



**monotaro**

# MonotaRO Co., Ltd.

1Q, FY2015  
(Jan. to Mar., 2015)



# 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 9 million)

# of customers: 1,493,000 and more throughout Japan

Date of foundation: October 19, 2000

Full-scale operation  
start date: November 13, 2001

Capital stock: 1.88 billion yen or 15.7million dollars (US\$1=JPY120.17)

# of employees: 1,051 including 246 regular employees (Mar., 2015 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 reasonable prices,  
and now they are free from bothers in asking quotes every time.

#### -Product Availability

Conventional supplier:  
Limited product availability, Small selection

We sell 9 million items, our paper catalogs cover 380 thousand items and 348 thousand items are available for the same day shipment.  
218 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

- Personalized promotion for more effectiveness and efficiency





## 5. Our Procurement

---

### **Enhancement of Product Sources**

- Developing new suppliers and new products through various channels

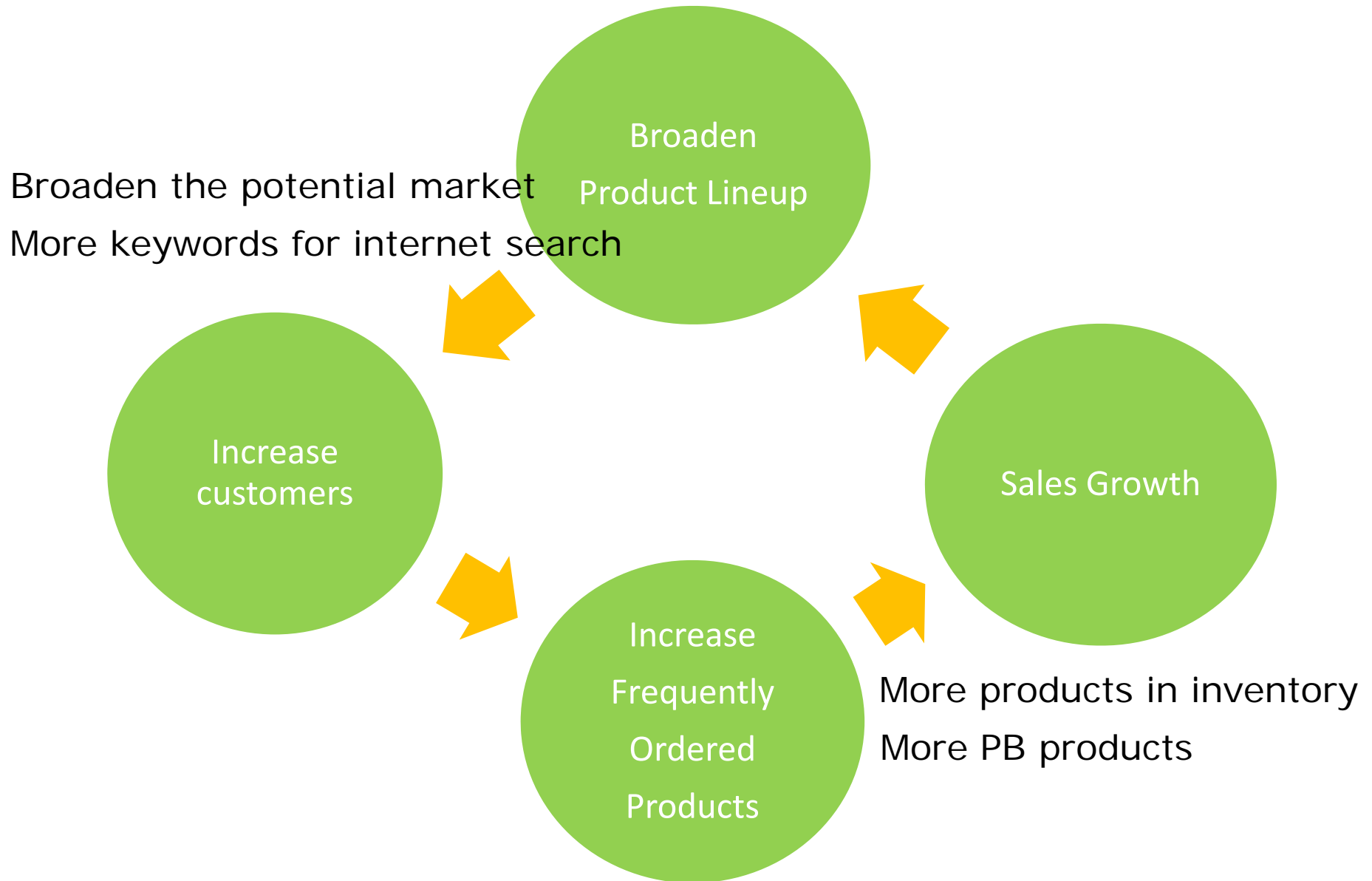
### **Direct Import and Private Brand Products**

- Higher Margin
- Unique competitive advantage



## 6-1. Our Growth – Development Cycle

---





## 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"
- 2012 API connection with Large size companies increased
- 2013 South Korean business:
- Established a subsidiary in January
  - Start business in April
- 2014 Expand product lineup
- with agricultural equipment and kitchen equipment.
  - "One Source" Procurement management system for enterprises





## 7-1. FY2015\_1Q Financial Result – Outline

(MonotaRO Non-consolidated)

---

### ◆ Sales 13,039 million yen YonY +21.3%

Sales grew steadily beyond the higher hurdle of last year when sales grew +38.9% YonY with the rush demand before tax hike.

The expansion of inventory and catalog issuance contributed to the existing customers sales growth and the increase of the average order size.

TVCM showed the effective result in new customer acquisition.

### ◆ Gross Profit 3,899 million yen YonY +25.5%

GP rate improved by 1.0 point YonY due to the price adjustment in sales and purchase, the shipping efficiency improvement and the increase of royalty fee.

### ◆ SG&A Cost 2,313 million yen YonY +26.0%

SG&A cost ratio increased by 0.6 point YonY due to the increase of TVCM cost, the cost transfer of paper catalog from 4Q to 1Q and the increase of the distribution center rent. At the same time, the distribution center operation and SEM showed the improvement of cost efficiency.

### ◆ Operating Income 1,585 million yen YonY +24.9%

Sales growth, the improvement of GP rate and the efficiency improvement of SG&A cost resulted in the better operating income.



## 7-2. 2015\_1Q Financial Result – P/L

(MonotaRO Non-consolidated)

	1Q, 2014 Result		1Q, 2015 Result		
	Amount (million yen)	Ratio to sales	Amount (million yen)	Ratio to sales	YonY
Sales	10,751		13,039		+21.3%
Gross Profit	3,106	28.9%	3,899	29.9%	+25.5%
SG&A Exp.	1,836	17.1%	2,313	17.7%	+26.0%
Operating Income	1,269	11.8%	1,585	12.2%	+24.9%
Current Income	1,280	11.9%	1,596	12.2%	+24.7%
Net income	786	7.3%	1,031	7.9%	+31.3%



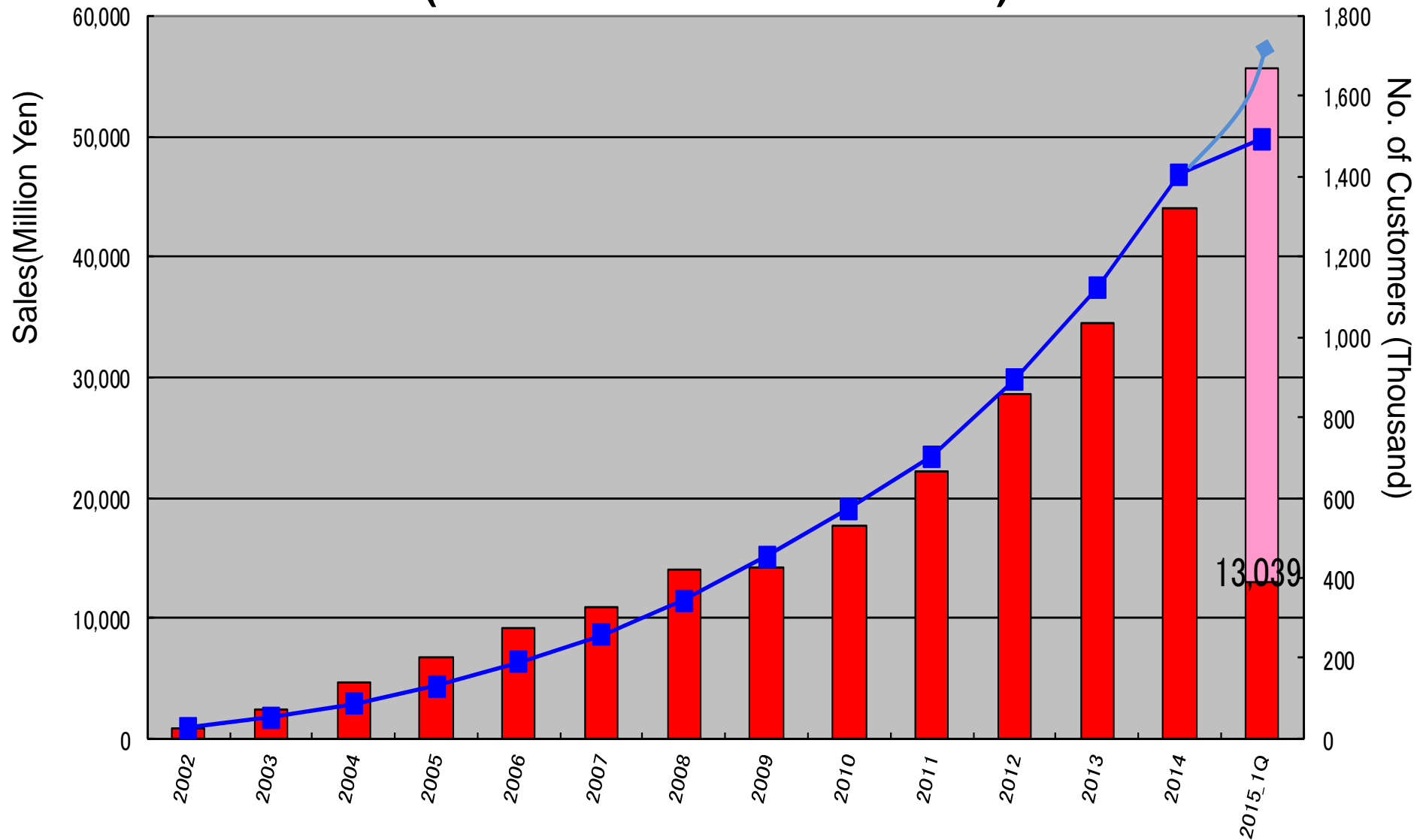
## 7-3. 2015\_1Q Financial Result - B/S (MonotaRO Non-consolidated)

	Mar.	Dec.	Mar. 2015			Mar.	Dec.	Mar. 2015	
	2014	2014	Million Yen	Ratio		2014	2014	Million Yen	Ratio
<b>Asset</b>					<b>Liabilities</b>				
CASH	2,746	4,002	3,217	17.3%	Accounts Payable	3,536	3,581	4,048	21.8%
Accounts Receivable	4,590	4,866	5,683	30.6%	Short-term Debt & etc.	1,388	814	814	4.4%
Inventory	3,469	3,916	4,199	22.6%	Others	1,702	3,027	2,461	13.2%
Others	1,487	1,816	1,980	10.6%	<b>Total Current Liabilities</b>	<b>6,628</b>	<b>7,423</b>	<b>7,324</b>	<b>39.4%</b>
<b>Total Current Asset</b>	<b>12,293</b>	<b>14,602</b>	<b>15,081</b>	<b>81.1%</b>	Long term Liabilities	309	1,060	993	5.3%
Tangible Fixed Asset	461	1,085	1,060	5.7%	<b>Total Liabilities</b>	<b>6,937</b>	<b>8,483</b>	<b>8,317</b>	<b>44.7%</b>
Intangible Fixed Asset	869	912	930	5.0%	<b>Net Assets</b>				
Others	1,282	1,527	1,530	8.2%	Shareholder's Equity	7,893	9,574	10,219	54.9%
<b>Total Fixed Assets</b>	<b>2,613</b>	<b>3,525</b>	<b>3,521</b>	<b>18.9%</b>	Others	76	70	66	0.4%
<b>Total Assets</b>	<b>14,906</b>	<b>18,128</b>	<b>18,603</b>		<b>Total Net Assets</b>	<b>7,969</b>	<b>9,645</b>	<b>10,285</b>	<b>55.3%</b>
					<b>Total Liabilities &amp; Net Assets</b>	<b>14,906</b>	<b>18,128</b>	<b>18,603</b>	

Short-term Debt & etc. includes short-term debt & current portion of long-term debt.



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

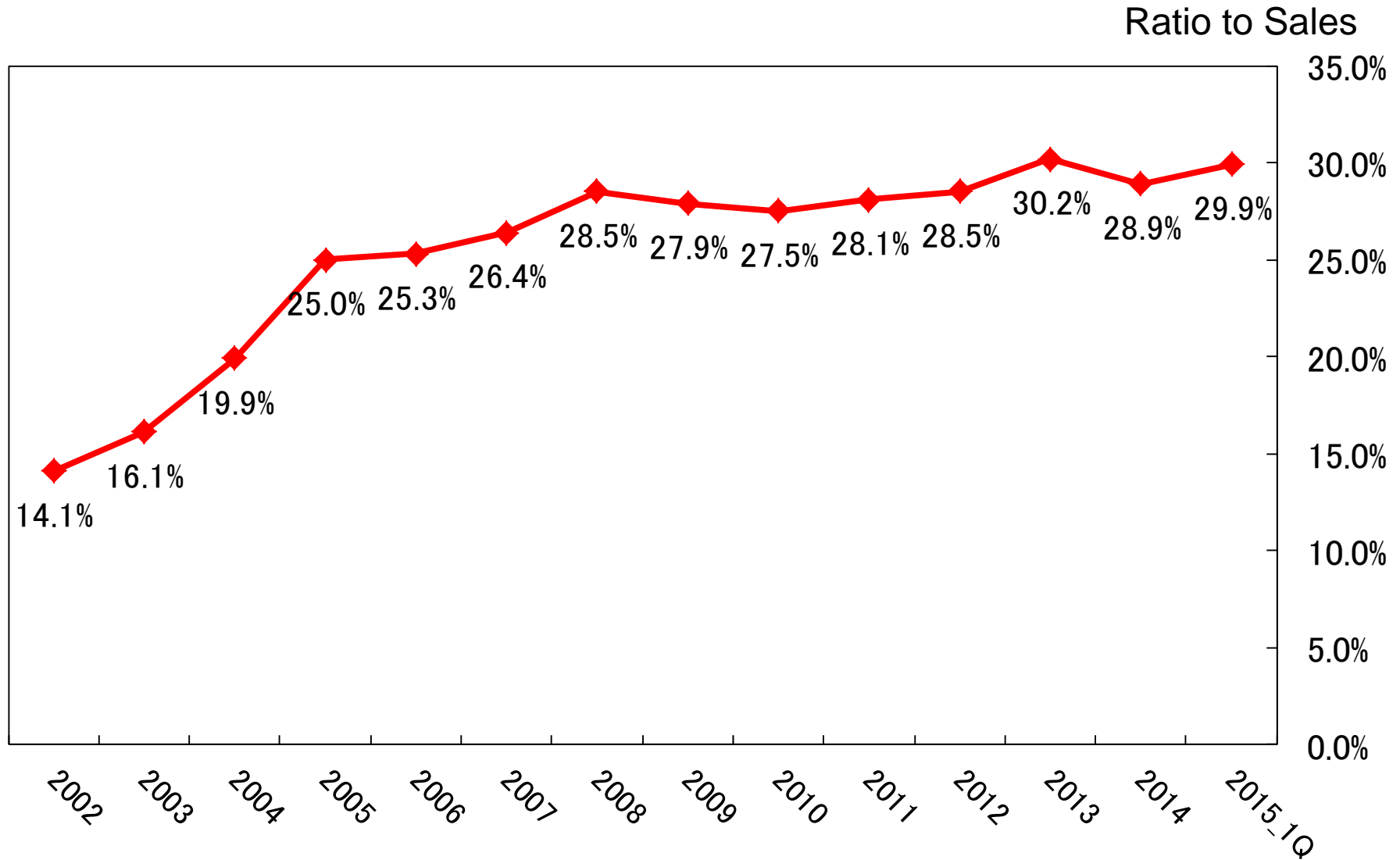


No. of Customers (Registered Accounts)

Dec., 2014 1,405,372  $\Rightarrow$  Mar., 2015 1,493,760



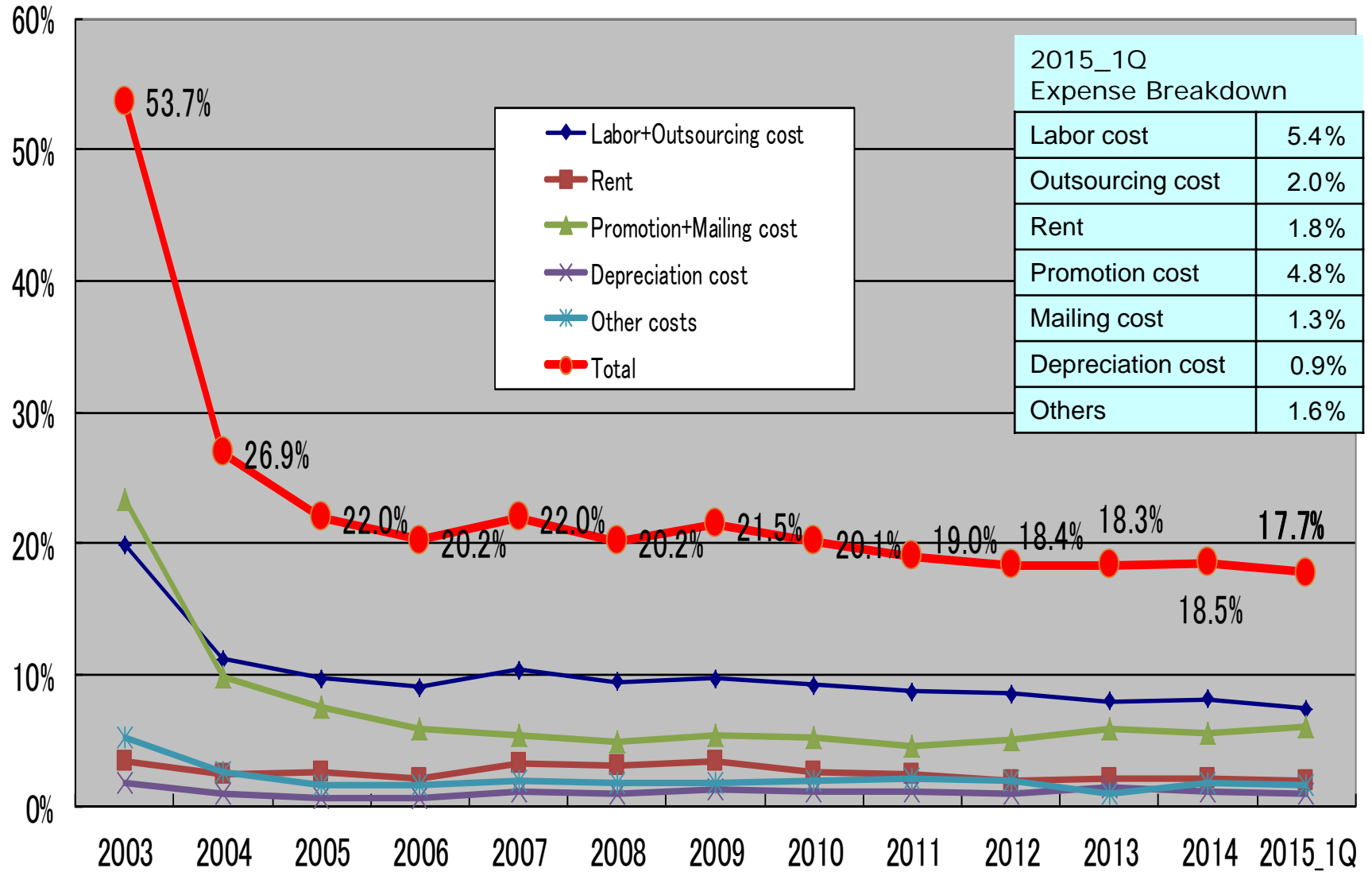
## 8-2. Our Progress -Gross Profit (MonotaRO Non-Consolidated)





## 8-3. Our Progress –SG&A Cost (MonotaRO Non-Consolidated)

Ratio to Sales





## 9-1.2015\_1Q Financial Result-P/L (Consolidated)

	2014_1Q		2015_1Q		
Million yen	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY
Sales	10,831		13,447		+24.1%
Gross Profit	3,134	28.9%	3,976	29.6%	+26.9%
SG&A Exp.	1,916	17.7%	2,457	18.3%	+28.2%
Operating Income	1,217	11.2%	1,518	11.3%	+24.7%
Current Income	1,229	11.4%	1,529	11.4%	+24.4%
Net Income	735	6.8%	965	7.2%	+31.2%



## 9-2.2015\_1Q Financial Result-B/S (Consolidated)

	Mar.	Dec.	Mar., 2015			Mar.	Dec.	Mar., 2015	
	2014	2014	Million Yen	Ratio		2014	2014	Million Yen	Ratio
<b>Asset</b>					<b>Liabilities</b>				
CASH	3,176	4,184	3,310	18.1%	Accounts Payable	3,558	3,701	4,167	22.8%
Accounts Receivable	4,600	4,895	5,727	31.3%	Short-term Debt & etc.	1,388	814	814	4.5%
Inventory	3,512	4,093	4,386	24.0%	Others	1,738	3,074	2,507	13.7%
Others	1,507	1,831	1,994	10.9%	<b>Total Current Liabilities</b>	<b>6,686</b>	<b>7,590</b>	<b>7,489</b>	<b>41.0%</b>
<b>Total Current Asset</b>	<b>12,797</b>	<b>15,004</b>	<b>15,418</b>	<b>84.4%</b>	Long term Liabilities	316	1,061	997	5.5%
Tangible Fixed Asset	475	1,098	1,072	5.9%	<b>Total Liabilities</b>	<b>7,003</b>	<b>8,652</b>	<b>8,487</b>	<b>46.4%</b>
Intangible Fixed Asset	914	958	972	5.3%	<b>Net Assets</b>				
Others	553	806	808	4.4%	Shareholder's Equity	7,641	9,073	9,651	52.8%
<b>Total Fixed Assets</b>	<b>1,943</b>	<b>2,863</b>	<b>2,854</b>	<b>15.6%</b>	Others	96	142	134	0.7%
<b>Total Assets</b>	<b>14,740</b>	<b>17,868</b>	<b>18,273</b>		<b>Total Net Assets</b>	<b>7,737</b>	<b>9,216</b>	<b>9,786</b>	<b>53.6%</b>
					<b>Total Liabilities &amp; Net Assets</b>	<b>14,740</b>	<b>17,868</b>	<b>18,273</b>	

Short-term Debt & etc. includes short-term debt & current portion of long-term debt.





## 9-3.2015\_1Q Financial Result-C/F (Consolidated)

(M Yen)		2014_1Q	2015_1Q
<b>I Cash Flow from Operating Activity</b>			
	Net Income before Tax	1,229	1,528
	Increase or Decrease in Accounts Receivable	-793	-832
	Increase or Decrease in Inventory	-271	-294
	Increase or Decrease in Accounts Payable	892	466
	Others	-1,546	-1,155
	<b>Total</b>	<b>-489</b>	<b>-287</b>
<b>II Cash Flow from Investing Activity</b>			
	Acquisition of Tangible Assets	-101	-3
	Acquisition of Intangible Assets	-115	-74
	Others	-6	-8
	<b>Total</b>	<b>-223</b>	<b>-86</b>
<b>III Cash Flow from Financing Activity</b>			
	Dividend	-350	-421
	Others	-5	-76
	<b>Total</b>	<b>-355</b>	<b>-498</b>
<b>IV Currency Exchange Adjustment</b>		<b>-3</b>	<b>-1</b>
<b>V Net Increase/Decrease of Cash and Cash Equivalent</b>		<b>-1,072</b>	<b>-874</b>
<b>VI Cash and Cash Equivalent at the beginning of the period</b>		<b>3,948</b>	<b>3,884</b>
<b>VII Cash and Cash Equivalent at the end of the period</b>		<b>2,876</b>	<b>3,010</b>



## 10-1. FY2015 Plan / P/L– MonotaRO non-consolidated

million	FY2014 Result		FY2015 Plan		
	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY
Sales	44,057		53,104		+20.5%
Gross Profit	12,788	29.0%	15,755	29.7%	+23.2%
SGA Expense	8,172	18.5%	9,372	17.6%	+14.7%
Operating Income	4,616	10.5%	6,382	12.0%	+38.3%
Current Income	4,651	10.6%	6,382	12.0%	+37.2%
Net Income	2,843	6.5%	4,089	7.7%	+43.8%

million	1 <sup>st</sup> Half (Jan to Jun)			2 <sup>nd</sup> Half (Jul to Dec)		
	Amount	Ratio to Sales	YonY	Amount	Ratio to Sales	YonY
Sales	25,046		+19.0%	28,058		+22.0%
Gross Profit	7,432	29.7%	+22.3%	8,322	29.7%	+24.0%
SGA Expense	4,511	18.0%	+20.9%	4,861	17.3%	+9.4%
Operating Income	2,920	11.7%	+24.4%	3,461	12.3%	+52.7%
Current Income	2,921	11.7%	+23.1%	3,461	12.3%	+52.0%
Net Income	1,871	7.5%	+27.5%	2,217	7.9%	+61.1%



## 10-2. FY2015 Plan / P/L – Consolidated

million	FY2014 Result		FY2015 Plan		
	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales	44,937		55,617		+23.8%
Gross Profit	12,934	28.8%	16,142	29.0%	+24.8%
SGA Expense	8,610	19.2%	10,139	18.2%	+17.8%
Operating Income	4,323	9.6%	6,003	10.8%	+38.8%
Current Income	4,351	9.7%	5,999	10.8%	+37.9%
Net Income	2,544	5.7%	3,706	6.7%	+45.7%

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	26,097		+22.5%	29,520		+24.9%
Gross Profit	7,580	29.0%	+23.7%	8,561	29.0%	+25.8%
SGA Expense	4,855	18.6%	+24.1%	5,283	17.9%	+12.5%
Operating Income	2,724	10.4%	+22.8%	3,278	11.1%	+55.7%
Current Income	2,723	10.4%	+21.4%	3,276	11.1%	+55.4%
Net Income	1,673	6.4%	+25.1%	2,032	6.9%	+68.5%



## 10-3. FY2015 Business Strategy- 1Q Update- 1/2

---

### ✓ Toward the Formulation of “*de facto* Standard” for MRO Purchase.

#### -Expansion of the customer base

90,700 new accounts are acquired in the 1st quarter in 2015 through the aggressive promotion including TVCM. The monthly average no. of acquisition increased by 14.8% from the last quarter (Oct. to Dec. in 2014).

#### -Expansion of the product base

Product lineup expanded over 9 million by the end of Mar. 2015 with the richer assortment especially in machine parts, motorbike equipment and control equipment categories.

Agricultural equipment and kitchen equipment are also increasing no. of products including private label brand products.

#### -More user-friendly shopping website

Seeing the effectiveness of the real time analysis and personalization in the recommendation program, we will leverage this function further.



## **10-3. FY2015 Business Strategy- 1Q Update- 2/2**

---

### **✓ Paper catalog Vol 11, Spring edition**

- Divided catalog issuance in twice in a year from this year.
- The first Spring edition was issued for 8 categories out of 16 on Feb. 22.
- Encompass seasonal demand effectively and promoted the new inventory products

### **✓ Sales to large companies**

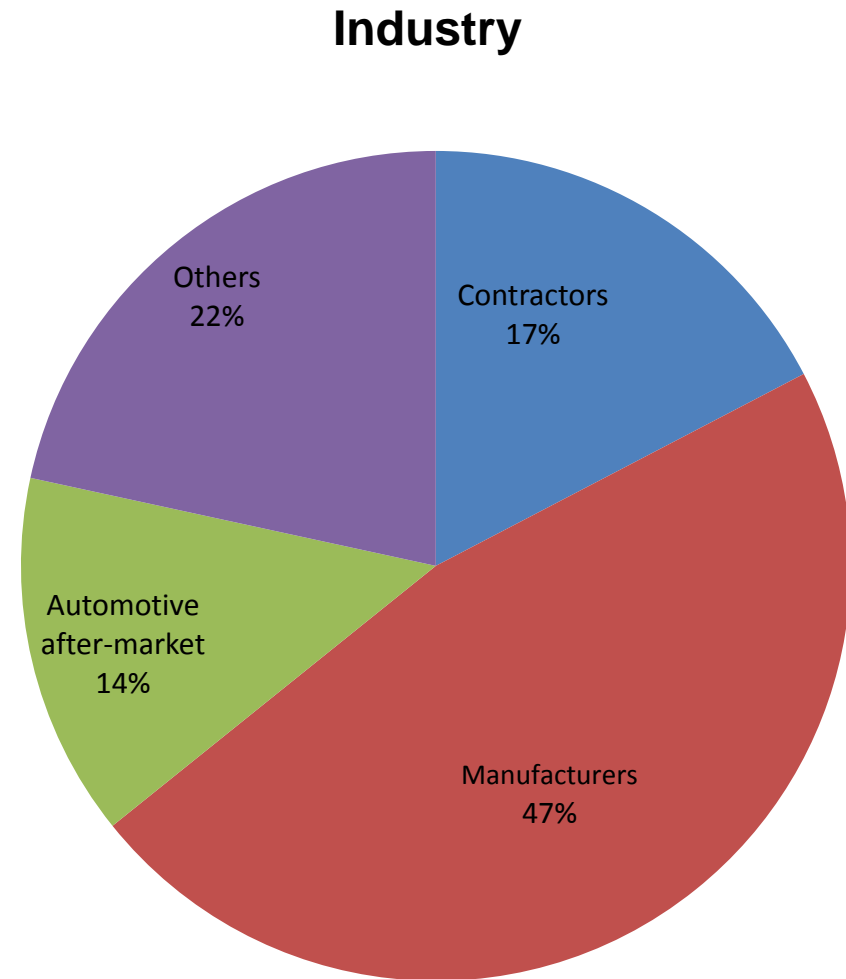
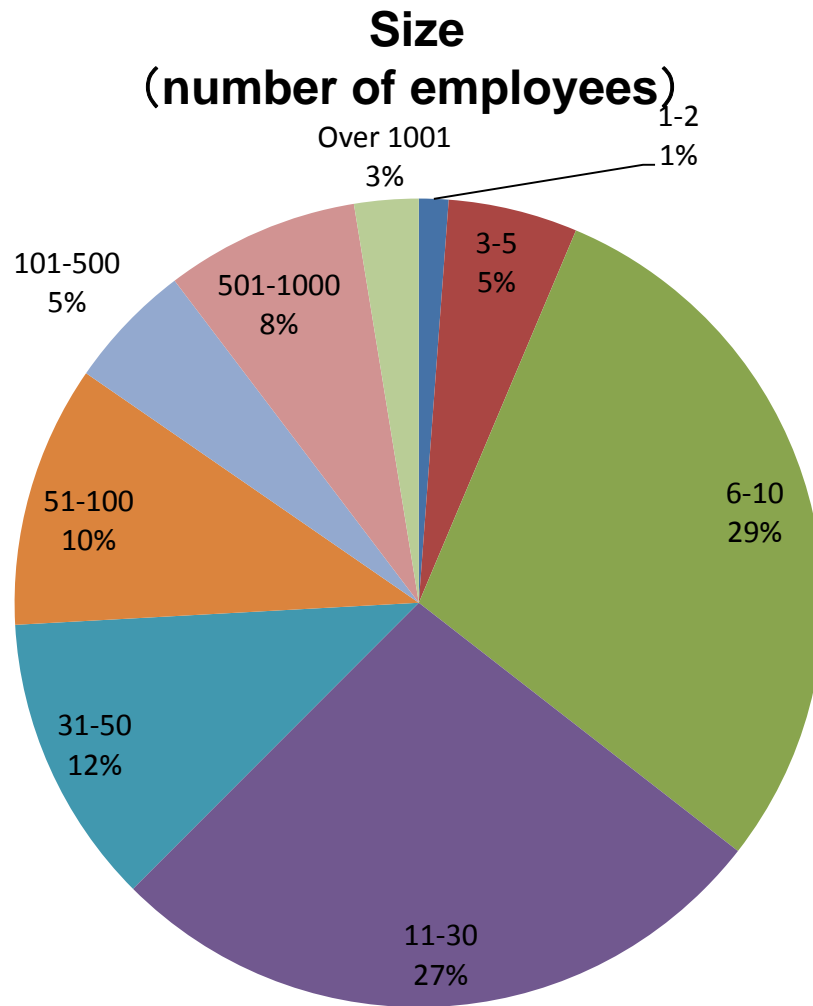
- No. of companies connected with our electronic product catalog increased by 11 to 177 in the 1st quarter, 2015.
- Sales increased by 81% YonY to 750 million yen.
- “One Source” (Purchase management system)  
Launch at 1 company from May and 2 other companies are going to introduce this system soon.

### **✓ Overseas expansion**

- The Korean business, NAVIMRO  
Sales in 1Q was 410 million yen, showing the steady sales growth.
- Consulting business  
The royalty fee increased steadily.



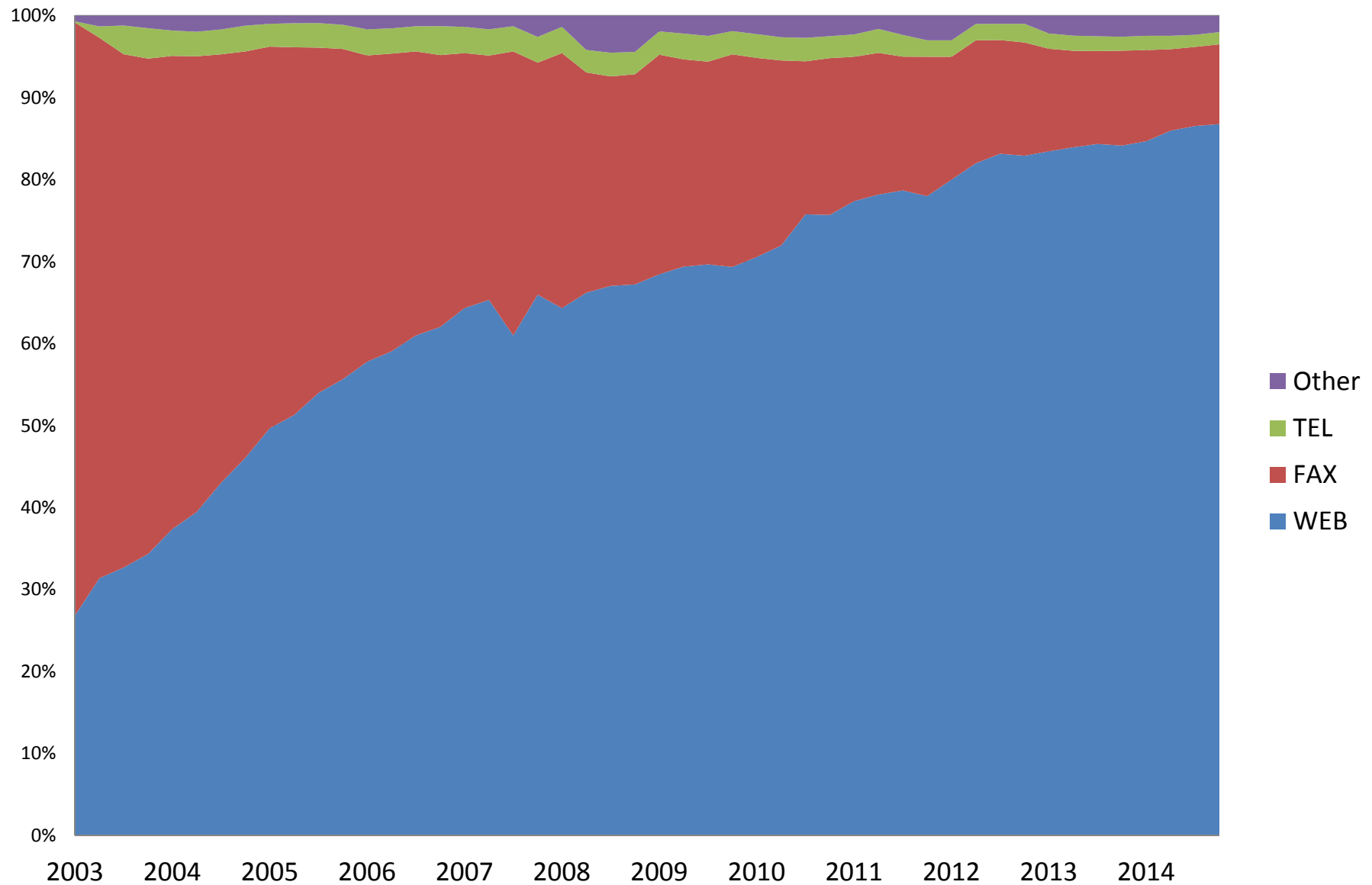
# Reference 1: Customer Demographics



Ratio by sales amount in 2014



## 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]

Apr. 20, 2015

	W : Wholesaler R : Retailer	Upper : Sales Lower : Operating Profit (Yen MM)				Change
		2007	2009	2011	2014	2007 to 2014
Yuasa (8074) - (M)	W	468,476	309,196	396,732	P 448,000	-4.4%
		8,254	204	6,634	P 9,600	16.3%
Yamazen (8051) - (M)	W	376,852	241,410	372,830	P 435,000	+15.4%
		11,518	836	10,528	P 13,000	+12.9%
Trusco (9830) - (M)	W	134,430	99,201	129,912	114,473	The amounts of 2014 are for 9months
		9,120	3,745	8,369	8,477	
Misumi (9962) - (M)	R	126,668	89,180	130,212	P 200,700	58.4%
		16,317	8,408	16,646	P 23,300	42.8%
Nichiden (9902) - (M)	W	92,745	58,639	84,687	P 94,000	1.4%
		5,533	1,283	3,978	P 4,520	-18.3%
NaITO (7624) - (F)	W	51,479	26,256	36,837	40,821	-20.8%
		1,343	-668	269	463	-65.5%
Sugimoto (9932) - (M)	W · R	41,461	24,724	30,477	P 34,590	-15.7%
		2,292	-84	929	P 1,590	-30.6%
Toba (7472) - (M)	R	25,800	11,438	19,180	P 19,000	-26.4%
		2,115	-28	1,077	P 800	-62.2%
Uematsu (9914) - (M)	R	7,647	4,428	5,933	P 6,350	-17.0%
		190	-161	37	P 55	-71.1%
MonotaRO (3064) - (D)	R	10,897	14,209	22,239	44,937	+312.3%
		480	910	2,009	4323	+800.6%

Amounts with P are each companys' forecasts.





#### 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.

### **Contact Us**

TEL: 81-6-4869-7190

FAX: 81-6-4869-7178

E-mail: [pr@monotaro.com](mailto:pr@monotaro.com)

IR information: [www.monotaro.com/main/ir/english/](http://www.monotaro.com/main/ir/english/)

---