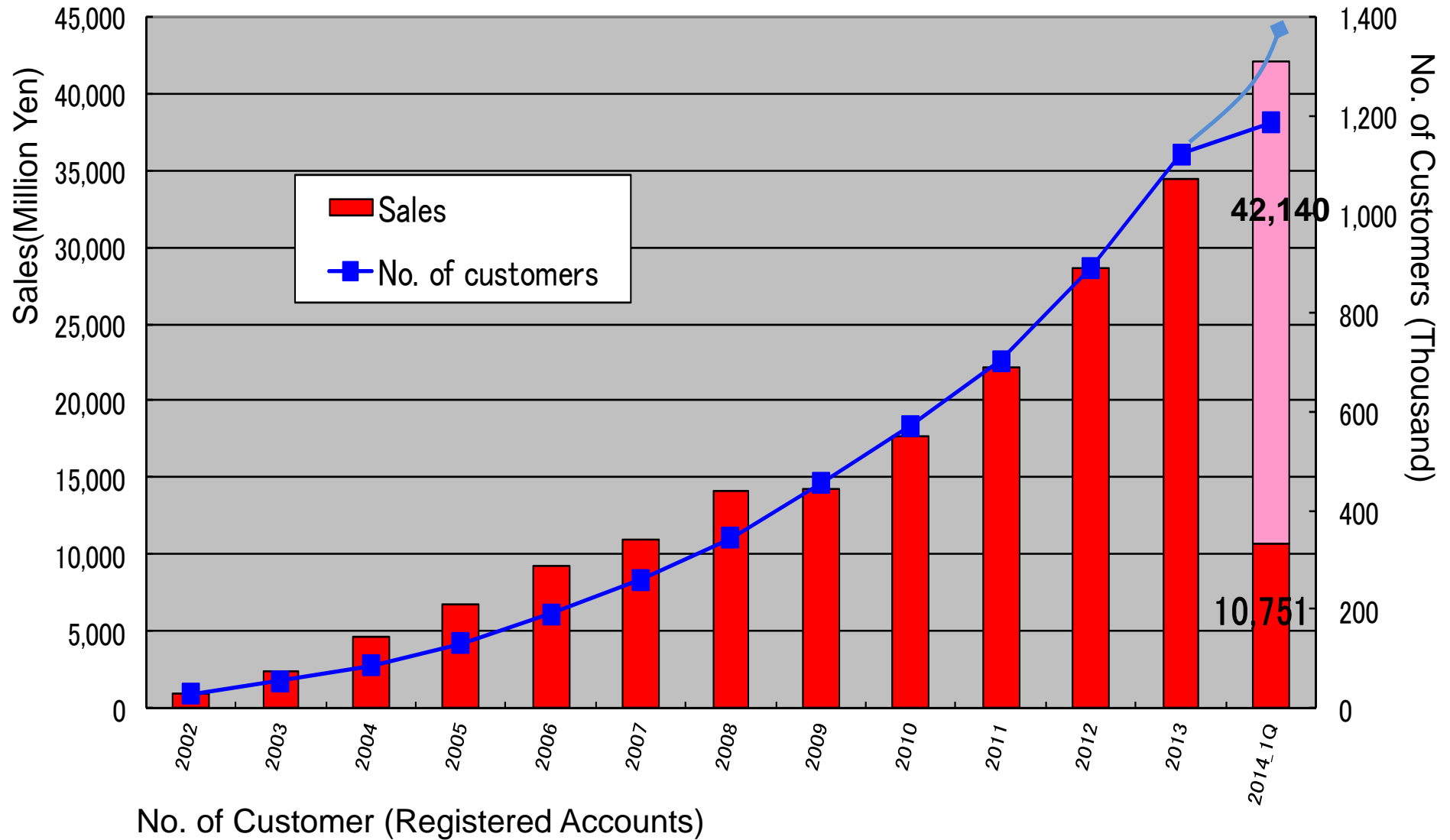


7-3. 2014_1Q Financial Result - B/S (MonotaRO Non-consolidated)

	Mar.	Dec.	Mar. 2014			Mar.	Dec.	Mar. 2014	
	2013	2013	Million Yen	Ratio		2013	2013	Million Yen	Ratio
Asset					Liabilities				
CASH	2,223	4,158	2,746	18.4%	Accounts Payable	2,201	2,666	3,536	23.7%
Accounts Receivable	3,030	3,757	4,590	30.8%	Short-term Debt	1,300	1,300	1,300	8.7%
Inventory	2,996	3,211	3,469	23.3%	Others	1,251	2,787	1,791	12.0%
Others	1,166	1,395	1,487	10.0%	Total Current Liabilities	4,752	6,753	6,628	44.5%
Total Current Asset	9,417	12,522	12,293	82.5%	Long term Liabilities	148	359	309	2.1%
Tangible Fixed Asset	168	388	461	3.1%	Total Liabilities	4,900	7,113	6,937	46.5%
Intangible Fixed Asset	773	820	869	5.8%	Net Assets				
Others	599	911	1,282	8.6%	Shareholder's Equity	5,995	7,456	7,893	52.9%
Total Fixed Assets	1,540	2,120	2,613	17.5%	Others	62	73	76	0.5%
Total Assets	10,958	14,643	14,906		Total Net Assets	6,057	7,530	7,969	53.5%
					Total Liabilities & Net Assets	10,958	14,643	14,906	



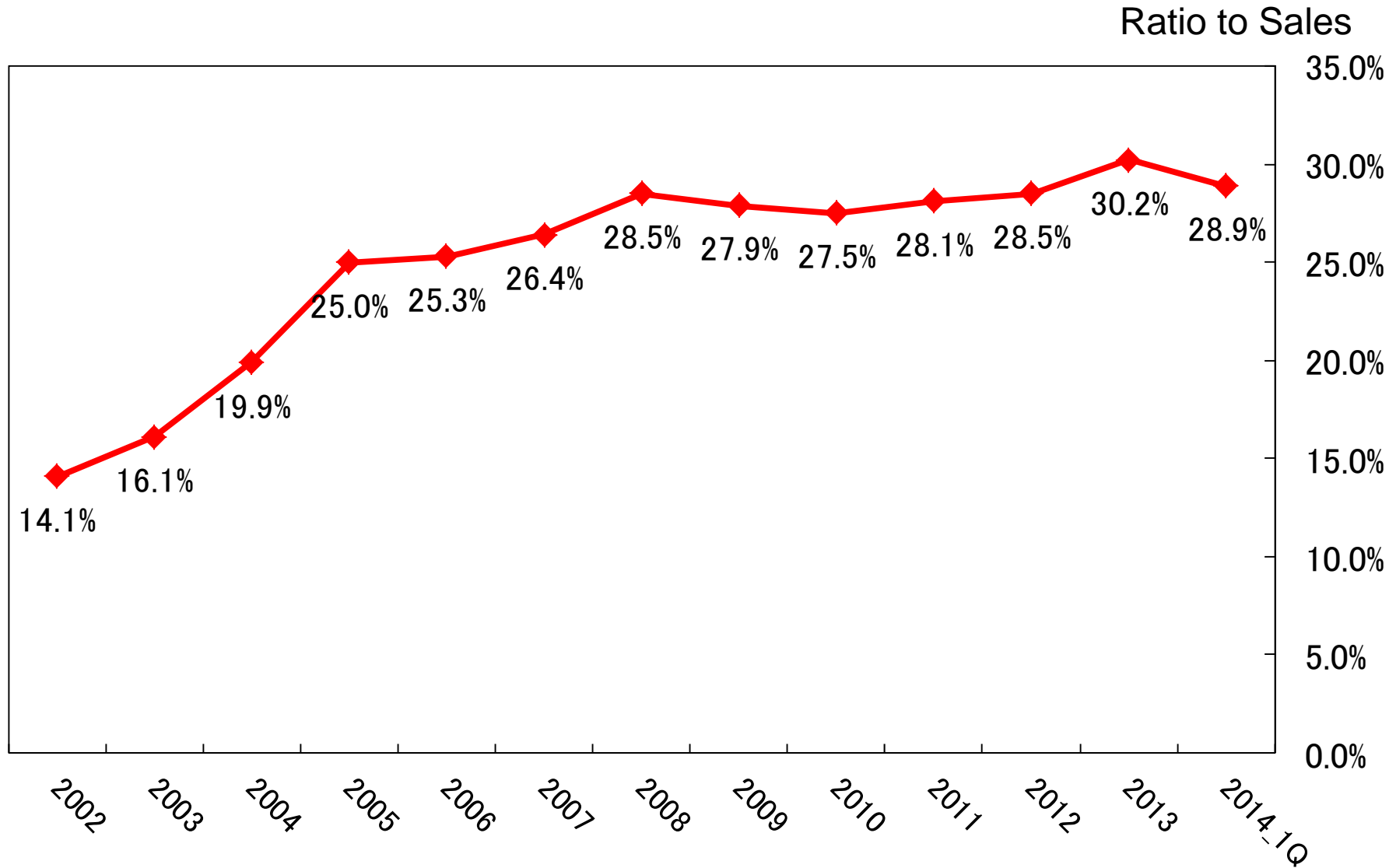
8-1. Our Progress -Sales & Customers (MonotaRO Non-Consolidated)



Dec., 2013 1,122,291 → Mar., 2014 1,186,714



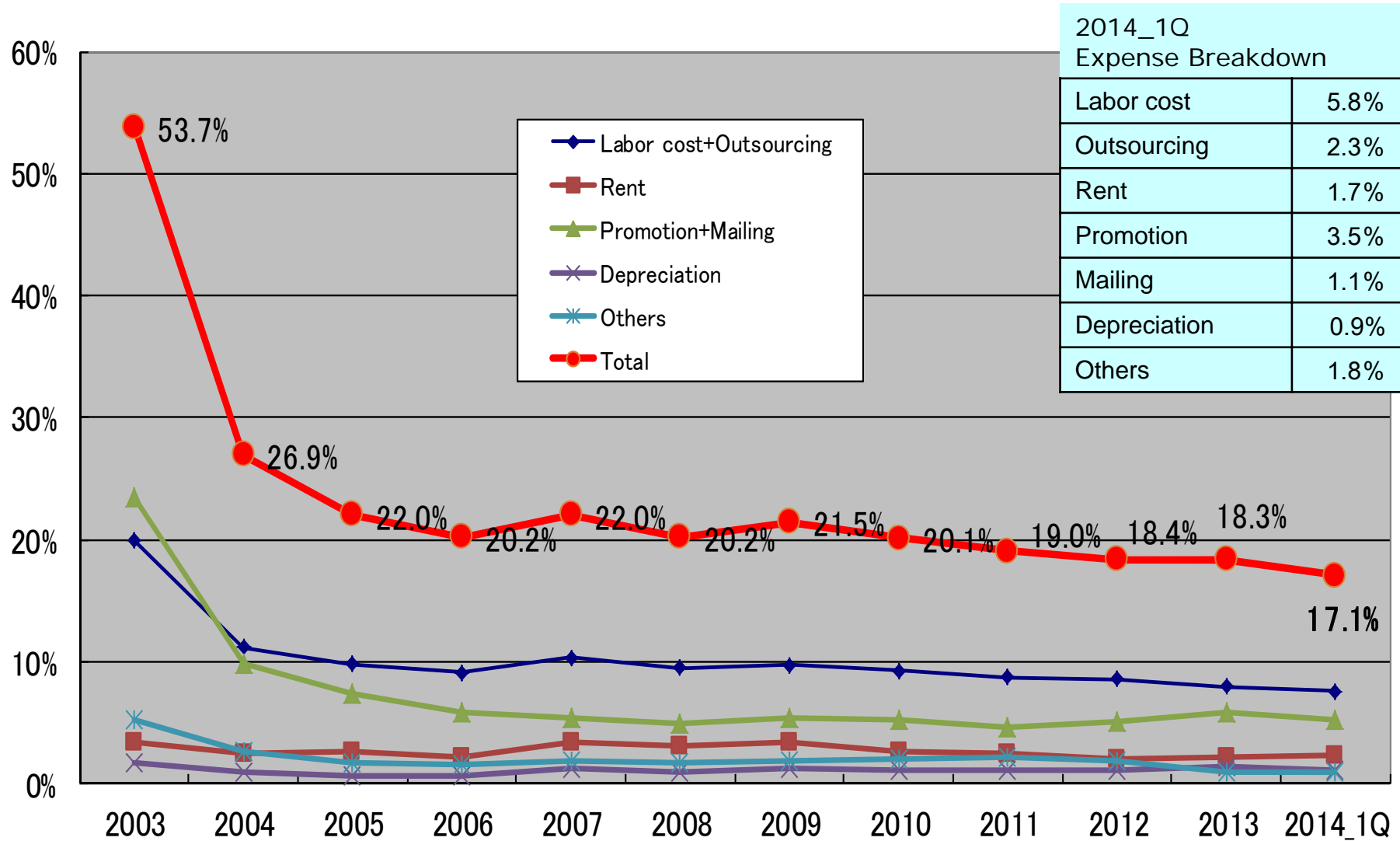
8-2. Our Progress -Gross Profit (MonotaRO Non-Consolidated)





8-3. Our Progress -Fixed Cost (MonotaRO Non-Consolidated)

Ratio to Sales





9-1.2014_1Q Financial Result-P/L (Consolidated)

	2013_1Q		2014_1Q		
Million yen	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY
Sales	7,739		10,831		+39.9%
Gross Profit	2,385	30.8%	3,134	28.9%	+31.4%
SG&A Exp.	1,431	18.5%	1,916	17.7%	+33.9%
Operating Income	954	12.3%	1,217	11.2%	+27.6%
Current Income	956	12.4%	1,229	11.3%	+28.6%
Net Income	658	8.5%	735	6.8%	+11.7%



9-2.2014_1Q Financial Result-B/S (Consolidated)

	Mar.	Dec.	Mar., 2014			Mar.	Dec.	Mar., 2014	
	2013	2013	Million Yen	Ratio		2013	2013	Million Yen	Ratio
Asset					Liabilities				
CASH	2,516	4,248	3,176	21.5%	Accounts Payable	2,207	2,667	3,558	24.1%
Accounts Receivable	3,030	3,760	4,600	31.2%	Short-term Debt	1,300	1,300	1,300	8.8%
Inventory	3,003	3,242	3,512	23.8%	Others	1,267	2,820	1,827	12.4%
Others	1,169	1,408	1,507	10.2%	Total Current Liabilities	4,775	6,787	6,686	45.4%
Total Current Asset	9,720	12,660	12,797	86.8%	Long term Liabilities	148	361	316	2.1%
Tangible Fixed Asset	186	404	475	3.2%	Total Liabilities	4,923	7,149	7,003	47.5%
Intangible Fixed Asset	773	870	914	6.2%	Net Assets				
Others	262	570	553	3.8%	Shareholder's Equity	5,969	7,255	7,641	51.8%
Total Fixed Assets	1,222	1,845	1,943	13.2%	Others	49	100	96	0.7%
Total Assets	10,942	14,505	14,740		Total Net Assets	6,018	7,355	7,737	52.5%
					Total Liabilities & Net Assets	10,942	14,505	14,740	



9-3.2014_1Q Financial Result-C/F (Consolidated)

		2013_1Q	2014_1Q
(M Yen)			
I Cash Flow from Operating Activity			
	Net Income before Tax	1,088	1,229
	Increase or Decrease in Accounts Receivable	-149	-793
	Increase or Decrease in Inventory	157	-271
	Increase or Decrease in Accounts Payable	3	892
	Others	-1,275	-1,546
	Total	-175	-489
II Cash Flow from Investing Activity			
	Acquisition of Tangible Assets	-28	-101
	Acquisition of Intangible Assets	-72	-115
	Others	-136	-6
	Total	-236	-223
III Cash Flow from Financing Activity			
	Dividend	-234	-350
	Others	39	-5
	Total	-194	-355
IV Currency Exchange Adjustment		-2	-3
V Net Increase/Decrease of Cash and Cash Equivalent		-609	-1,072
VI Cash and Cash Equivalent at the beginning of the period		2,825	3,948
VII Cash and Cash Equivalent at the end of the period		2,216	2,876



10-1. FY2014 Business Strategy-1Q Update 1/2

* “Cost Saving Catalogue Vol. 3” was released

- 10,000 of PB products are on the catalogue
- Attracted the strong demand before the tax hike and the fiscal year end.

* Sales to large companies

- Sales to the large-sized company in 1Q, 2014 increased by 115% YoY.
- No. of companies to which our service launched increased from 120 in December 2013 to 140 in March 2014
- 10 companies are studying to introduce our new procurement management system.

* Overseas business

- South Korea
 - Achieved continuous steady growth of sales
 - Ceaseless efforts for the improvement of marketing such as adaptation to the local search engine, the expansion of the product lineup, and the increase of the customers and sales.
- South East Asia
 - Started sales to customers in Malaysia and Thailand following Singapore.



10-2. FY2014 Business Strategy-1Q Update 2/2

* New distribution center

- The full-scale operation is scheduled to start in July. The preparation is on track.

* Introduced subscription order service

- Promoting customers' purchase of daily consumable products with continuous usage of our service with high order-frequency.

* TV commercial

- TV commercial was broadcasted for 2 weeks from March 24 to April 6 in Kansai and Central areas to improve the name recognition.



11-1. 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%
SG&A 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 st Half (Jan to Jun) , 2014 Plan			2 nd Half(Jul to Dec), 2014 Plan		
	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%
SG&A 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%



11-2. FY2014 Plan / P/L – Consolidated

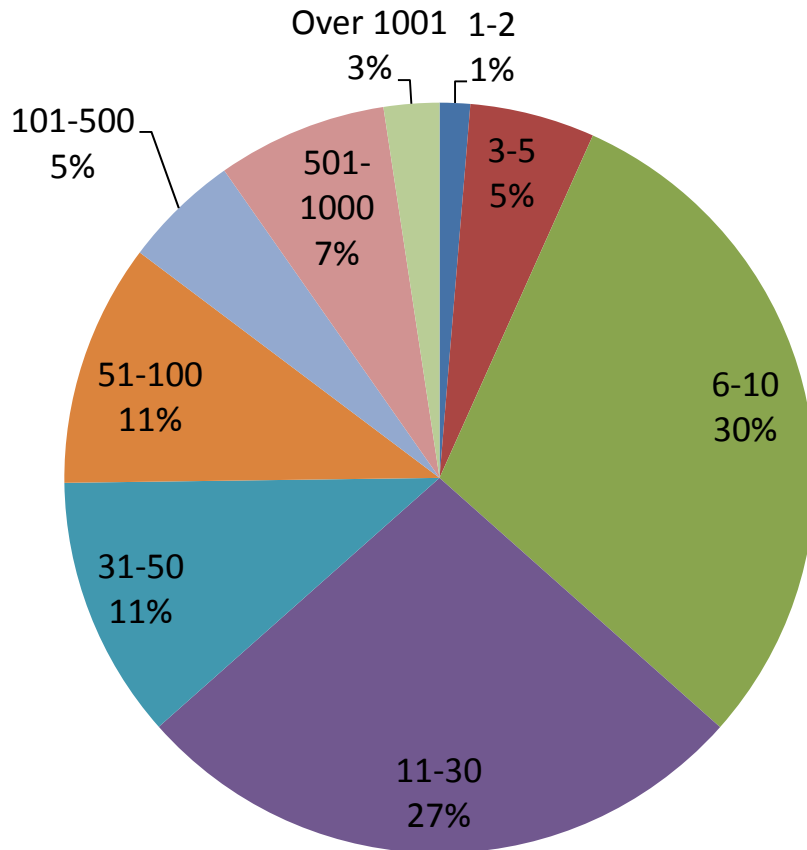
million	FY2013 Result		FY2014 Plan		
	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales	34,556		42,647		+23.4%
Gross Profit	10,410	30.1%	12,422	29.1%	+19.3%
SG&A Exp.	6,525	18.9%	8,212	19.2%	+25.8%
Operating Income	3,885	11.2%	4,210	9.9%	+8.4%
Current Income	3,901	11.3%	4,197	9.8%	+7.6%
Net Income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

million	1 st Half (Jan to Jun), 2014 Plan			2 nd Half (Jul to Dec), 2014 Plan		
	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%
SG&A Exp.	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%

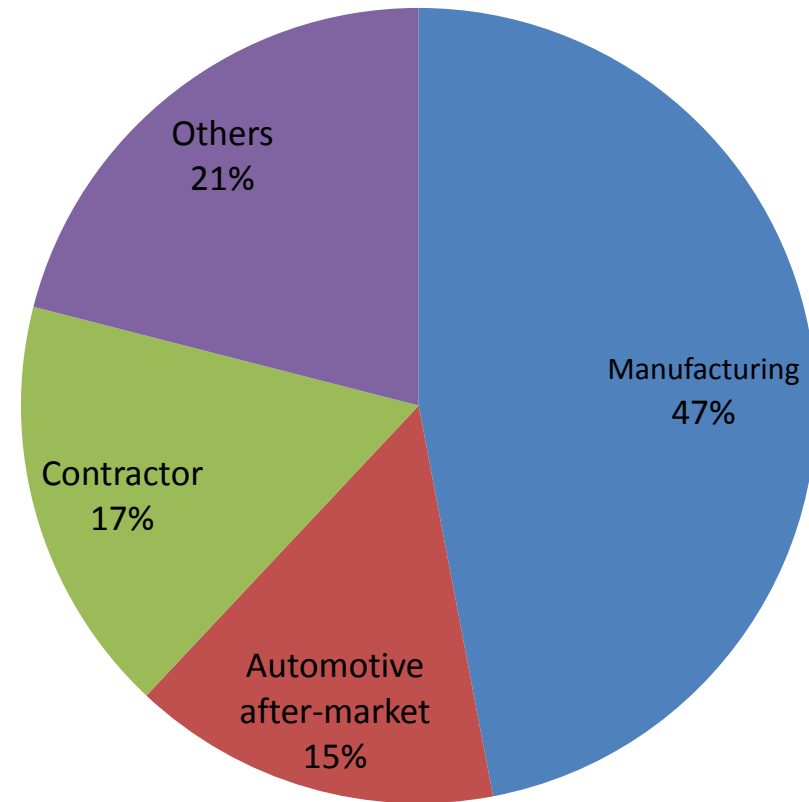


Reference 1: Customer Demographics

Size (number of employees)



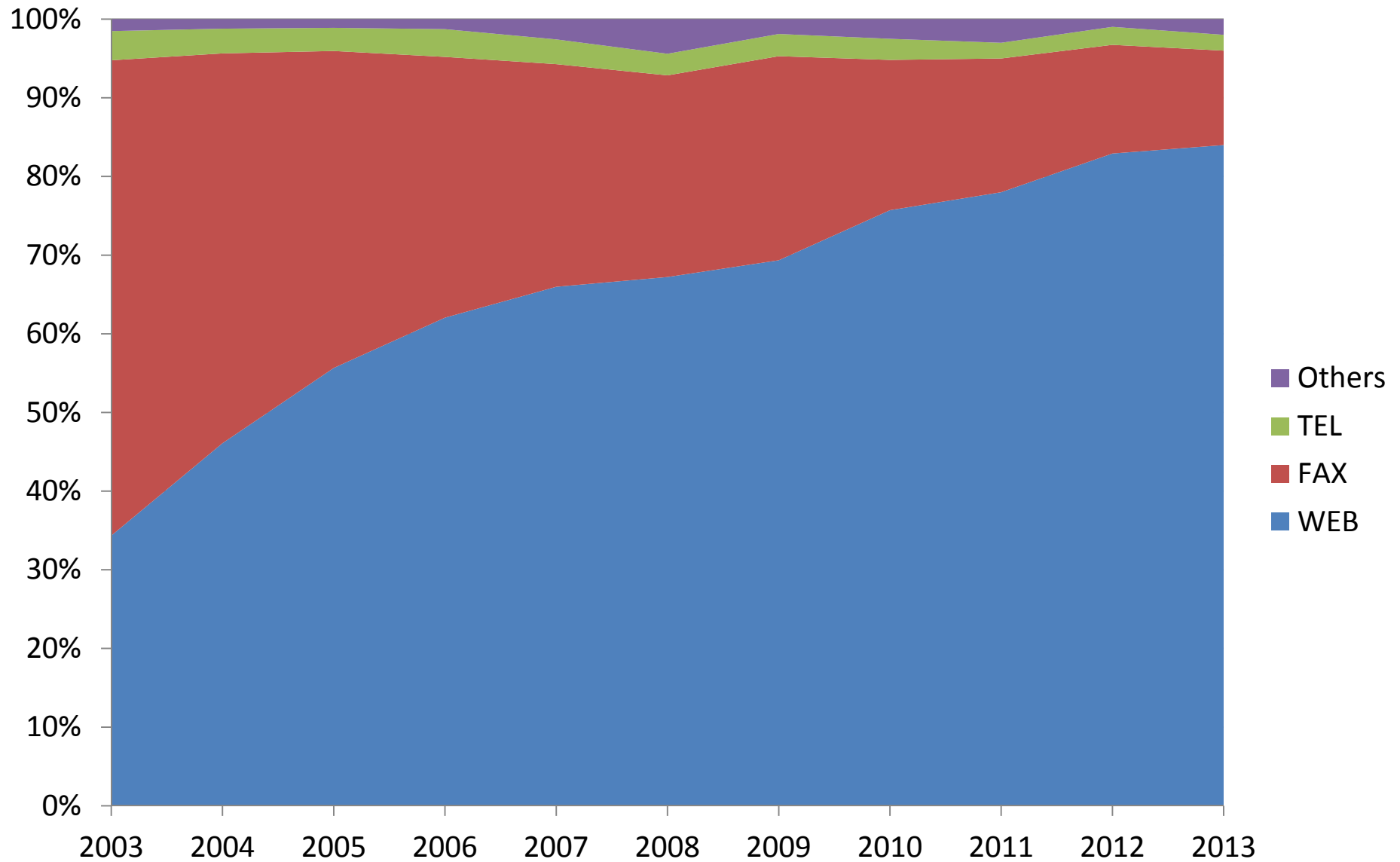
Industry



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 M)				Change
		2007	2009	2011	2013	2007 to 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	170,000	+34.2%
		16,317	8,408	16,646	18,500	+13.4%
Nichiden (9902) - (M)	W	92,745	58,639	84,687	86,000	-7.3%
		5,533	1,283	4,036	3,830	-30.8%
NaITO (7624) - (F)	W	51,479	26,256	36,837	37,500	-27.2%
		1,343	-668	269	200	-85.1%
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	16,000	-38.0%
		2,115	-28	1,077	550	-74.0%
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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