



monotaro

MonotaRO Co., Ltd.

Q3, 2014
(Jan. to Sep., 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 8 million)
# of customers:	1.32 million and more throughout Japan
Date of foundation:	October 19, 2000
Full-scale operation start date:	November 13, 2001
Capital stock:	1.85 billion yen or 16.8million US dollars (U\$1=JPY110.45)
# of employees:	933 including 231 regular employees (Sept., 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, Adhesive, Welding
- FA, Mechanical Parts
- Fasteners
- Electrical
- Auto/Cargo Truck Maintenance & Parts
- Motor Bike/Bicycle Maintenance & Parts
- Construction, Painting/Interior
- Air conditioning/Electric Facilities, Piping, Plumbing
- Laboratory
- Office supplies
- Agricultural equipment & supplies
- Kitchen equipment & 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 8 million items, our paper catalogues cover 370 thousand items and 240 thousand items are available for the same day shipment.
140 thousand items out of the same day shipment products are in 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. Catalogue

- 16 separate volumes for better targeting

6. Data Mining & Campaign Management





5. Our Procurement

Enhancement of Product Sources

- Developing new suppliers and new products through various channels

Direct Import and Private Brand Products Sales

- Higher Margin
- 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_3Q Financial Result – Outline

(MonotaRO Non-consolidated)

◆ Sales 31,896 million yen YonY +30.0%

-New customer acquisition accelerated.

No. of customers' accounts newly acquired increased by 23% YonY.

Monthly average customer acquisition no. is also increasing.

1Q - 22,000/Month 2Q – 23,000/Month 3Q – 25,000/Month

In Sept., 29,000 new accounts are added partly due to the TV commercial in Tokyo Metropolitan and other areas.

◆ Gross Profit 9,214 million yen YonY +23.4%

-Gross profit rate stopped decreasing, but it is lower by 1.5 point YonY

◆ SG&A Cost 5,851 million yen YonY +34.9%

-SG&A cost ratio increased by 0.6 points YonY due to the increase of the rent and the temporary workers' cost in relation to the new DC launch.

◆ Operating Income 3,363 million yen YonY +7.5%



7-2. 2014_3Q cumulative Financial Result – P/L (MonotaRO Non-consolidated)

	3Q YTD, 2013 Result		3Q YTD, 2014 Result		
	Amount (million yen)	Ratio to sales	Amount (million yen)	Ratio to sales	YoY
Sales	24,543		31,896		+30.0%
Gross Profit	7,466	30.4%	9,214	28.9%	+23.4%
SG&A Exp.	4,336	17.7%	5,851	18.3%	+34.9%
Operating Income	3,129	12.8%	3,363	10.5%	+7.5%
Current Income	3,152	12.8%	3,395	10.6%	+7.7%
Net income	1,916	7.8%	2,076	6.5%	+8.3%

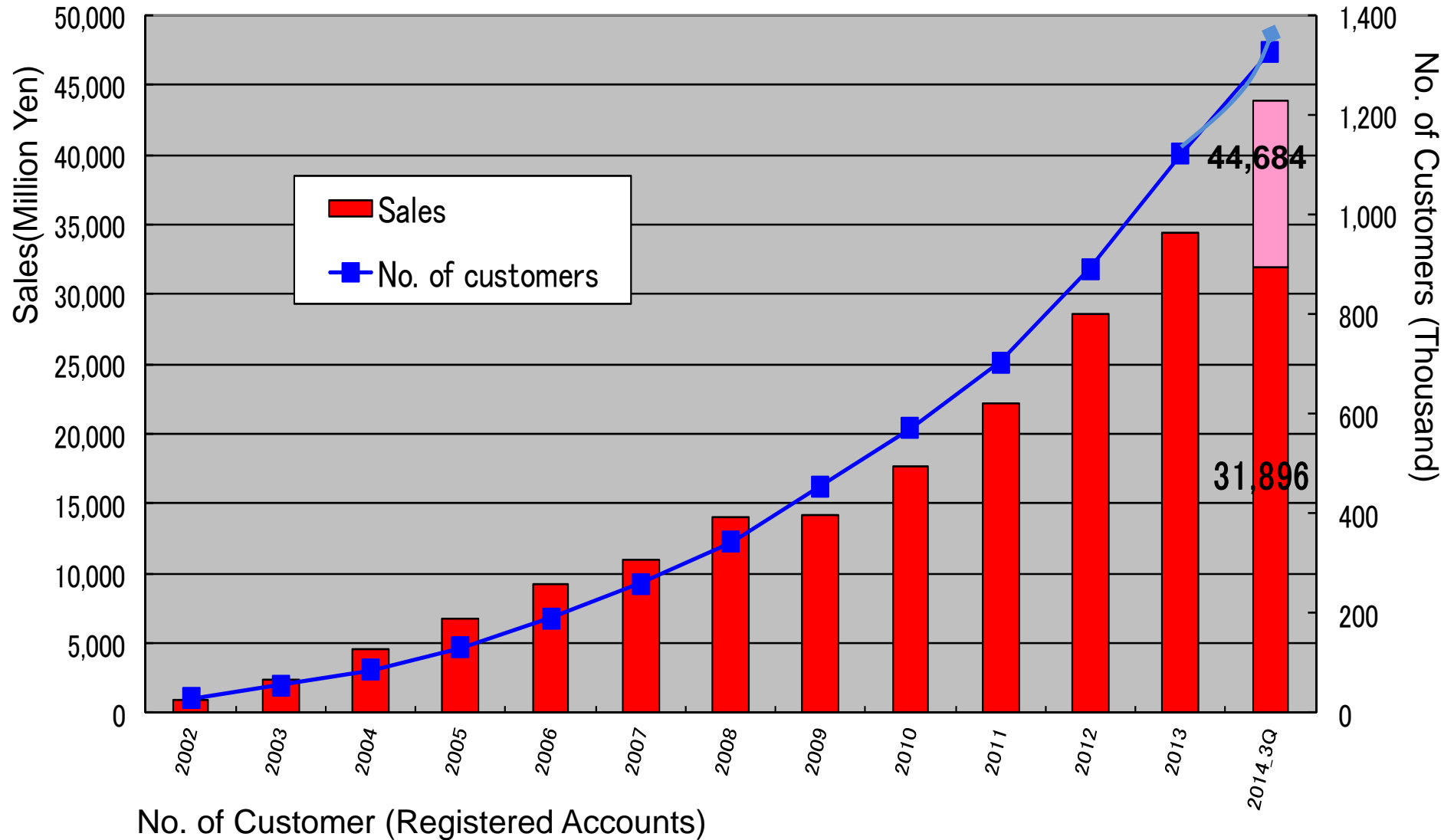


7-3. 2014_3Q Financial Result - B/S (MonotaRO Non-consolidated)

		Sep.	Dec.	Sep. 2014				Sep.	Dec.	Sep. 2014	
		2013	2013	Million Yen	Ratio			2013	2013	Million Yen	Ratio
Asset						Liabilities					
	CASH	3,321	4,158	2,680	16.6%		Accounts Payable	2,311	2,666	3,031	18.7%
	Accounts Receivable	3,189	3,757	4,446	27.5%		Short-term Debt	1,300	1,300	1,300	8.0%
	Inventory	3,525	3,211	3,936	24.3%		Others	2,413	2,787	2,535	15.7%
	Others	1,297	1,395	1,639	10.1%		Total Current Liabilities	6,024	6,753	6,867	42.4%
Total Current Asset		11,333	12,522	12,703	78.5%		Long term Liabilities	338	359	458	2.8%
	Tangible Fixed Asset	261	388	1,052	6.5%		Total Liabilities	6,363	7,113	7,325	45.3%
	Intangible Fixed Asset	793	820	911	5.6%	Net Assets					
	Others	906	911	1,518	9.4%		Shareholder's Equity	6,864	7,456	8,789	54.3%
Total Fixed Assets		1,961	2,120	3,482	21.5%		Others	67	73	69	0.4%
Total Assets		13,294	14,643	16,185			Total Net Assets	6,931	7,530	8,859	54.7%
							Total Liabilities & Net Assets	13,294	14,643	16,185	



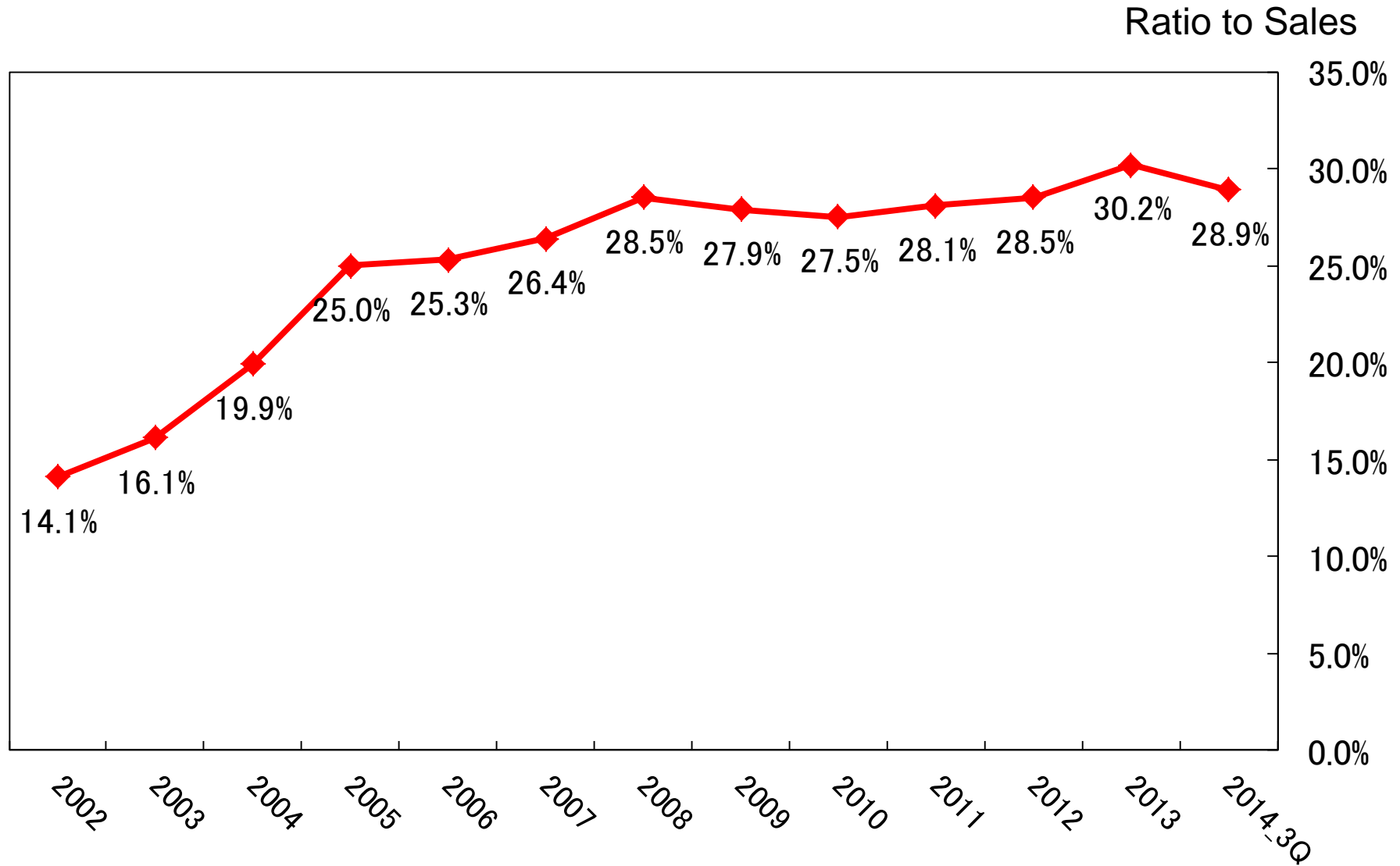
8-1. Our Progress -Sales & Customers (MonotaRO Non-Consolidated)



Dec., 2013 1,122,291 \longrightarrow Sep., 2014 1,328,143



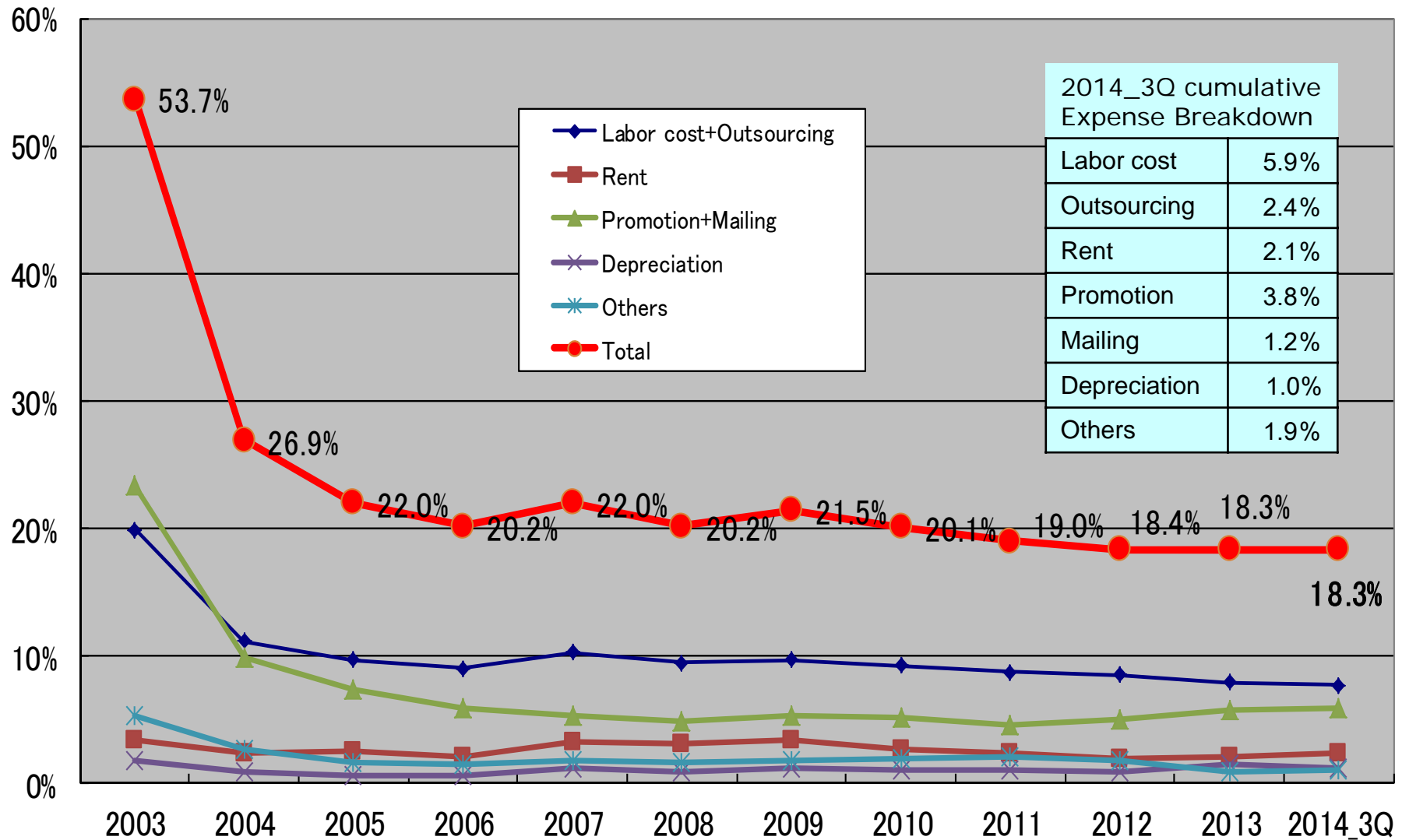
8-2. Our Progress -Gross Profit (MonotaRO Non-Consolidated)





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

Ratio to Sales





9-1.2014_3Q cumulative Financial Result-P/L (Consolidated)

	2013_3Q YTD Result		2014_3Q YTD Result		
Million yen	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY
Sales	24,587		32,413		+31.8%
Gross Profit	7,470	30.4%	9,301	28.7%	+24.5%
SG&A Exp.	4,465	18.2%	6,151	19.0%	+37.7%
Operating Income	3,004	12.2%	3,149	9.7%	+4.8%
Current Income	3,020	12.3%	3,181	9.8%	+5.3%
Net Income	1,810	7.4%	1,862	5.7%	+2.8%



9-2.2014_3Q Financial Result-B/S (Consolidated)

	Dec.,2013		Jun., 2014			Dec.,2013		Jun., 2014	
	Million Yen	Ratio	Million Yen	Ratio		Million Yen	Ratio	Million Yen	Ratio
Asset					Liabilities				
CASH	4,248	29.3%	2,950	18.5%	Accounts Payable	2,667	18.4%	3,100	19.4%
Accounts Receivable	3,760	25.9%	4,479	28.1%	Short-term Debt	1,300	9.0%	1,300	8.2%
Inventory	3,242	22.4%	4,044	25.4%	Others	2,820	19.4%	2,579	16.2%
Others	1,408	9.7%	1,651	10.4%	Total Current Liabilities	6,787	46.8%	6,980	43.8%
Total Current Asset	12,660	87.3%	13,126	82.3%	Long term Liabilities	361	2.5%	467	2.9%
Tangible Fixed Asset	404	2.8%	1,066	6.7%	Total Liabilities	7,149	49.3%	7,447	46.7%
Intangible Fixed Asset	870	6.0%	954	6.0%	Net Assets				
Others	570	3.9%	798	5.0%	Shareholder's Equity	7,255	50.0%	8,374	52.5%
Total Fixed Assets	1,845	12.7%	2,818	17.7%	Others	100	0.7%	122	0.8%
Total Assets	14,505		15,945		Total Net Assets	7,355	50.7%	8,497	53.3%
					Total Liabilities & Net Assets	14,505		15,945	



9-3.2014_3Q Financial Result-C/F (Consolidated)

(M Yen)	Jan-Sep, 2013	Jan-Sep, 2014
I Cash Flow from Operating Activity		
Net Income before Tax	2,989	3,151
Increase or Decrease in Accounts Receivable	-332	-715
Increase or Decrease in Inventory	-432	-797
Increase or Decrease in Accounts Payable	99	428
Others	-1,011	-1,522
Total	1,311	543
II Cash Flow from Investing Activity		
Acquisition of Tangible Assets	-45	-139
Acquisition of Intangible Assets	-280	-347
Others	-430	-251
Total	-755	-738
III Cash Flow from Financing Activity		
Dividend	-601	-789
Others	315	-324
Total	-286	-1,114
IV Currency Exchange Adjustment	10	20
V Net Increase/Decrease of Cash and Cash Equivalent	279	-1,288
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	3,105	2,660



10-1. FY2014 Plan – Consolidated

	FY2013 Result		FY2014 Original Plan		FY2014 Revised Plan			
	million	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales		34,556		42,647		44,684		+29.3%
Gross Profit		10,410	30.1%	12,422	29.1%	12,910	28.9%	+24.0%
SG&A Exp.		6,525	18.9%	8,212	19.2%	8,582	19.2%	+31.5%
Operating Income		3,885	11.2%	4,210	9.9%	4,327	9.7%	+11.4%
Current Income		3,901	11.3%	4,197	9.8%	4,345	9.7%	+11.4%
Net Income		2,289	6.6%	2,444	5.7%	2,531	5.6%	+10.6%

The revised plan was released on Jul. 29, 2014



10-2. FY2014 Plan – MonotaRO non-consolidated

million	FY2013 Result		FY2014 Original Plan		FY2014 Revised Plan		
	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales	34,484		42,140		43,920		+27.4%
Gross Profit	10,403	30.2%	12,358	29.3%	12,824	29.2%	+23.3%
SG&A Expense	6,325	18.3%	7,819	18.6%	8,169	18.6%	+29.2%
Operating Income	4,077	11.8%	4,538	10.8%	4,654	10.6%	+14.1%
Current Income	4,104	11.9%	4,528	10.7%	4,672	10.6%	+13.8%
Net Income	2,492	7.2%	2,776	6.6%	2,858	6.5%	+14.7%



11. FY2014 Business Strategy-3Q Update 1/2

* New customer acquisition

- Expansion of customer base has been accelerated to 25,000 per month in 3Q.
- In Sept., No. of new customer acquisition hit the record high with 29,000 accounts partly due to the TV commercial in Tokyo metropolitan area and other areas.

* Vol. 10 Paper catalogues are released in Oct.

- 16 separate volumes by product categories, 8,300 pages, 370,000 products covered, 2.1 million copies issued.
- New category catalogues
 - "Kitchen equipment & supplies" &
 - "Agricultural equipment & supplies"
- Split-out category catalogues due to the expansion of product lineup
 - "Chemicals, Adhesive, Welding"
 - "Air conditioning/Electric Facilities, Piping, Plumbing"

* New distribution center

- No. of inventory increased to 140k SKUs by the end of Sep. 20k SKUs are going to be added every month toward the goal of 200k SKUs at the end of the year.
- The improvement of efficiency is in progress.



11. FY2014 Business Strategy-3Q Update 2/2

* Sales to large size companies

-Sales through API connection

No. of the connected companies has increased to 160 in Sep., 2014 from 120 in Dec., 2013

Sales increased to 215% of the same period of the year earlier.

-MonotaRO's original procurement management system "One Source" is in negotiations for implementation.

* Overseas business

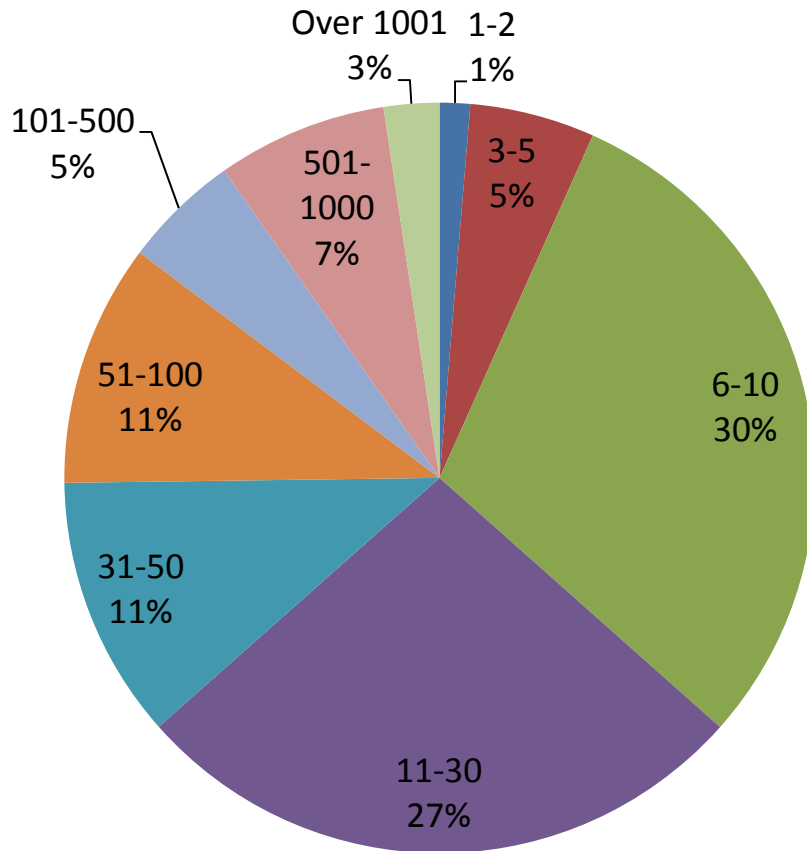
-Korean subsidiary business and consulting business in USA and Europe progress strongly and steadily.

-Export business to South East Asia expanded the sales area to 33 countries.

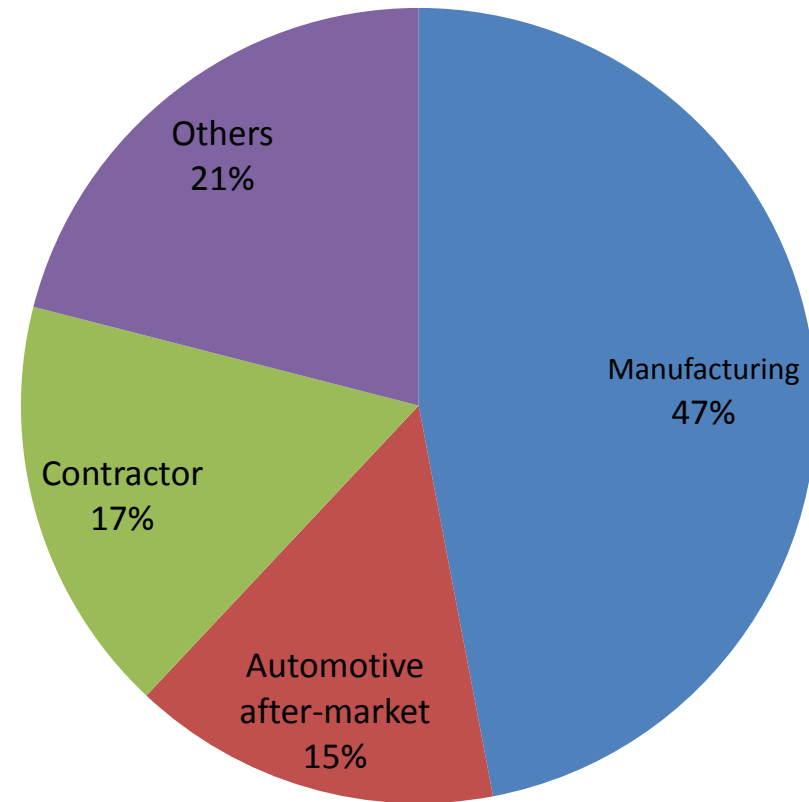


Reference 1: Customer Demographics

Size (number of employees)



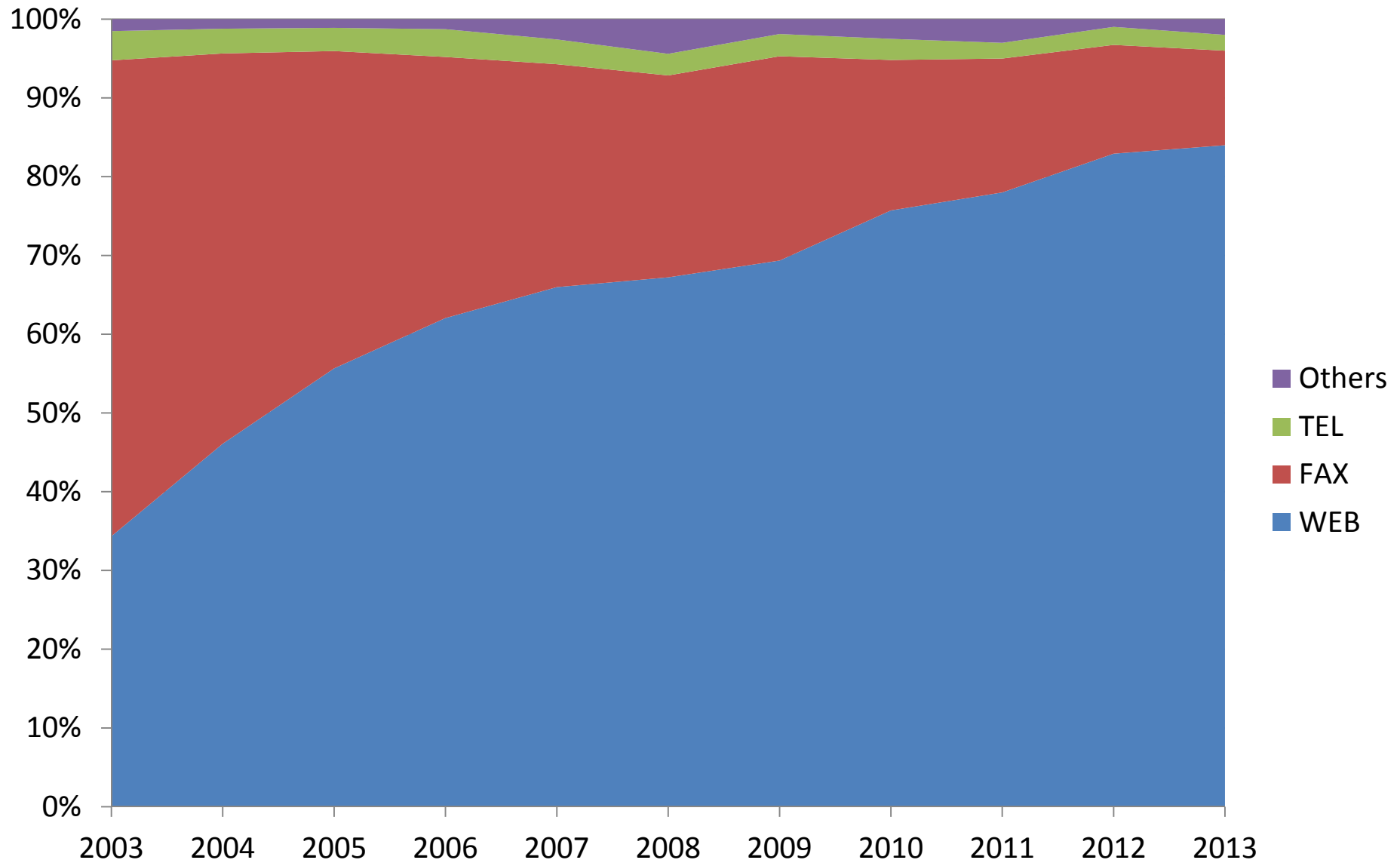
Industry



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				Change 2007 to 2013
		Lower : Operating Profit (Yen M)				
		2007	2009	2011	2013	
Yuasa (8074) - (M)	W	468,476	309,196	396,732	442,213	-5.6%
		8,254	204	6,634	9,517	+15.3%
Yamazen (8051) - (M)	W	376,852	241,410	372,830	395,249	+4.9%
		11,518	836	10,528	9,562	-17.0%
Trusco (9830) - (M)	W	134,430	99,201	129,912	145,882	+8.5%
		9,120	3,745	8,369	10,133	+11.1%
Misumi (9962) - (M)	R	126,668	89,180	130,212	173,904	+37.3%
		16,317	8,408	16,646	18,989	+16.4%
Nichiden (9902) - (M)	W	92,745	58,639	84,687	87,917	-5.2%
		5,533	1,283	3,978	4,304	-22.2%
NaITO (7624) - (F)	W	51,479	26,256	36,837	36,601	-28.9%
		1,343	-668	269	234	-82.6%
Sugimoto (9932) - (M)	W • R	41,461	24,724	30,477	31,356	-24.4%
		2,292	-84	929	1,212	-47.1%
Toba (7472) - (M)	R	25,800	11,438	19,180	16,333	-36.7%
		2,115	-28	1,077	627	-70.4%
Uematsu (9914) - (M)	R	7,647	4,428	5,933	6,182	-19.2%
		190	-161	37	54	-71.6%
MonotaRO (3064) - (D)	R	10,897	14,209	22,239	34,556	+217.1%
		480	910	2,009	3,885	+709.4%



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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