



monotaro

MonotaRO Co., Ltd.

3Q, 2015
(Jan. to Sept., 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: 1,679,000 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 15.8million dollars (US\$1=JPY119.96)

of employees: 1,089 including 268 regular employees (Sept., 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, Pneumatic tools
- Chemicals, Adhesive, Welding
- Pneumatics, hydraulics, Hose
- Bearings, Machine Parts, Caster
- 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 393 thousand items and 375 thousand items are available for the same day shipment.
240 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 the 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

- 18 separate volumes for better targeting

6. Data Mining & Campaign Management

- Personalized promotion for more effectiveness and efficiency





5. Our Procurement

Enhancement of Product Sources

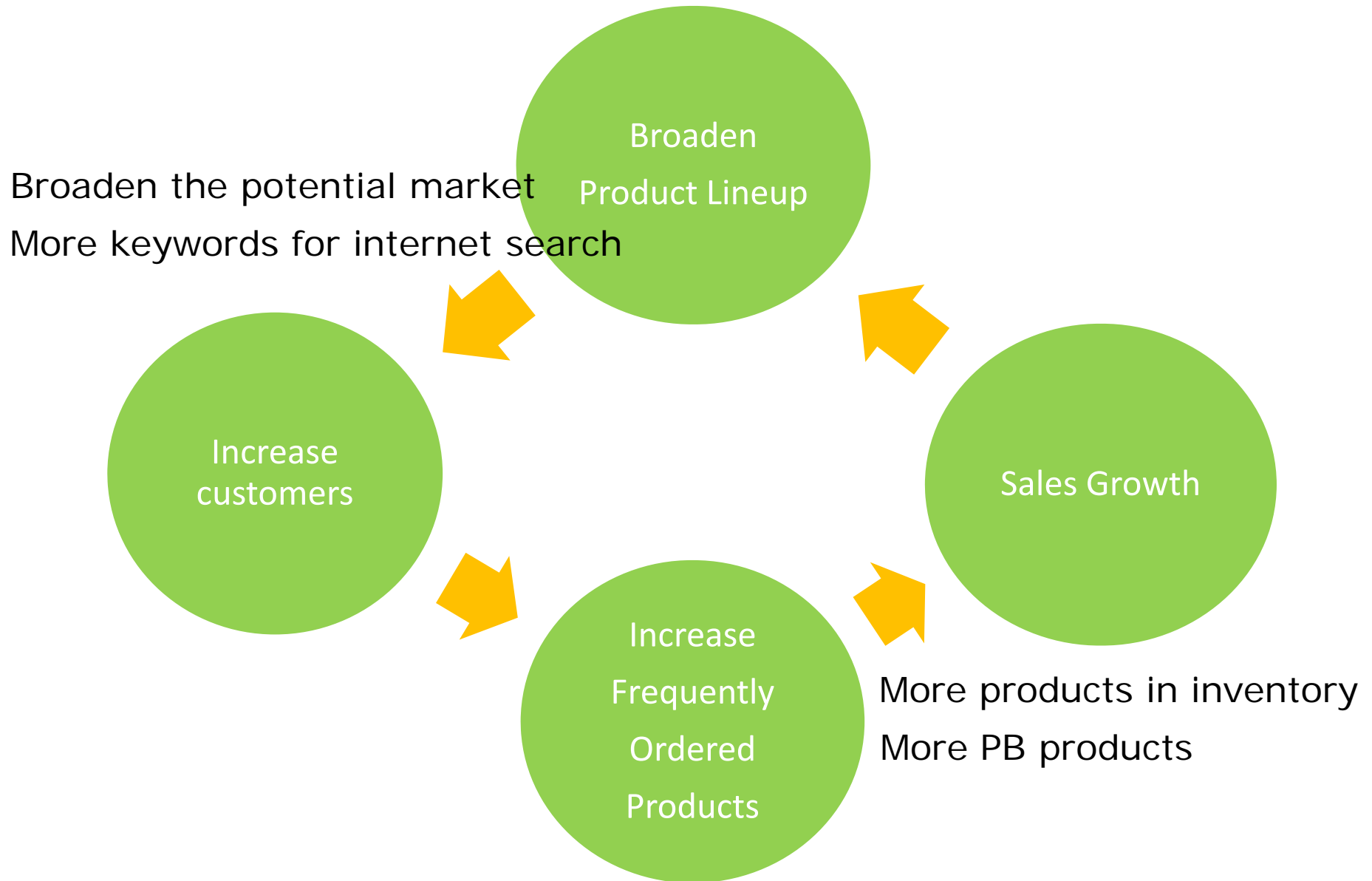
- Developing new suppliers and new products through various channels

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.
- "MonotaRO One Source" Procurement management system for enterprises



7-1. FY2015_3Q Financial Result – Outline

(MonotaRO Non-consolidated)

◆ **Sales** 40,436 million yen YonY +26.8%

New customer acquisition expanded continuously in Q3. Sales from the existing customers also showed the strong growth encouraged by our inventory expansion and the aggressive promotion including the first issuance of paper catalog Spring edition, supported by the favorable economic condition.

◆ **Gross Profit** 12,283 million yen YonY +33.3%

GP rate is improved by 1.5 point due to the sales price adjustment, optimization in procurement and delivery efficiency and the increase of the royalty fee.

GP rate in Q3 slightly decreased from Q2 due to the higher COGS rate of imported stock items lagging from yen depreciation.

◆ **SG&A Cost** 6,931 million yen YonY +18.5%

SG&A cost ratio improved by 1.2 point YonY due to no extra cost relating to startup of the new distribution center that was incurred in 2014 and efficiency improvement in the new distribution center.

◆ **Operating Income** 5,351 million yen YonY +59.1%

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



7-2. 2015_3Q Financial Result – P/L

(MonotaRO Non-consolidated)

	Jan to Sep, 2014 Result		Jan to Sep, 2015 Result		
	Amount (million yen)	Ratio to sales	Amount (million yen)	Ratio to sales	YoY
Sales	31,896		40,436		+26.8%
Gross Profit	9,214	28.9%	12,283	30.4%	+33.3%
SG&A Exp.	5,851	18.3%	6,931	17.1%	+18.5%
Operating Income	3,363	10.5%	5,351	13.2%	+59.1%
Current Income	3,395	10.6%	5,371	13.3%	+58.2%
Net income	2,076	6.5%	3,438	8.5%	+65.6%



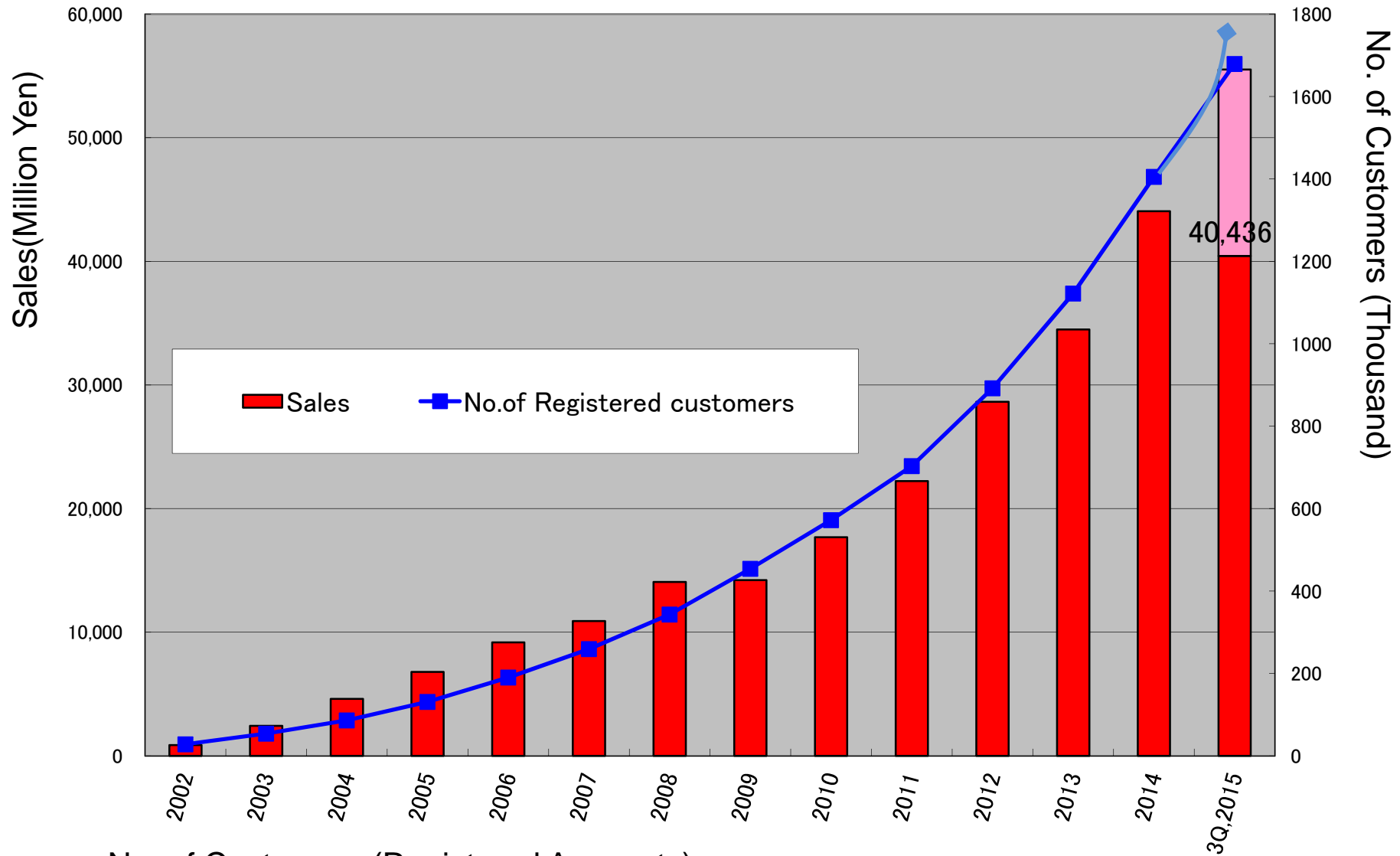
7-3. 2015_3Q Financial Result - B/S (MonotaRO Non-consolidated)

	Sep.	Dec.	Sep. 2015			Sep.	Dec.	Sep. 2015	
	2014	2014	Million Yen	Ratio		2014	2014	Million Yen	Ratio
Asset					Liabilities				
CASH	2,680	4,002	3,489	16.8%	Accounts Payable	3,031	3,581	3,957	19.1%
Accounts Receivable	4,446	4,866	5,608	27.1%	Short-term Debt & etc.	1,300	814	315	1.5%
Inventory	3,936	3,916	5,400	26.1%	Others	2,535	3,027	3,326	16.1%
Others	1,639	1,816	2,184	10.5%	Total Current Liabilities	6,867	7,423	7,599	36.7%
Total Current Asset	12,703	14,602	16,682	80.5%	Long term Liabilities	458	1,060	1,046	5.0%
Tangible Fixed Asset	1,052	1,085	1,038	5.0%	Total Liabilities	7,325	8,483	8,645	41.7%
Intangible Fixed Asset	911	912	954	4.6%	Net Assets				
Others	1,518	1,527	2,050	9.9%	Shareholder's Equity	8,789	9,574	12,013	58.0%
Total Fixed Assets	3,482	3,525	4,043	19.5%	Others	69	70	66	0.3%
Total Assets	16,185	18,128	20,725		Total Net Assets	8,859	9,645	12,079	58.3%
					Total Liabilities & Net Assets	16,185	18,128	20,725	

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



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

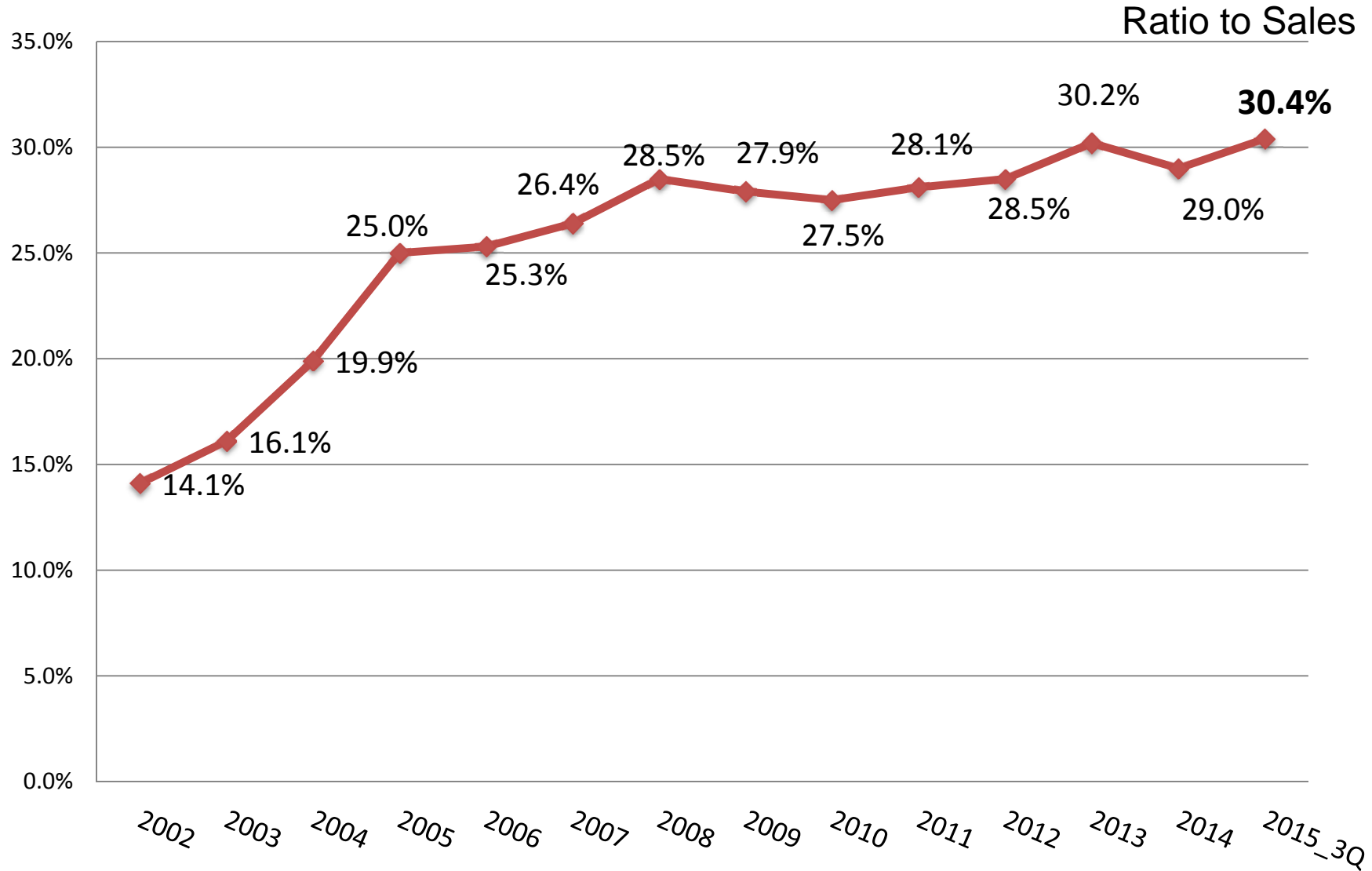


No. of Customers (Registered Accounts)

Dec., 2014 1,405,372 \Rightarrow Sep., 2015 1,679,219 (+273,847)



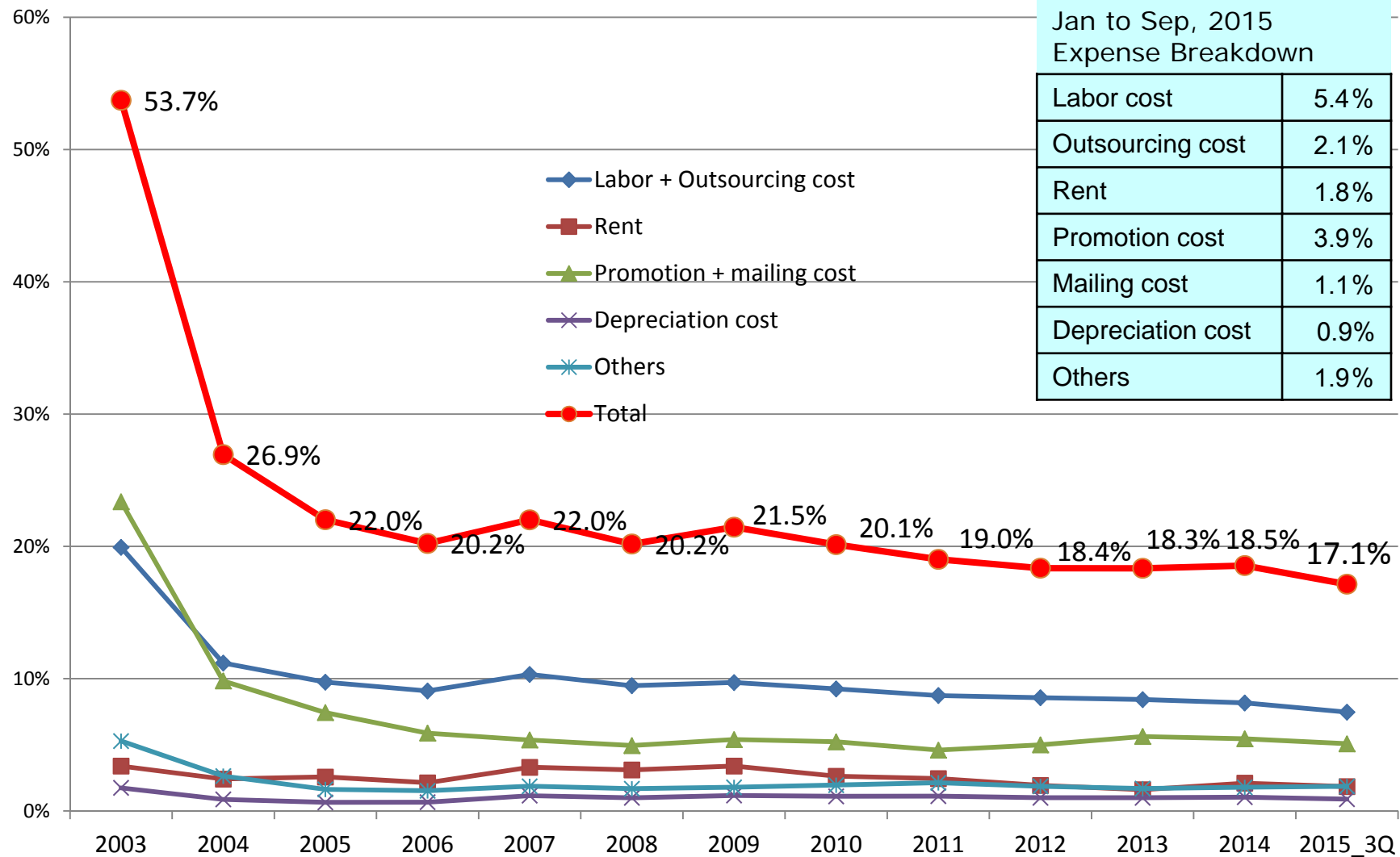
8-2. Our Progress -Gross Profit (MonotaRO Non-Consolidated)





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

Ratio to Sales





9-1.2015_3Q Financial Result-P/L (Consolidated)

	Jan to Sep, 2014 Result		Jan to Sep, 2015 Result		
Million yen	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY
Sales	32,413		41,798		+29.0%
Gross Profit	9,301	28.7%	12,545	30.0%	+34.9%
SG&A Exp.	6,151	19.0%	7,389	17.7%	+20.1%
Operating Income	3,149	9.7%	5,156	12.3%	+63.7%
Current Income	3,181	9.8%	5,174	12.4%	+62.6%
Net Income	1,862	5.7%	3,240	7.8%	+74.0%



9-2.2015_3Q Financial Result-B/S (Consolidated)

	Sep.	Dec.	Sep., 2015			Sep.	Dec.	Sep., 2015	
	2014	2014	Million Yen	Ratio		2014	2014	Million Yen	Ratio
Asset					Liabilities				
CASH	2,950	4,184	3,850	19.1%	Accounts Payable	3,100	3,701	4,059	20.1%
Accounts Receivable	4,479	4,895	5,621	27.8%	Short-term Debt & etc.	1,389	814	315	1.6%
Inventory	4,044	4,093	5,571	27.6%	Others	2,490	3,074	3,377	16.7%
Others	1,651	1,831	2,229	11.0%	Total Current Liabilities	6,980	7,590	7,752	38.4%
Total Current Asset	13,126	15,004	17,272	85.5%	Long term Liabilities	467	1,061	1,054	5.2%
Tangible Fixed Asset	1,066	1,098	1,049	5.2%	Total Liabilities	7,447	8,652	8,806	43.6%
Intangible Fixed Asset	954	958	987	4.9%	Net Assets				
Others	798	806	899	4.5%	Shareholder's Equity	8,374	9,073	11,315	56.0%
Total Fixed Assets	2,818	2,863	2,937	14.5%	Others	122	142	88	0.4%
Total Assets	15,945	17,868	20,210		Total Net Assets	8,497	9,216	11,403	56.4%
					Total Liabilities & Net Assets	15,945	17,868	20,210	

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



9-3.2015_3Q Financial Result-C/F (Consolidated)

(M Yen)		Jan. to Sep., 2014	Jan. to Sep., 2015
I Cash Flow from Operating Activity			
	Net Income before Tax	3,151	5,173
	Increase or Decrease in Accounts Receivable	-715	-729
	Increase or Decrease in Inventory	-797	-1,495
	Increase or Decrease in Accounts Payable	428	370
	Others	-1,532	-1,615
	Total	533	1,703
II Cash Flow from Investing Activity			
	Acquisition of Tangible Assets	-139	-71
	Acquisition of Intangible Assets	-347	-253
	Others	-251	-100
	Total	-738	-425
III Cash Flow from Financing Activity			
	Dividend	-789	-1,042
	Others	-324	-533
	Total	-1,114	-1,575
IV Currency Exchange Adjustment		20	-35
V Net Increase/Decrease of Cash and Cash Equivalent		-1,298	-333
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		2,650	3,550



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

✓ Toward the Formulation of “de facto Standard” of MRO Purchase Platform.

- Expansion of the customer base

TV commercial was broadcasted with increase of exposure in frequency and areas (broadcasted for 2 weeks in Feb. to Mar., Jun. to Jul. and Sep. to Oct. in 2015 respectively). As a result, no. of new customers acquired was increased to 90,700 in Q1, 94,800 in Q2 and 102,200 in Q3.

- Expansion of the product base

Product lineup is continuously expanding to more than 9 million.

Product categories are also increased to 18.

- Newly introduced medical and nursing care equipment (May)
- Split FA/Mechanical parts category into Pneumatics, Hydraulics, Hose and Bearings, Machine Parts, Caster corresponding to the product lineup expansion (Sep.)

-More user-friendly shopping website

Introduced real time data-analysis and personalization in the recommendation program.

Improvement of search engine specialized for individual product characteristics is in progress.



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

✓ Paper catalog Vol 11, Autumn edition

- 9 category catalogs out of 18 were issued on Sept. 27.
- 256,000 products on 4600 pages.
(137,000 products on 4200 pages in Spring edition)

✓ Sales to large companies

- No. of companies connected with our system increased by 47 to 213 in Jan. to Sep., 2015.
- Sales increased by 71.6% YonY to 2,470 million yen.
- “MonotaRO One Source” (Purchase management system)
Introduced in 2 companies and going to be introduced in 3 other companies.
- The dedicated promotional website was launched.

✓ Overseas expansion

- The South Korean business, NAVIMRO
Sales in Jan. to Sep., 2015 was 1,360 million yen.
New distribution center launched in October will contribute to the inventory expansion and faster sales growth.
- Consulting business
The royalty fee increased steadily.



10-3. FY2015 Plan / P/L – Consolidated

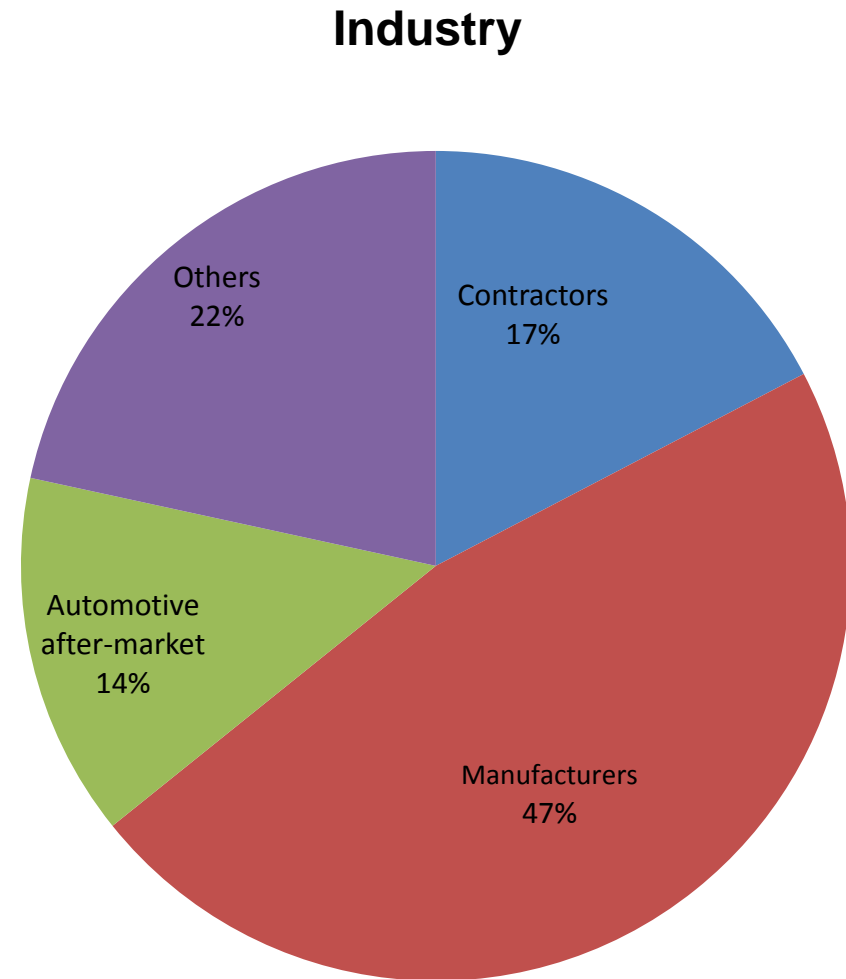
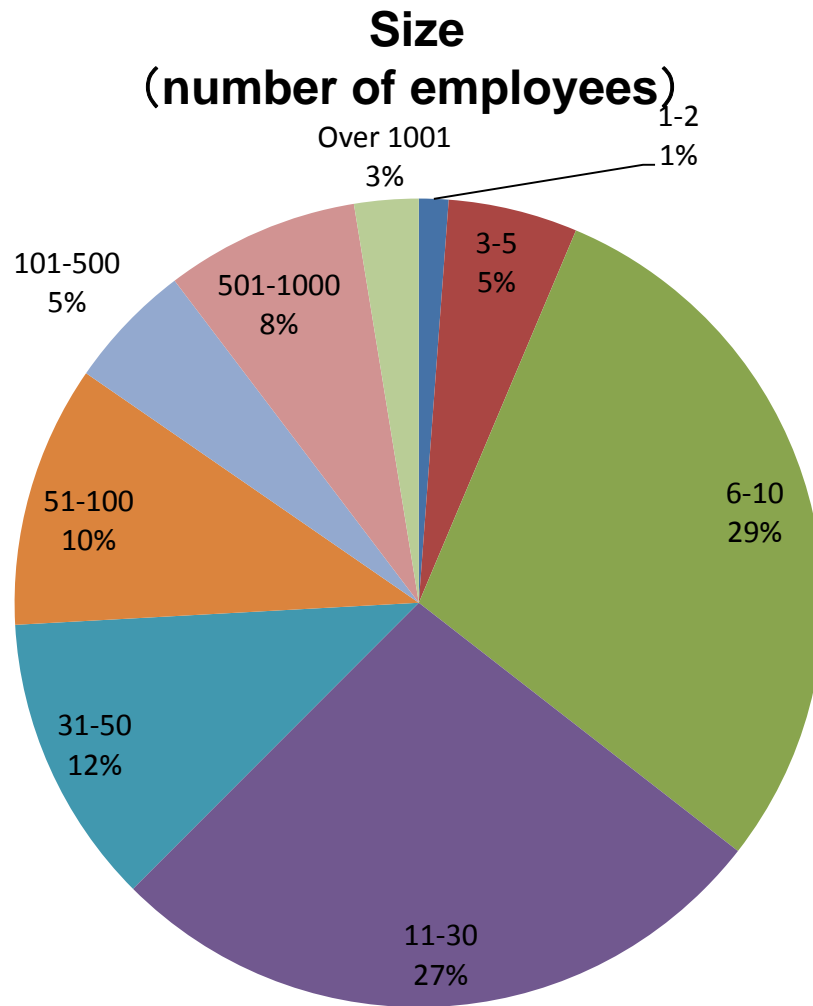
	FY2014 Result		FY2015 Original Plan		FY2015 Revised Plan		
million	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales	44,937		55,617		57,589		+28.2%
Gross Profit	12,934	28.8%	16,142	29.0%	17,241	29.9%	+33.3%
SG&A Exp	8,610	19.2%	10,139	18.2%	10,304	17.9%	+19.7%
Operating Income	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%

10-4. FY2015 Plan / P/L– 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%



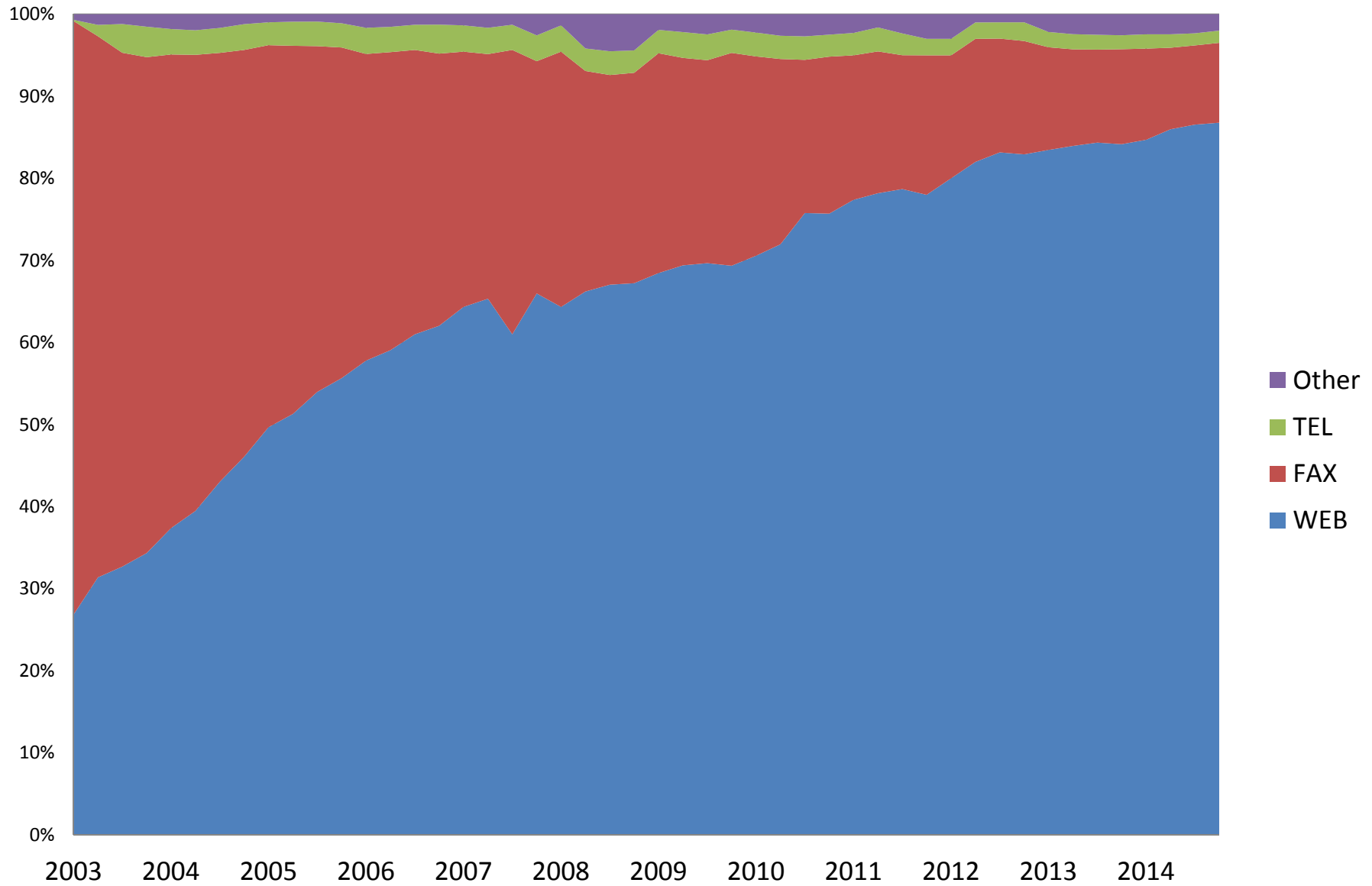
Reference 1: Customer Demographics



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]

As of Oct. 26, 2015

	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	-3.5%
		8,254	204	9,815	10,000	+21.2%
Yamazen (8051) - (M)	W	376,852	241,410	435,803	445,000	+18.1%
		11,518	836	13,130	13,300	+15.5%
Trusco (9830) - (M)	W	134,430	99,201	114,473	165,000	+22.7%
		9,120	3,745	8,477	12,545	+37.6%
Misumi (9962) - (M)	R	126,668	89,180	208,562	242,000	+91.1%
		16,317	8,408	23,759	27,100	+66.1%
Nichiden (9902) - (M)	W	92,745	58,639	94,342	103,500	+11.6%
		5,533	1,283	5,069	5,400	-2.4%
NaITO (7624) - (F)	W	51,479	26,256	40,821	42,000	-18.4%
		1,343	-668	463	500	-62.8%
Sugimoto (9932) - (M)	W · R	41,461	24,724	35,292	45,000	+8.5%
		2,292	-84	1,637	2,200	-4.0%
Toba (7472) - (M)	R	25,800	11,438	19,007	21,500	-16.7%
		2,115	-28	881	1,050	-50.4%
Uematsu (9914) - (M)	R	7,647	4,428	6,020	5,771	-24.5%
		190	-161	37	0	--%
MonotaRO (3064) - (D)	R	10,897	14,209	44,937	57,589	+428.5%
		480	910	4,323	6,949	+1347.7%



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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