



monotaro

MonotaRO Co., Ltd.

Q2, 2015

(Jan. to Jun., 2015)

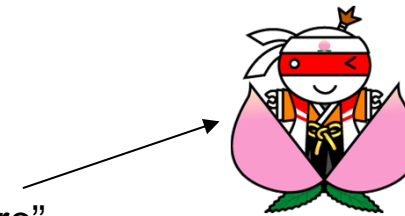


1. Company profile

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:	1.58 million and more throughout Japan
Date of foundation:	October 19, 2000
Full-scale operation start date:	November 13, 2001
Capital stock:	1.89 billion yen or 15.4 million US dollars (U\$1=JPY122.45)
# of employees:	1,053 including 263 regular employees (Jun., 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
- Medical & nursing care equipment





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 340 thousand items are available for the same day shipment.
220 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

1. Enhancement of Product Sources

- Developing new suppliers and new products through various channels

2. Direct Import and Private Brand Products

- 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
- 2014 Introducing Agricultural equipment & Kitchen equipment
- 2015 Introducing Medical and nursing care equipment



7-1. FY2015_2Q cumulative Financial Result – Outline

(MonotaRO Non-consolidated)

◆ Sales 26,450 million yen YonY +25.6% A/F +5.6%

- No. of new customer acquisition per month increased by 35% YonY to 30,900.
- Sales growth to the existing customers are also strong with incremental sales of newly introduced NB products, supported by the steady market demand.
- The factors in sales exceeding the original plan
 1. The paper catalog issued for the first time in February brought a better result than expected by promoting the recognition of our inventory expansion and attracting seasonal demands.
 2. The new customer acquisition expanded more successfully through the synergistic effect by TV commercial and Internet advertisement.

◆ Gross Profit 8,027 million yen YonY +32.1% A/F +8.0%

- Gross profit rate improved by 1.4 point YonY to 30.3% due to the sales price adjustment, efficiency optimization in procurement and delivery and the increase of the royalty fee.
- The better GP rate than expected was brought by the product mix.

◆ SG&A Cost 4,461 million yen YonY +19.6% A/F -1.1%

- SG&A cost improved by 0.8 point YonY.
- The more efficient operation in the new distribution center started in 2014 resulted in 0.8 point improvement in the labor cost and the outsourcing cost.

◆ Operating Income 3,566 million yen YonY +51.8% A/F +22.1%



7-2. 2015_2Q cumulative Financial Result – P/L (MonotaRO Non-consolidated)

	Jan to Jun, 2014 Result		Jan to Jun, 2015 Result		
	Amount (million yen)	Ratio to sales	Amount (million yen)	Ratio to sales	YoY
Sales	21,051		26,450		+25.6%
Gross Profit	6,078	28.9%	8,027	30.3%	+32.1%
SG&A Exp.	3,730	17.7%	4,461	16.9%	+19.6%
Operating Income	2,348	11.2%	3,566	13.5%	+51.8%
Current Income	2,372	11.3%	3,577	13.5%	+50.8%
Net income	1,467	7.0%	2,311	8.7%	+57.5%



7-3. 2015_2Q Financial Result - B/S (MonotaRO Non-consolidated)

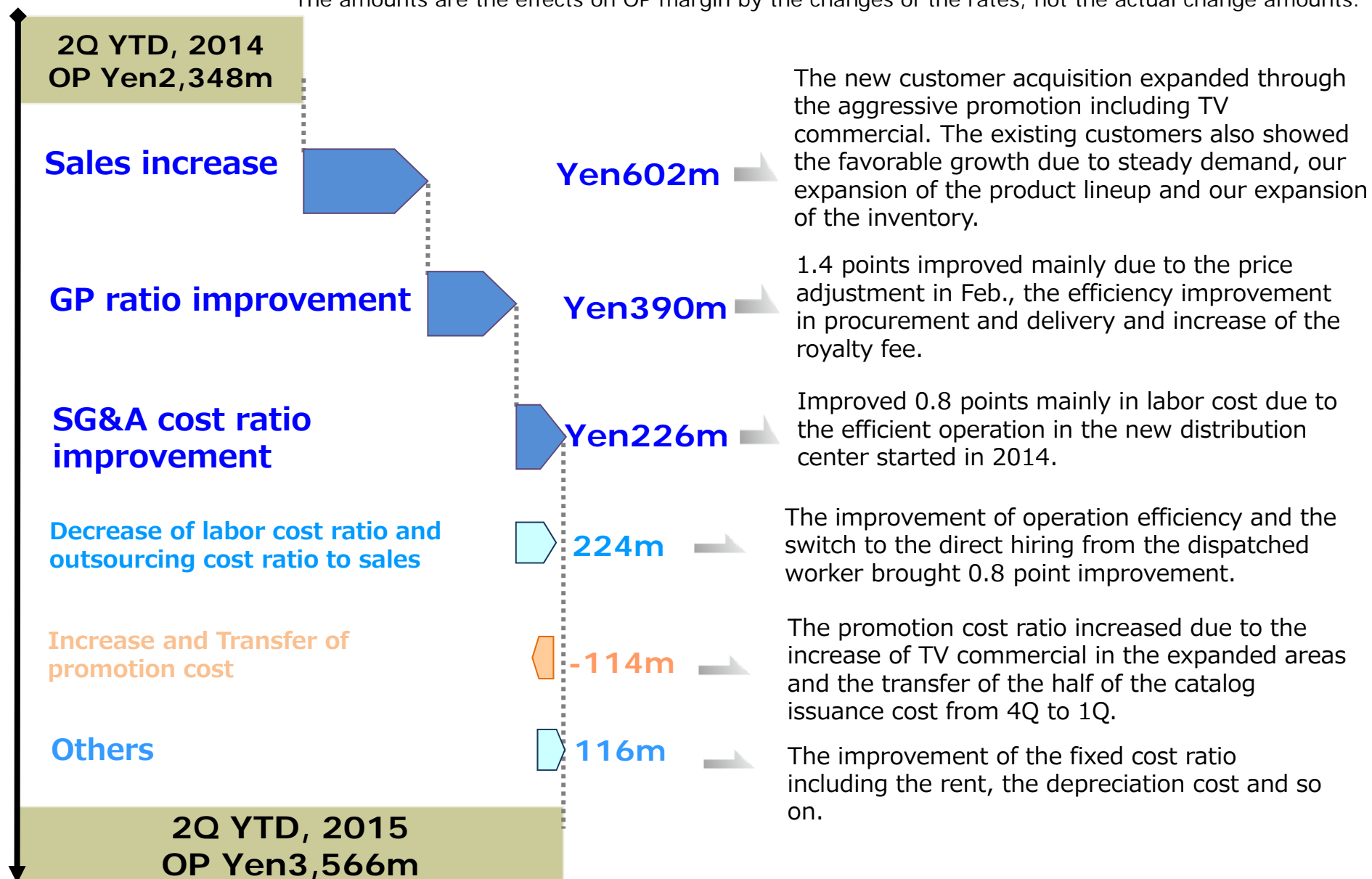
		Jun.	Dec.	Jun. 2015				Jun.	Dec.	Jun. 2015	
		2014	2014	Million Yen	Ratio			2014	2014	Million Yen	Ratio
Asset						Liabilities					
	CASH	2,531	4,002	3,815	18.7%		Accounts Payable	2,624	3,581	4,045	19.9%
	Accounts Receivable	4,138	4,866	5,649	27.8%		Short-term Debt	1,388	814	814	4.0%
	Inventory	3,936	3,916	4,905	24.1%		Others	2,194	3,027	3,183	15.6%
	Others	1,563	1,816	2,032	10.0%		Total Current Liabilities	6,208	7,423	8,043	39.5%
	Total Current Asset	12,169	14,602	16,403	80.6%		Long term Liabilities	506	1,060	738	3.6%
	Tangible Fixed Asset	999	1,085	1,034	5.1%		Total Liabilities	6,715	8,483	8,781	43.1%
	Intangible Fixed Asset	906	912	950	4.7%	Net Assets					
	Others	1,317	1,527	1,970	9.7%		Shareholder's Equity	8,605	9,574	11,510	56.5%
	Total Fixed Assets	3,223	3,525	3,955	19.4%		Others	72	70	66	0.3%
	Total Assets	15,393	18,128	20,359			Total Net Assets	8,677	9,645	11,577	56.9%
							Total Liabilities & Net Assets	15,393	18,128	20,359	

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



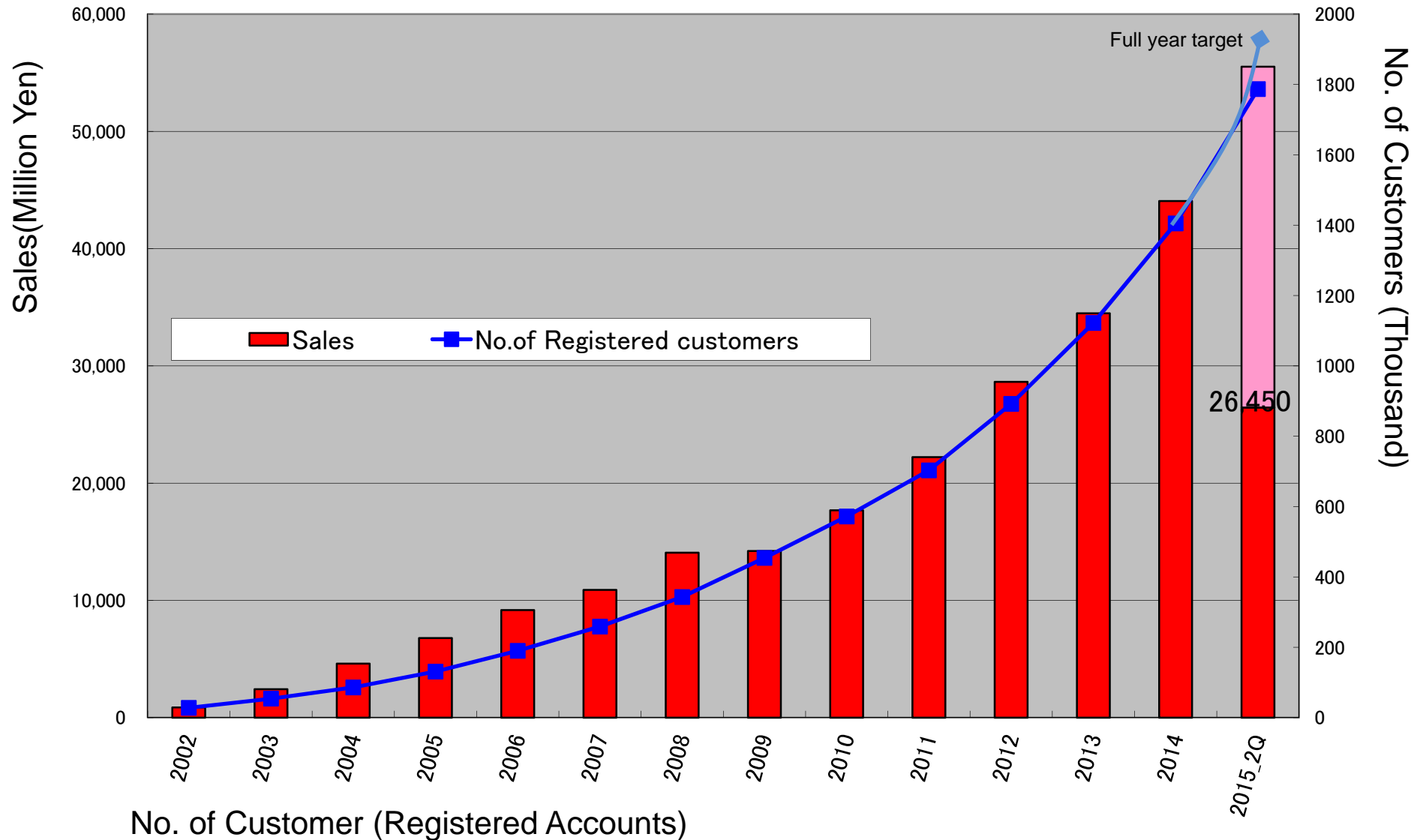
7-4 Operating Income Change Factors (Non-consolidated)

The amounts are the effects on OP margin by the changes of the rates, not the actual change amounts.





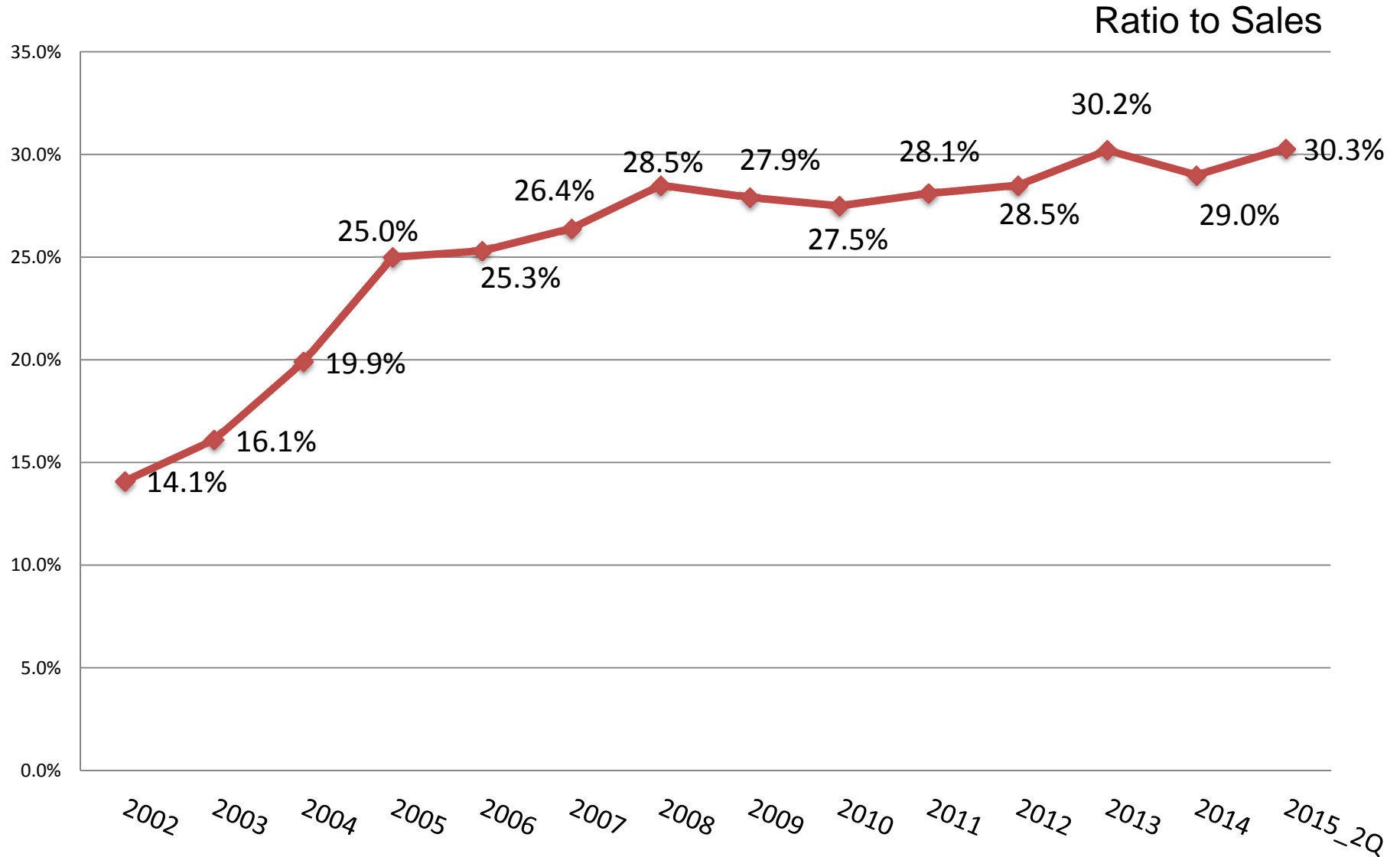
8-1. Our Progress -Sales & Customers (MonotaRO Non-Consolidated)



Dec., 2014 1,405,372 \Rightarrow Jun., 2015 1,582,881



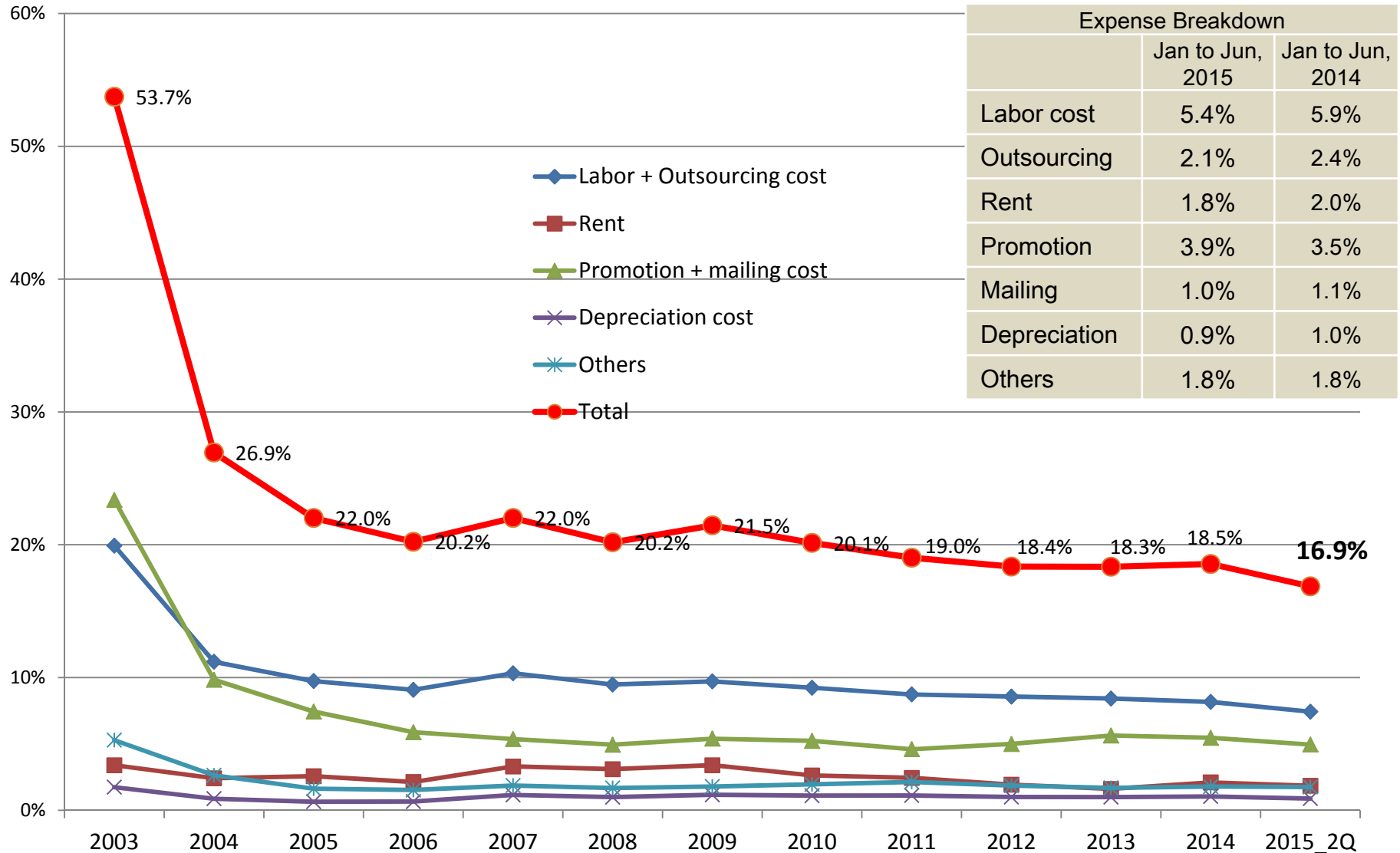
8-2. Our Progress -Gross Profit (MonotaRO Non-Consolidated)





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

Ratio to Sales





9-1.2015_2Q cumulative Financial Result-P/L (Consolidated)

	Jan to Jun, 2014 Result		Jan to Jun, 2015 Result		
Million yen	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales	21,305		27,356		+28.4%
Gross Profit	6,130	28.8%	8,200	30.0%	+33.8%
SG&A Exp.	3,911	18.4%	4,766	17.4%	+21.9%
Operating Income	2,218	10.4%	3,433	12.6%	+54.8%
Current Income	2,243	10.5%	3,445	12.6%	+53.5%
Net Income	1,338	6.3%	2,178	8.0%	+62.8%



9-2.2015_2Q Financial Result-B/S (Consolidated)

	Jun., 2014	Dec., 2014	June, 2015			Jun., 2014	Dec., 2014	June, 2015	
	Million Yen	Million Yen	Million Yen	Ratio		Million Yen	Million Yen	Million Yen	Ratio
Asset					Liabilities				
CASH	2,891	4,184	4,308	21.5%	Accounts Payable	2,684	3,701	4,200	21.0%
Accounts Receivable	4,158	4,895	5,696	28.5%	Short-term Debt	1,388	814	814	4.1%
Inventory	4,021	4,093	5,102	25.5%	Others	2,246	3,074	3,238	16.2%
Others	1,595	1,831	2,049	10.2%	Total Current Liabilities	6,319	7,590	8,253	41.2%
Total Current Asset	12,667	15,004	17,157	85.7%	Long term Liabilities	514	1,061	746	3.7%
Tangible Fixed Asset	1,012	1,098	1,045	5.2%	Total Liabilities	6,834	8,652	9,000	45.0%
Intangible Fixed Asset	950	958	989	4.9%	Net Assets				
Others	589	806	822	4.1%	Shareholder's Equity	8,274	9,073	10,877	54.3%
Total Fixed Assets	2,552	2,863	2,857	14.3%	Others	110	142	136	0.7%
Total Assets	15,219	17,868	20,014		Total Net Assets	8,385	9,216	11,014	55.0%
					Total Liabilities & Net Assets	15,219	17,868	20,014	

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



9-3.2015_2Q Financial Result-C/F (Consolidated)

	2014_2Q	2015_2Q
(M Yen)		
I Cash Flow from Operating Activity		
Net Income before Tax	2,243	3,444
Increase or Decrease in Accounts Receivable	-397	-801
Increase or Decrease in Inventory	-777	-1,010
Increase or Decrease in Accounts Payable	16	499
Others	-1,642	-1,029
Total	-557	1,102
II Cash Flow from Investing Activity		
Acquisition of Tangible Assets	-131	-16
Acquisition of Intangible Assets	-255	-181
Others	-38	-22
Total	-426	-220
III Cash Flow from Financing Activity		
Dividend	-364	-430
Others	-19	-326
Total	-384	-756
IV Currency Exchange Adjustment	11	0.7
V Net Increase/Decrease of Cash and Cash Equivalent	-1,357	124
VI Cash and Cash Equivalent at the beginning of the period	3,948	3,884
VII Cash and Cash Equivalent at the end of the period	2,591	4,008



10-1. FY2015 Revised Plan – Outline 1/2

◆ Sales Yen57,589m +Yen1,972m from the original plan +28.2%YonY

In addition to the better result in 1st half, the strong sales growth is expected in 2nd half by the aggressive promotion including incremental TV commercial in the expanded areas.

The target no. of new customer acquisition is also revised up to 382,000 from 323,000.

◆ Gross Profit Yen17,241m +Yen1,099m from the original plan +33.3%YonY

Gross profit rate is revised up reflecting the better performance, noting that the slightly lower gross profit rate is expected in 2nd half anticipating further weaker yen.

◆ SG&A Cost Yen10,304m +Yen165m from the original plan +19.7%YonY

Increase the variable cost corresponding to the sales increase and the promotion cost for the share expansion.

◆ Operating Profit Yen6,937m +Yen934m from the original plan +60.5%YonY



10-1. FY2015 Revised Plan – Outline 2/2

◆ South Korean subsidiary, Navimro

The profit exceeded the original plan due to the improvement of the profitability while the sales was smaller than expected affected by the harsh economic condition in South Korea in 1st half. In 2nd half, the aggressive promotion is planned for the expansion of the customer base and business while the harsh economic condition is anticipated to continue. Considering these factors, the plan is revised to 2.0 billion yen for sales from 2.5 billion yen and 348 million yen for the operating loss from 379 million yen.

◆ Dividend at the year end 7 yen per share +2 yen from the original plan

The amount is calculated considering the 2-1 share split to be conducted in October, 2015



10-2. FY2015 Revised Plan – Consolidated

	FY2014 Result		FY2015 Original Plan		FY2015 Revised Plan		
million	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales	44,937		55,617		57,589		+28.2%
Gross Profit	12,934	28.8%	16,142	29.0%	17,241	29.9%	+33.3%
SG&A Exp	8,610	19.2%	10,139	18.2%	10,304	17.9%	+19.7%
Operating Income	4,323	9.6%	6,003	10.8%	6,937	12.0%	+60.5%
Current Income	4,351	9.7%	5,999	10.8%	6,949	12.1%	+59.7%
Net Income	2,544	5.7%	3,706	6.7%	4,360	7.6%	+71.4%

10-3. FY2015 Revised Plan – MonotaRO non-consolidated

	FY2014 Result		FY2015 Original Plan		FY2015 Revised Plan			
	million	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales		44,057		53,104		55,514		+26.0%
Gross Profit		12,788	29.0%	15,755	29.7%	16,870	30.4%	+31.9%
SG&A Expense		8,172	18.5%	9,372	17.6%	9,584	17.3%	+17.3%
Operating Income		4,616	10.5%	6,382	12.0%	7,285	13.1%	+57.8%
Current Income		4,651	10.6%	6,382	12.0%	7,298	13.1%	+56.9%
Net Income		2,843	6.5%	4,089	7.7%	4,710	8.5%	+65.6%



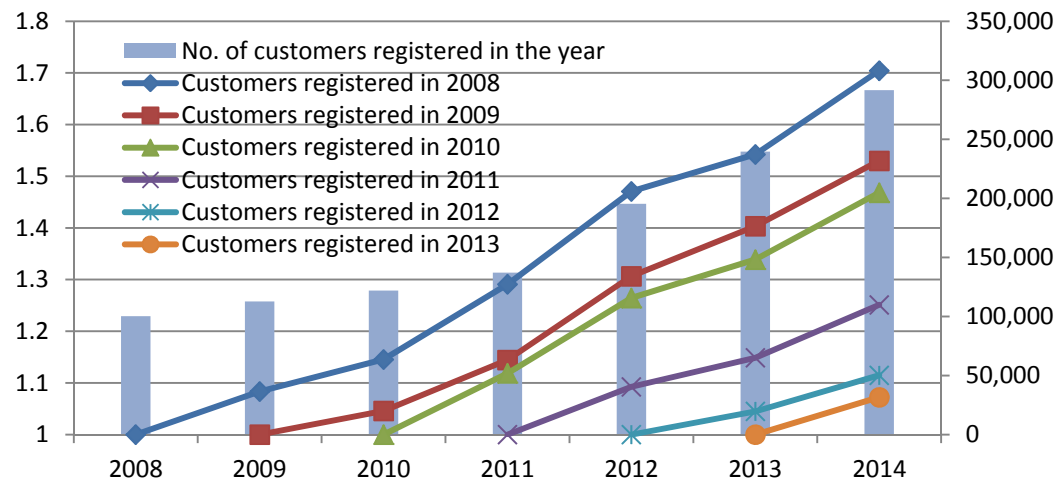
11. FY2015 Business Strategy-2Q Update 1/3

1. New customer acquisition

- ✓ The no. of new customer acquisition accelerated by the aggressive promotion including Internet advertisement and TV commercial.
 - 1Q average 30,200/month, 2Q average 31,600/month
- ✓ Further aggressive investment to the promotion for the faster and sustainable growth.
 - Additional TV commercial for 2 weeks in the expanded areas (already done in June to July, 2015)
 - Additional investment to Internet advertisement

New customer acquisition brings in sustainable sales growth

The history of the total purchase amounts of customers who registered in a year, setting total purchase amount in the first year as 1.



The registered customers increase the purchase amount by increasing the number of items to buy from us with a certain influence of economic condition by years.



11. FY2015 Business Strategy-1Q Update 2/3

2. More convenience

with the expansion of product lineup and inventory

- ✓ Strong sales growth in the newly introduced categories including Agriculture equipment, Kitchen equipment and medical & nursing equipment.
- ✓ No. of inventory skus continues to increase to 260,000~270,000 by the end of 2015

3. Sales to large companies

- ✓ Sales through API connection
 - No. of companies has increased to 198 in Jun., 2015 from 166 in Dec., 2014
 - Sales 1.57 billion yen increased by 77% YoY
- ✓ Our original procurement management system “MonotaRO ONE SOURCE”
 - Introduced in 1 company and in-service
 - 2 more companies are about to start operation



11. FY2015 Business Strategy-1Q Update 3/3

4. Overseas business

✓ South Korean subsidiary Navimro

- 2Q YTD result Sales 906 million yen, Operating loss 133 million yen
- Less sales due to the harsh economic condition, but better profit due the more efficient operation compared to the original plan.
- More aggressive promotion for the expansion of the customer base in 2nd half
- The business growth is satisfactory strong while this year's sales forecast is revised down.

✓ Consulting business

- The business in US and Europe showed the strong growth, consequently the royalty fee is increasing.

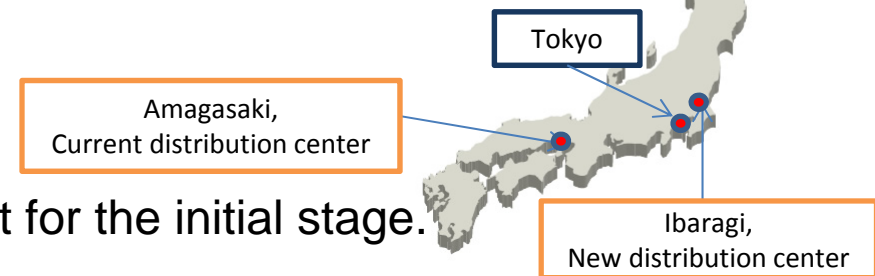
(See the relative information in P.27)



12. Next Distribution Center-Plan

We decided to acquire, instead of rent, the land and the building for the next distribution center considering the stable business growth and the economic reasonability of the acquisition.

- Site: Ibaragi Prefecture
- Total investment amount : 8.5 billion yen for land, building, equipment for the initial stage.
- Building is expected to complete in March, 2017
- Space of the land/the building floor : apprx 90,000sqm/55,000sqm
- Capacity:
 - >60,000 case shipment per day, equivalent to 150 billion yen annual sales together with the current distribution center
 - >500,000 SKU in inventory





Reference 1: Zoro's performance

Zoro is an online dedicated MRO distributor owned by Grainger, MonotaRO's parent company. We offer our online marketing know-how and get royalty fee from them.

Zoro started the business in US in 2011 and expanding it to Canada in 2014. It is also deploying the same business model to Europe starting with Germany in July, 2014.

◆ Zoro US Sales

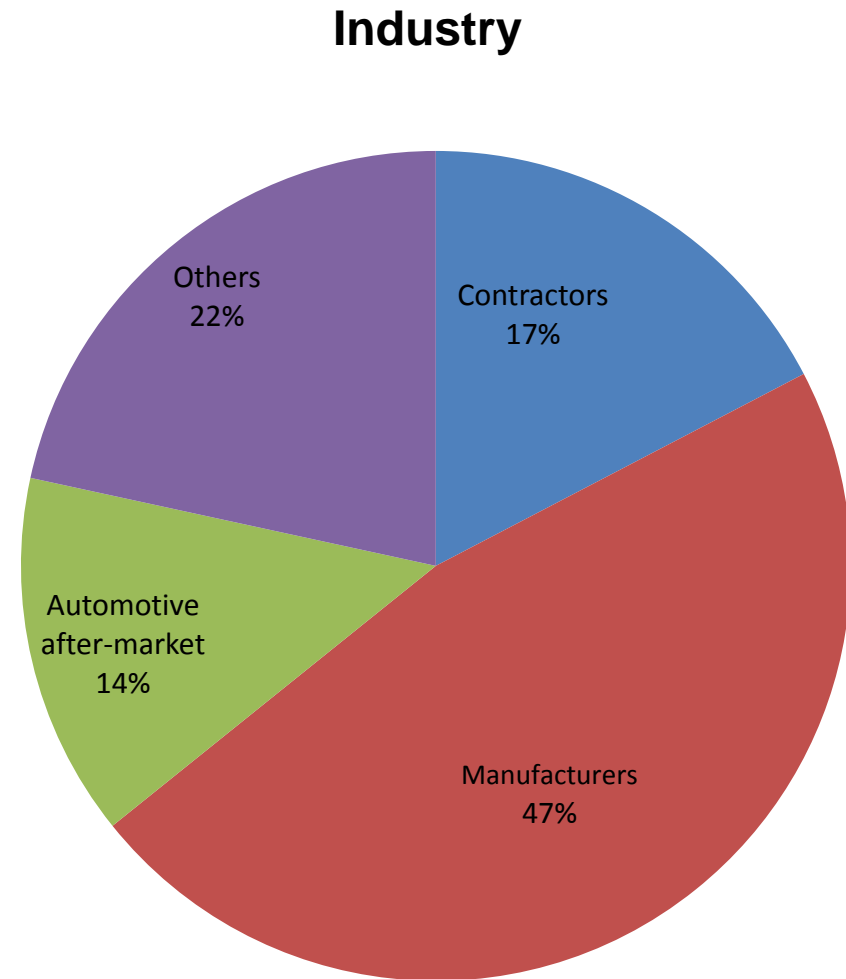
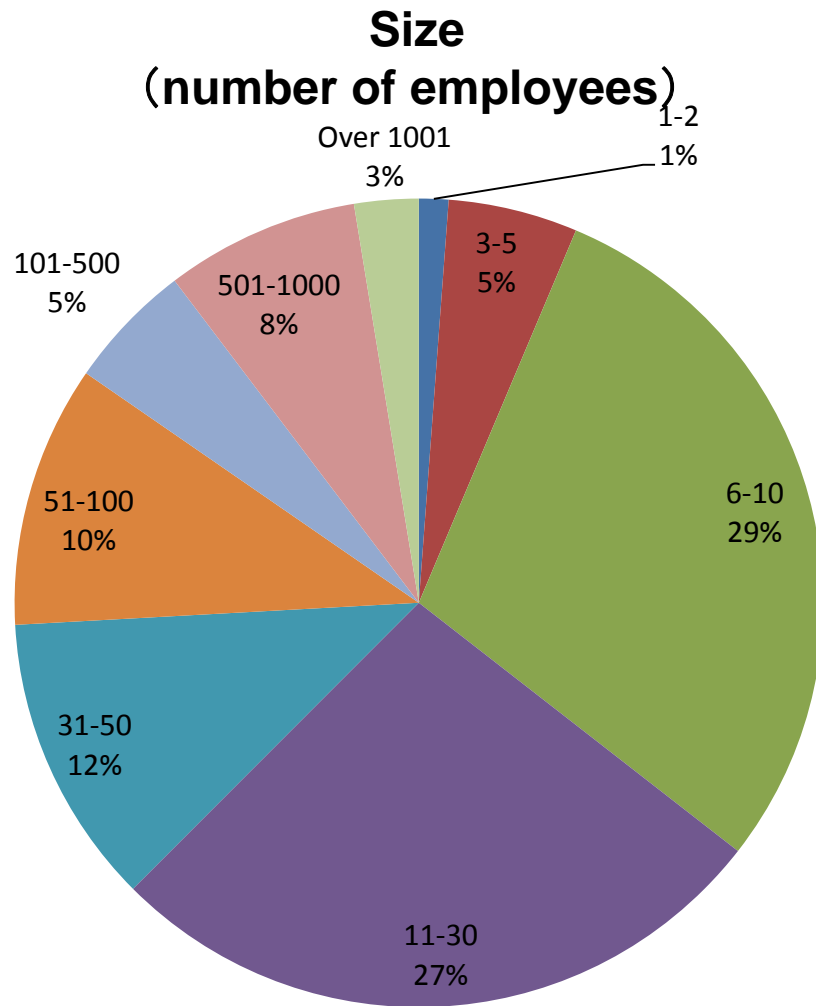
2014	U\$180 million	YoY	+120%
2015(Plan)	U\$300 million	YoY	+66%

◆ Zoro EU(Germany) Sales

Q3, 2014	€0.4 million		
Q4, 2014	€0.8 million	QoQ	+96%
Q1, 2015	€1.3 million	QoQ	+60%



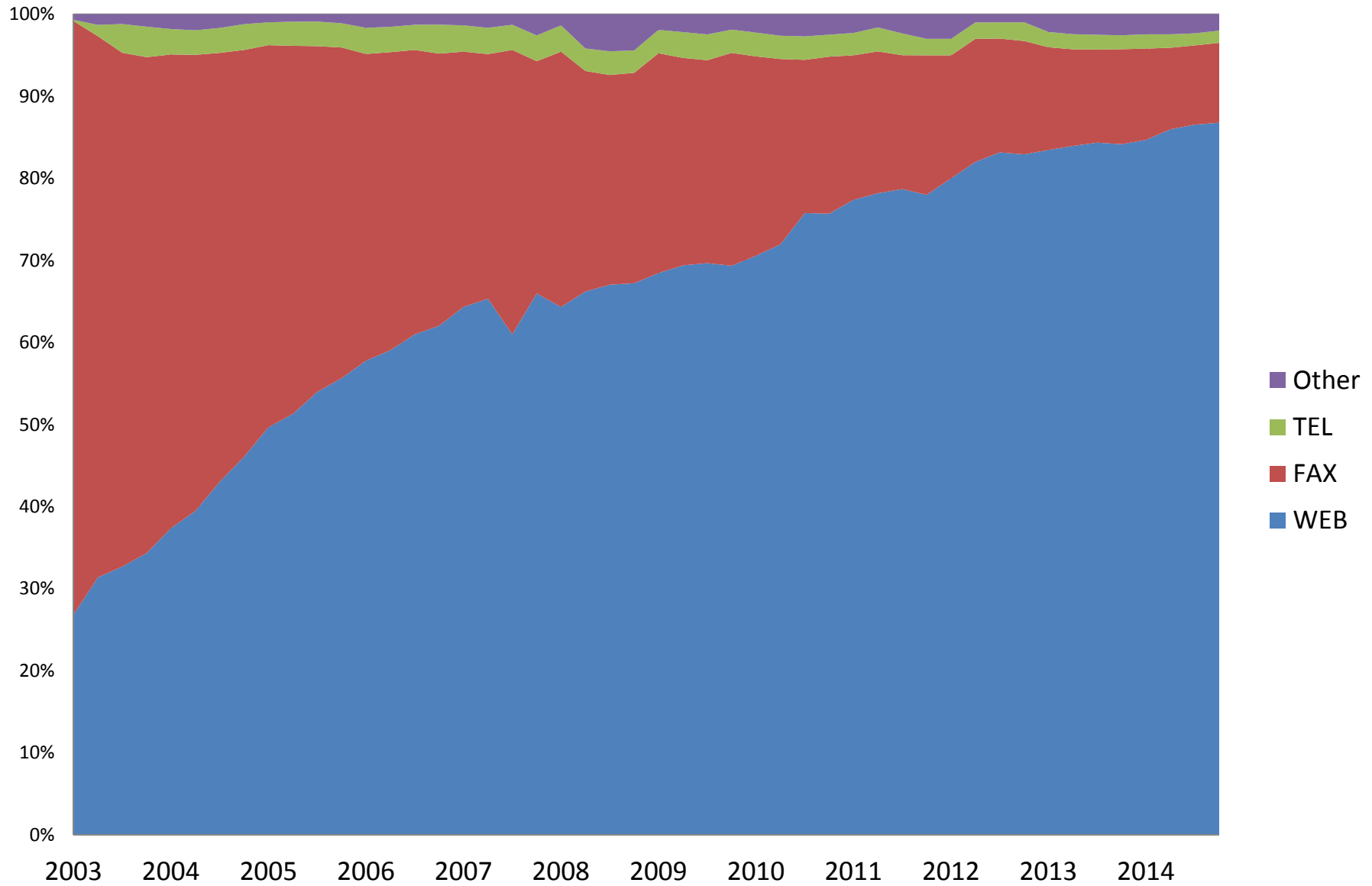
Reference 2: Customer Demographics



Ratio by sales amount in 2014



Reference 3 : Internet PO Ratio





Reference 4 :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 2015
		2007	2009	2014	2015(Plan)	
Yuasa (8074) - (M)	W	468,476	309,196	441,723	452,000	-3.52%
		8,254	204	9,815	10,000	+21.15%
Yamazen (8051) - (M)	W	376,852	241,410	435,803	445,000	+18.08%
		11,518	836	13,130	13,300	+15.47%
Trusco (9830) - (M)	W	134,430	99,201	114,473	163,000	+21.25%
		9,120	3,745	8,477	11,900	+30.48%
Misumi (9962) - (M)	R	126,668	89,180	208,562	242,000	+91.05%
		16,317	8,408	23,759	27,100	+66.08%
Nichiden (9902) - (M)	W	92,745	58,639	94,342	103,500	+11.60%
		5,533	1,283	5,069	5,400	-2.40%
NaITO (7624) - (F)	W	51,479	26,256	40,821	42,000	-18.41%
		1,343	-668	463	500	-62.77%
Sugimoto (9932) - (M)	W · R	41,461	24,724	35,292	45,000	+8.54%
		2,292	-84	1,637	2,200	-4.01%
Toba (7472) - (M)	R	25,800	11,438	19,007	20,000	-22.48%
		2,115	-28	881	1,000	-52.72%
Uematsu (9914) - (M)	R	7,647	4,428	6,020	6,250	-18.27%
		190	-161	37	45	-76.32%
MonotaRO (3064) - (D)	R	10,897	14,209	44,937	55,617	+410.39%
		480	910	4,323	6,003	+1150.63%



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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