



**monotaro**

MonotaRO Co., Ltd.

FY2015

(Jan. to Dec., 2015)



# 1. Company profile

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## 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:	1.7 million and more throughout Japan
Date of foundation:	October 19, 2000
Full-scale operation start date:	November 13, 2001
Capital stock:	1.90 billion yen or 15.8 million dollars (US\$1=JPY120.61)
# of employees:	1,105 including 282 regular employees (as of Dec. 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

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#### -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 9 million items, our paper catalogues cover 393 thousand items and 380 thousand items are available for the same day shipment.  
256 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

- 18 separate volumes for better targeting

### 6. Data Mining & Campaign Management

- Personalized promotion for more effectiveness and efficiency





## 5. Our Procurement

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### **Enhancement of Product Sources**

- Developing new suppliers and new products through various channels

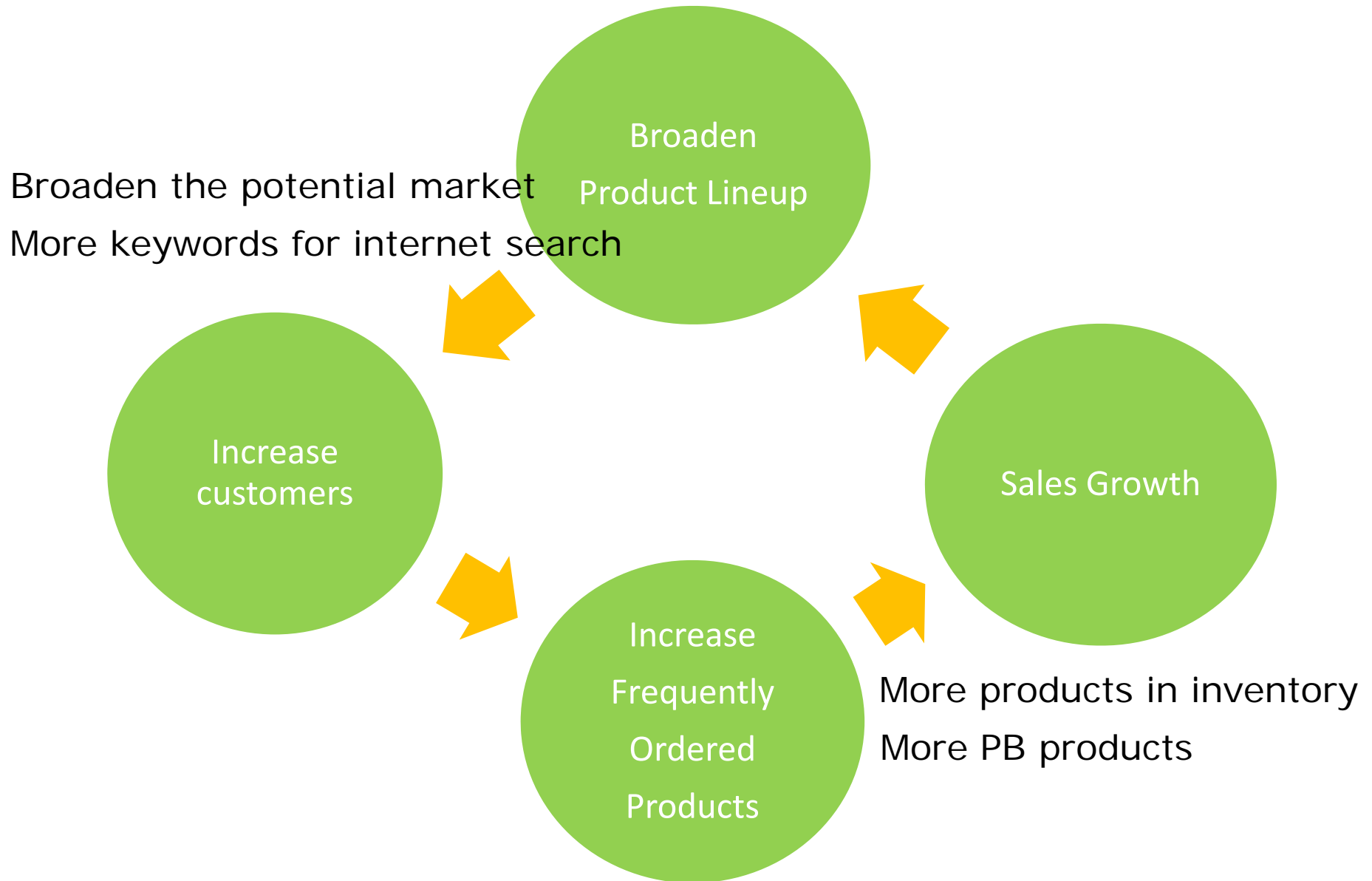
### **Direct Import and Private Brand Products**

- Higher Margin
- Unique competitive advantage



## 6-1. Our Growth – Development Cycle

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## 6-2. Our Growth- Industrial Beachhead Expansion

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- 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 Financial Result – Outline (MonotaRO Non-consolidated)

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### **Sales: 55,607 million yen YoY +26.2% A/F +0.2%**

-New customer acquisition continually accelerated through the aggressive promotion using the Internet advertisement and TV commercial.

Monthly average no. of newly acquired customers	2014	2015			
	Average	1Q average	2Q average	3Q average	4Q average
	24.3	30.2	31.6	34.0	34.0

-Sales to existing customers grew strongly with the increase of the average customer purchase size leveraged by the wider product line-up, better product availability and the first issuance of spring catalog backed by the steady market condition.

### **Gross Profit: 16,957 million yen YoY +32.6% A/F +0.5%**

-The price adjustment, the improvement of delivery cost efficiency by the inventory expansion and the increase of royalty contributed to the improvement of GP rate by 1.5 points to 30.5%.

### **SG&A Expense 9,593 million yen YoY +17.4% A/F +0.1%**

-SG&A cost rate improved by 1.2 point to 17.3% due to no extra cost for the new distribution start-up occurred in 2014 and more efficient operation in the new distribution center while strongly investing to promotion including extended TV commercial.

### **Operating Income 7,363 million yen YoY +59.5% A/F +1.1%**

-At the same time with aggressive price strategy and investment for the further growth, OP rate improved by 2.7 point to 13.2% through the improvement of operation efficiency.

### **Increase of cash and long-term debt**

-Borrowed 6 billion yen for the investment to the new distribution center to be launched in 2017.<sub>9</sub>

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## 7-2. FY2015 Financial Result – P/L

(MonotaRO Non-consolidated)

	FY2014 Result		FY2015 Plan		FY2015 Result			
	Amount Million	Ratio to Sales	Amount Million	Ratio to Sales	Amount Million	Ratio to Sales	YoY	A/F
	Sales	44,057		55,514		55,607		+26.2%
Gross Profit	12,788	29.0%	16,870	30.4%	16,957	30.5%	+32.6%	+0.5%
SGA Exp.	8,172	18.5%	9,584	17.3%	9,593	17.3%	+17.4%	+0.1%
Operation Income	4,616	10.5%	7,285	13.1%	7,363	13.2%	+59.5%	+1.1%
Current Profit	4,651	10.6%	7,298	13.1%	7,398	13.3%	+59.1%	+1.4%
Net income	2,843	6.5%	4,710	8.5%	4,718	8.5%	+65.9%	+0.2%



## 7-3. FY2015 Financial Result - B/S (MonotaRO Non-consolidated)

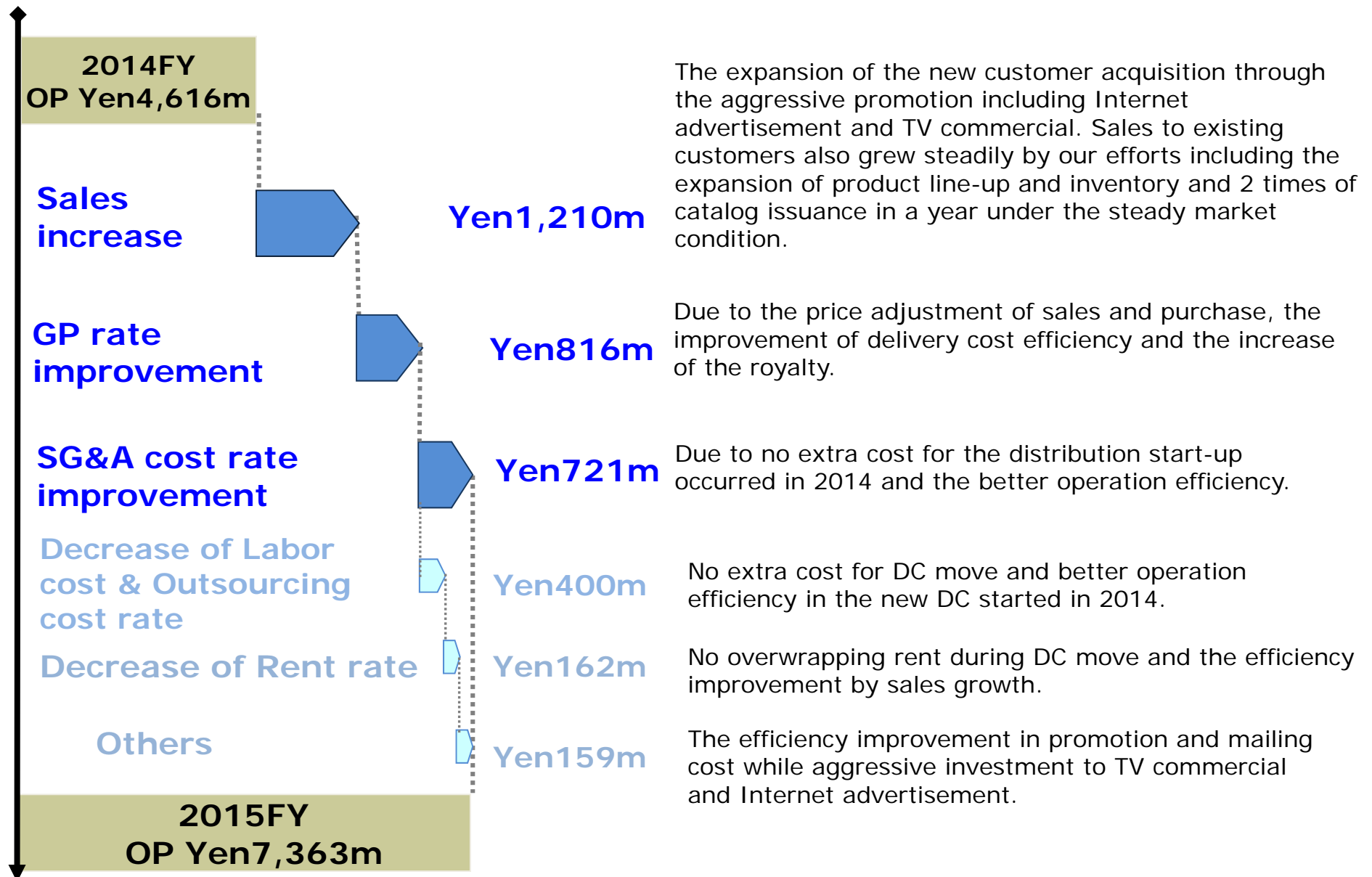
	DEC.	DEC. 2015	
	2014	Million	Ratio
<b>Asset</b>			
CASH	4,002	10,898	37.3%
Accounts Receivable	4,866	6,080	20.8%
Inventory	3,916	5,185	17.7%
Others	1,816	2,499	8.6%
<b>Total Current Asset</b>	<b>14,602</b>	<b>24,664</b>	<b>84.4%</b>
Tangible Fixed Asset	1,085	1,523	5.2%
Intangible Fixed Asset	912	973	3.3%
Others	1,527	2,056	7.0%
<b>Total Fixed Assets</b>	<b>3,525</b>	<b>4,553</b>	<b>15.6%</b>
<b>Total Assets</b>	<b>18,128</b>	<b>29,218</b>	

	DEC.	DEC. 2015	
	2014	Million	Ratio
<b>Liabilities</b>			
Accounts Payable	3,581	4,204	14.4%
Short-term Debt & etc.	814	315	1.1%
Others	3,027	4,345	14.9%
<b>Total Current Liabilities</b>	<b>7,423</b>	<b>8,864</b>	<b>30.3%</b>
Long term Liabilities	665	6,850	23.4%
<b>Total Liabilities</b>	<b>395</b>	<b>129</b>	<b>0.4%</b>
<b>Net Assets</b>			
Shareholder's Equity	9,574	13,314	45.6%
Others	70	60	0.2%
<b>Total Net Assets</b>	<b>9,645</b>	<b>13,374</b>	<b>45.8%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>18,128</b>	<b>29,218</b>	

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

## 7-4. FY2015 Financial Results

### – Operating Income Change Factor (Non-Consolidated)



The amounts are changes of operating profit amount by each cost ratio changes. 12



## 8-1. FY2015 Financial Result-P/L (Consolidated)

	FY2014 Result		FY2015 Plan		FY2015 Result				
	(Million Yen)	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY	A/F
Sales		44,937		57,589		57,563		+28.1%	-0.0%
Gross Profit		12,934	28.8%	17,241	29.9%	17,327	30.1%	+34.0%	+0.5%
SGA Exp.		8,610	19.2%	10,304	17.9%	10,239	17.8%	+18.9%	-0.6%
Operating Income		4,323	9.6%	6,937	12.0%	7,087	12.3%	+63.9%	+2.2%
Current Income		4,351	9.7%	6,949	12.1%	7,120	12.4%	+63.6%	+2.5%
Net Income		2,544	5.7%	4,360	7.6%	4,439	7.7%	+74.5%	+1.8%



## 8-2. FY2015 Financial Result-B/S(Consolidated)

	Dec., 2014		Dec., 2015	
	Amount	Ratio	Amount	Ratio
<b>Asset</b>				
CASH	4,184	23.4%	11,189	38.9%
Accounts Receivable	4,895	27.4%	6,128	21.3%
Inventory	4,093	22.9%	5,411	18.8%
Others	1,831	10.3%	2,518	8.8%
<b>Total Current Asset</b>	<b>15,004</b>	<b>84.0%</b>	<b>25,248</b>	<b>87.8%</b>
Tangible Fixed Asset	1,098	6.2%	1,571	5.5%
Intangible Fixed Asset	958	5.4%	1,012	3.5%
Others	806	4.5%	911	3.2%
<b>Total Fixed Assets</b>	<b>2,863</b>	<b>16.0%</b>	<b>3,496</b>	<b>12.2%</b>
<b>Total Assets</b>	<b>17,868</b>		<b>28,744</b>	

	Dec., 2014		Dec., 2015	
	Amount	Ratio	Amount	Ratio
<b>Liabilities</b>				
Accounts Payable	3,701	20.7%	4,404	15.3%
Short-term Debt & etc.	814	4.6%	315	1.1%
Others	3,074	17.2%	4,410	15.3%
<b>Total Current Liabilities</b>	<b>7,590</b>	<b>42.5%</b>	<b>9,130</b>	<b>31.8%</b>
Long-term Debt	665	3.7%	6,850	23.8%
Others	396	2.2%	131	0.5%
<b>Total Long-term Liabilities</b>	<b>1,061</b>	<b>5.9%</b>	<b>6,981</b>	<b>24.3%</b>
<b>Total Liabilities</b>	<b>8,652</b>	<b>48.4%</b>	<b>16,112</b>	<b>56.1%</b>
<b>Net Assets</b>				
Shareholder's Equity	9,073	50.8%	12,534	43.6%
Others	142	0.8%	97	0.3%
<b>Total Net Assets</b>	<b>9,216</b>	<b>51.6%</b>	<b>12,632</b>	<b>43.9%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>17,868</b>		<b>28,744</b>	

Short-term Debt & etc. includes short-term debt & current portion of long-term debt. <sup>14</sup>



## 8-3. FY2015 Financial Result-C/F(Consolidated)

	FY2014	FY2015
(M Yen)		
<b>I Cash Flow from Operating Activity</b>		
Net Income before Tax	4,313	7,118
Increase or Decrease in Accounts Receivable	-1,129	-1,236
Increase or Decrease in Inventory	-834	-1,332
Increase or Decrease in Accounts Payable	1,021	715
Others	-1,501	-1,505
Total	1,868	3,758
<b>II Cash Flow from Investing Activity</b>		
Acquisition of Tangible Assets	-147	-589
Acquisition of Intangible Assets	-448	-371
Others	-261	-112
Total	-857	-1,073
<b>III Cash Flow from Financing Activity</b>		
Increase or Decrease of Short-term Debt	-800	-500
Increase or Decrease of Long-term Debt	711	6,185
Dividend	-792	-1,046
Others	-226	-295
Total	-1,107	4,343
<b>IV Currency Exchange Adjustment</b>	31	-24
<b>V Net Increase/Decrease of Cash and Cash Equivalent</b>	-64	7,005
<b>VI Cash and Cash Equivalent at the beginning of the period</b>	3,948	3,884
<b>VII Cash and Cash Equivalent at the end of the period</b>	3,884	10,889



## 9. FY2016 Plan / P/L– MonotaRO non-consolidated

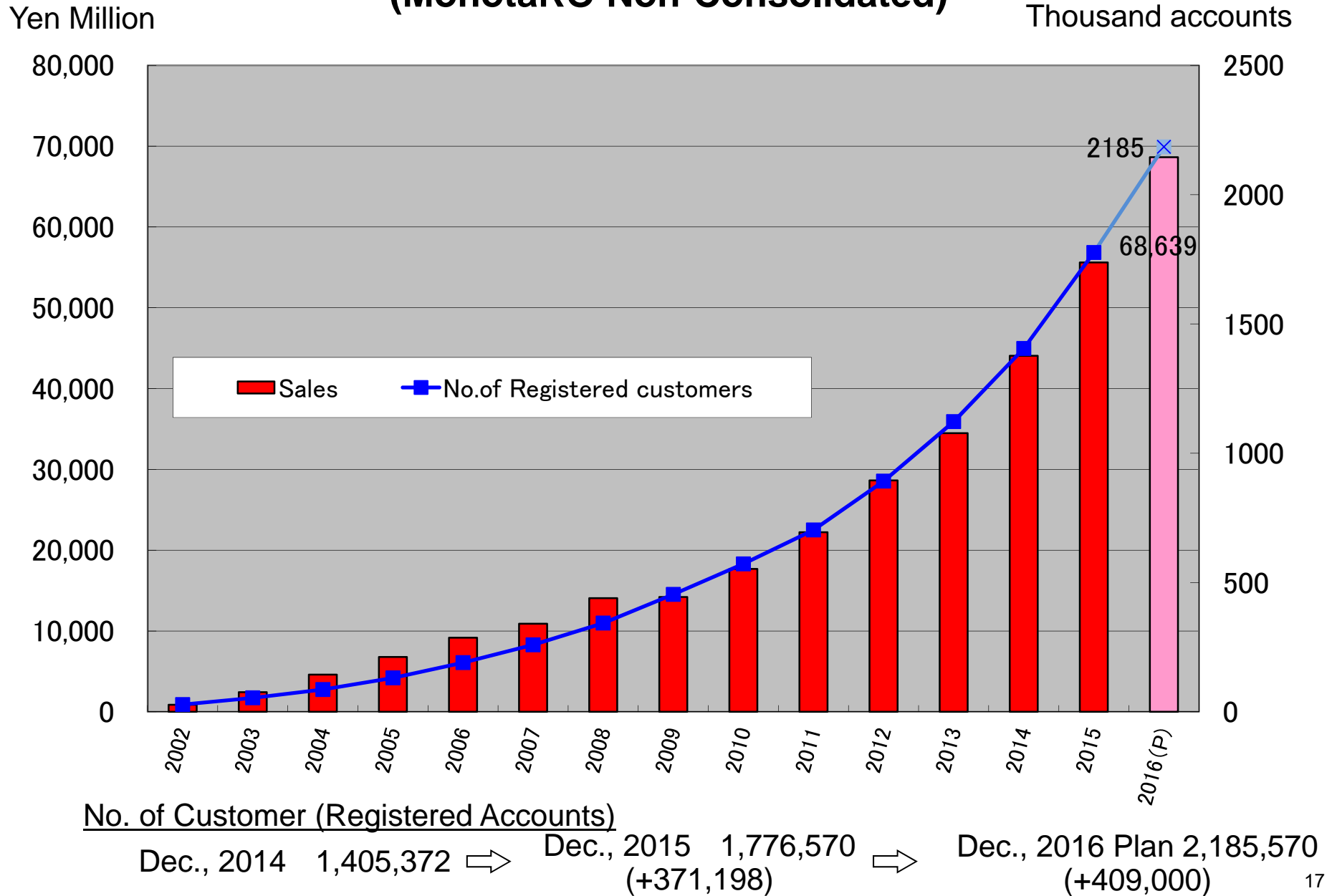
million	FY2015 Result		FY2016 Plan		
	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY
Sales	55,607		68,639		+23.4%
Gross Profit	16,957	30.5%	21,297	31.0%	+25.6%
SGA Expense	9,593	17.3%	11,718	17.1%	+22.1%
Operating Income	7,363	13.2%	9,579	14.0%	+30.1%
Current Income	7,398	13.3%	9,574	13.9%	+29.4%
Net Income	4,718	8.5%	6,330	9.2%	+34.2%

million	2016 1 <sup>st</sup> Half (Jan to Jun) Plan			2016 2 <sup>nd</sup> Half (Jul to Dec) Plan		
	Amount	Ratio to Sales	YonY	Amount	Ratio to Sales	YonY
Sales	32,646		+23.4%	35,992		+23.4%
Gross Profit	10,135	31.0%	+26.3%	11,162	31.0%	+25.0%
SGA Expense	5,661	17.3%	+26.9%	6,057	16.8%	+18.0%
Operating Income	4,474	13.7%	+25.5%	5,105	14.2%	+34.4%
Current Income	4,470	13.7%	+25.0%	5,103	14.2%	+33.6%
Net Income	2,975	9.1%	+28.7%	3,355	9.3%	+39.4%



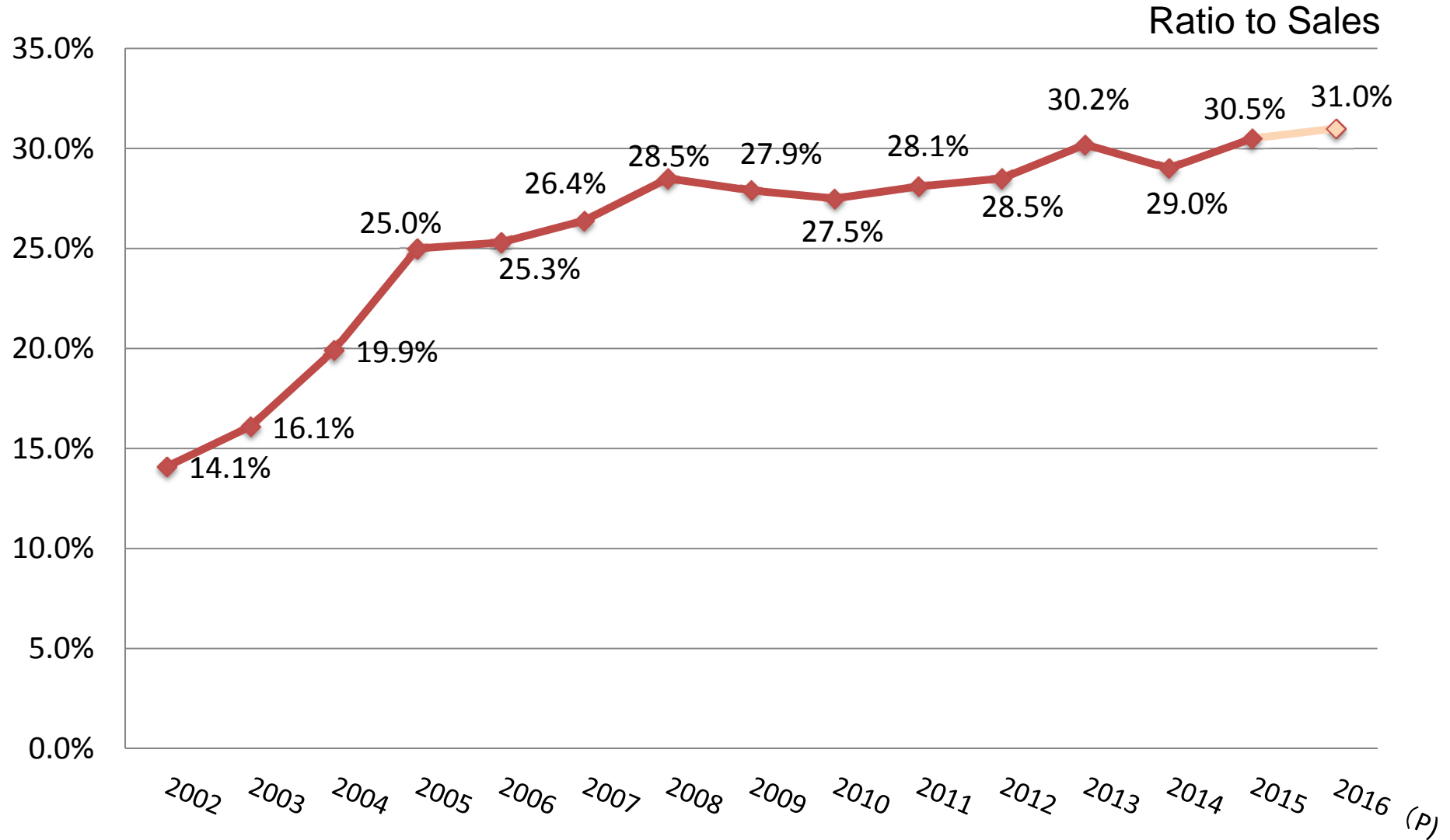


# 10-1. Our Progress -Sales & Customers (MonotaRO Non-Consolidated)





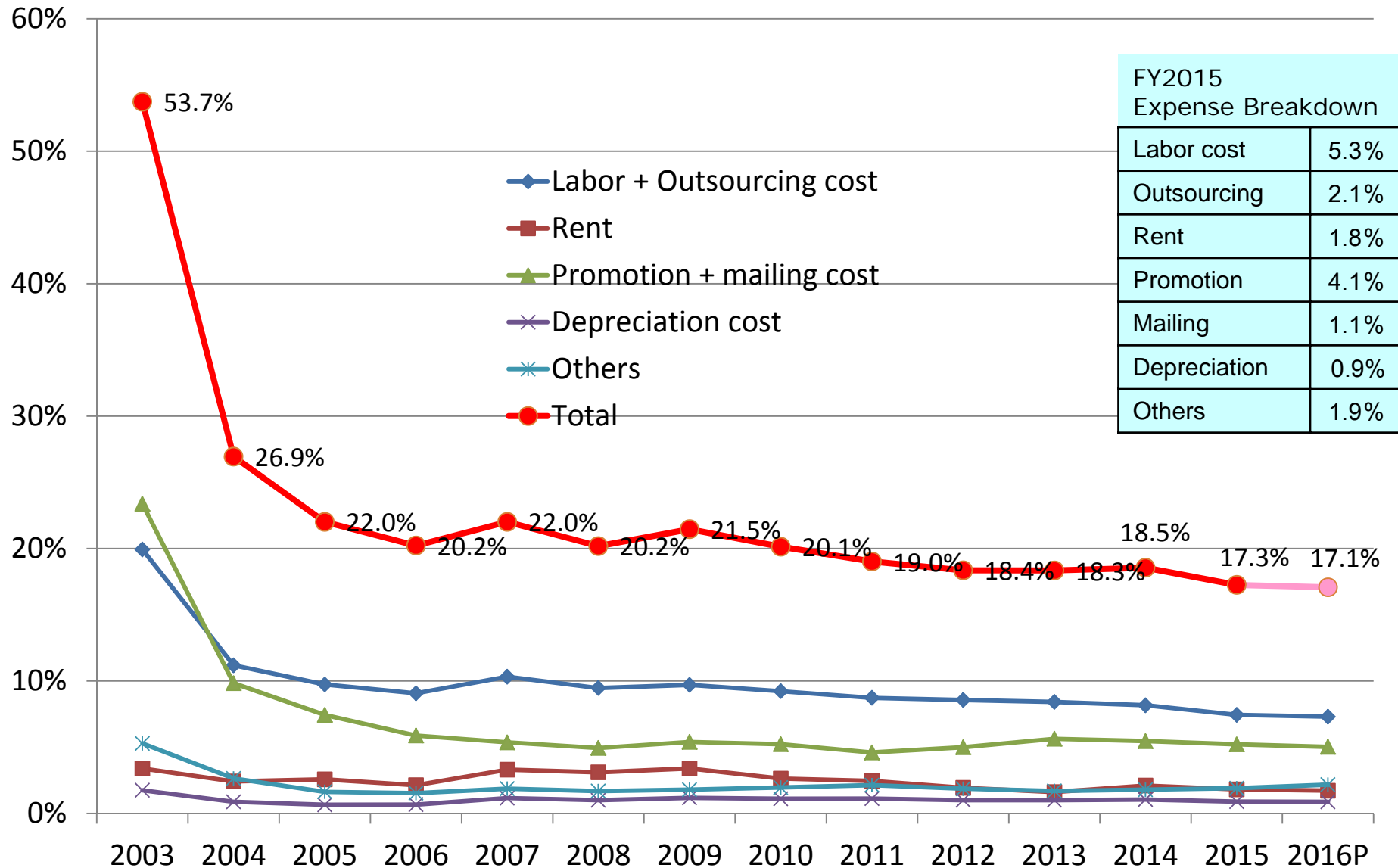
## 10-2. Our Progress -Gross Profit (MonotaRO Non-Consolidated)





## 10-3. Our Progress -Fixed Cost (MonotaRO Non-Consolidated)

Ratio to Sales





## 11-1. FY2016 Plan / P/L – Consolidated

million	FY2015 Result		FY2016 Plan		
	Amount	Ratio to Sales	Amount	Ratio to Sales	YoY
Sales	57,563		71,076		+23.5%
Gross Profit	17,327	30.1%	21,746	30.6%	+25.5%
SGA Expense	10,239	17.8%	12,446	17.5%	+21.5%
Operating Income	7,087	12.3%	9,300	13.1%	+31.2%
Current Income	7,120	12.4%	9,295	13.1%	+30.5%
Net Income	4,439	7.7%	6,051	8.5%	+36.3%

million	2016 1 <sup>st</sup> Half (Jan to Jun) Plan			2016 2 <sup>nd</sup> Half (Jul to Dec) Plan		
	Amount	Ratio to Sales	YoY	Amount	Ratio to Sales	YoY
Sales	33,748		+23.4%	37,327		+23.6%
Gross Profit	10,324	30.6%	+25.9%	11,422	30.6%	+25.1%
SGA Expense	6,024	17.9%	+26.4%	6,421	17.2%	+17.3%
Operating Income	4,300	12.7%	+25.3%	5,000	13.4%	+36.8%
Current Income	4,296	12.7%	+24.7%	4,998	13.4%	+36.0%
Net Income	2,800	8.3%	+28.6%	3,250	8.7%	+43.7%



## **11-2. FY2016 Plan / Outline - Consolidated**

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### **Sales: 71,076 million yen YonY+23.5%**

- More new customer acquisition through the continual aggressive promotion including TV commercial and Internet advertisement.
- Steady sales growth of existing customers encouraged by the expansion of product line-up and inventory, better website usability and more effective sales promotion with the expectation of the stable market condition.
- Sales of the Korean business, Navimro, is planned to be 2.4 billion yen.

### **Gross Profit: 21,746 million yen YonY+25.5%**

- Gross profit rate shall improve by 0.5 point YonY by the sales expansion of private label brand products. Currency exchange rate is expected to be stable as last year.

### **SG&A Expense: 12,446 million yen YonY+21.5%**

- SG&A cost rate shall improve by 0.3 point through the efficient operation leveraging the sales increase while investing aggressively to sales promotion including TVCM, Internet advertisement and paper catalog.

### **Operating Income: 9,300 million yen YonY+31.2%**

### **Net Income 6,051 million yen YonY+36.3%**

- The dividend is planned to increase to 18 yen/year.



## 11-3. FY2016 Business Strategy-1/3

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

#### ✓ **Expansion of the customer base**

Further aggressive promotion through Internet advertisement and TV commercial to accelerate the new customer acquisition to more than 400 thousand accounts in 2016.

#### ✓ **Introducing advanced product management system for wider variety in product line-up**

Customized products become available for sales with the new technology. It will start in the categories of FA parts and construction materials.

#### ✓ **Enhancement of private label brand products**

Promoting more sales by expanding the product line-up and issuing the PB product dedicated catalog.

### 2.Sales to large companies

#### ✓ **2015 Performance**

No. of company connected: 221 (YonY +55) , Sales: 3.5b yen YonY +70%



## 11-3. FY2016 Business Strategy-2/3

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### ✓ 2016 Plan

Sales: 5.3b yen YonY +51%

Promoting sales expansion through the new customer acquisition and the higher penetration to existing customers

### ✓ MonotaRO “One Source” -Procurement Management System

Introduced in 4 companies.

2 more companies are going to introduce

Promoting introduction to more customers

## 3. Overseas Business

### ✓ South Korean Subsidiary

2016 Sales plan 2.4b yen, YonY +25%

+48% sales growth is expected in the local currency, but the growth rate becomes lower in Japanese yen reflecting the weaker Korean won.

### ✓ Consulting business

Zoro US 2015 sales: US\$296m, 2016 sales plan: US\$450m

Zoro EU(Germany) is also showing steady growth.



## 11-3. FY2016 Business Strategy-3/3

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### ✓ Export business

Accelerating sales growth through the expansion of the product line-up and improvement of the promotion and services specializing to each countries.

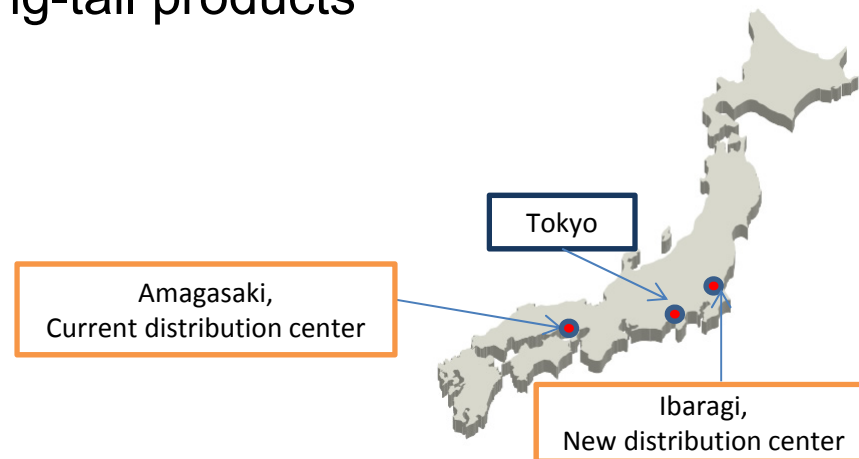
### 4. Preparation for the New Distribution Center in Ibaragi

#### ✓ The building construction starts in April, 2016

Total investment amount : 8.5b yen for land, building and initial equipment

#### ✓ Introducing advanced automation system for better efficiency

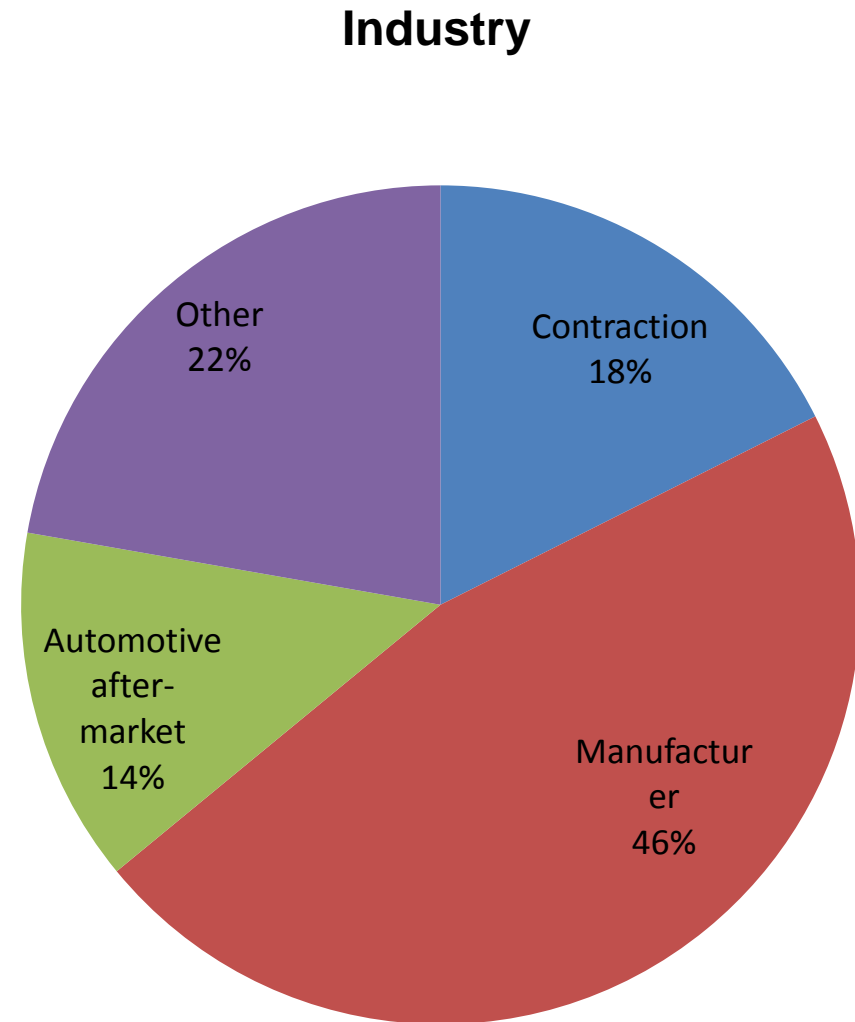
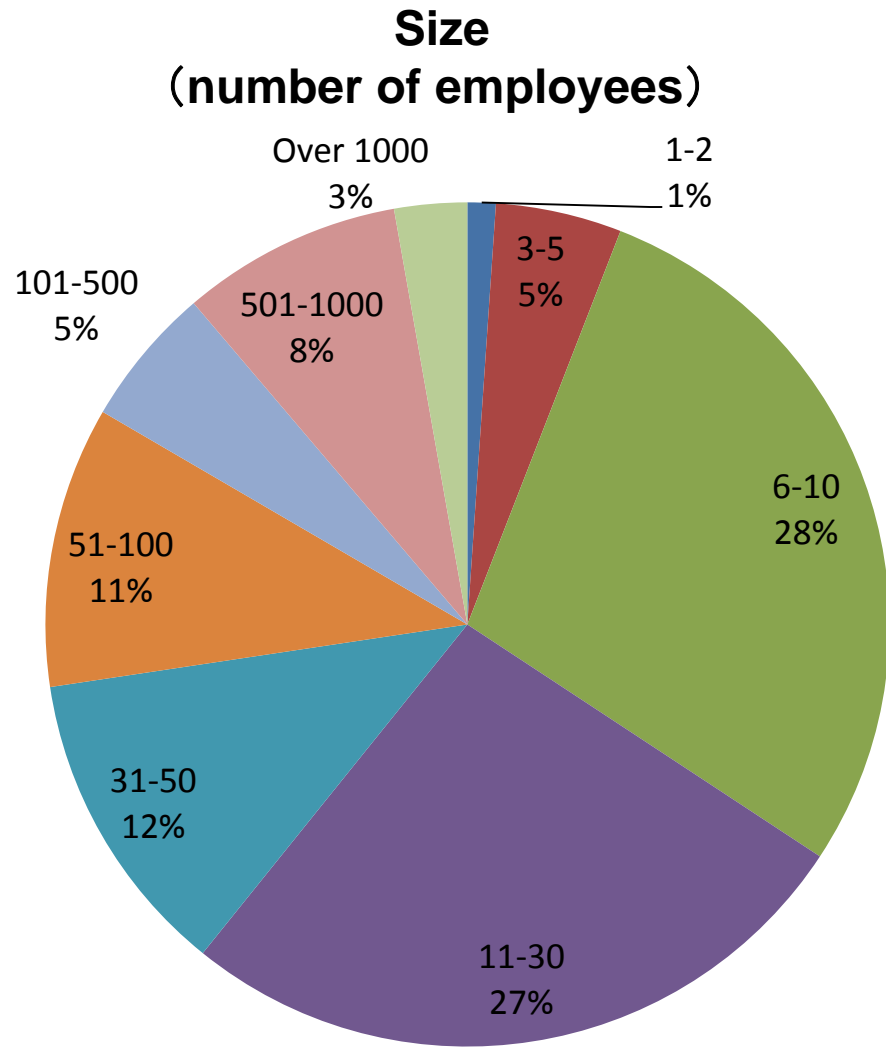
Efficient picking system for long-tail products







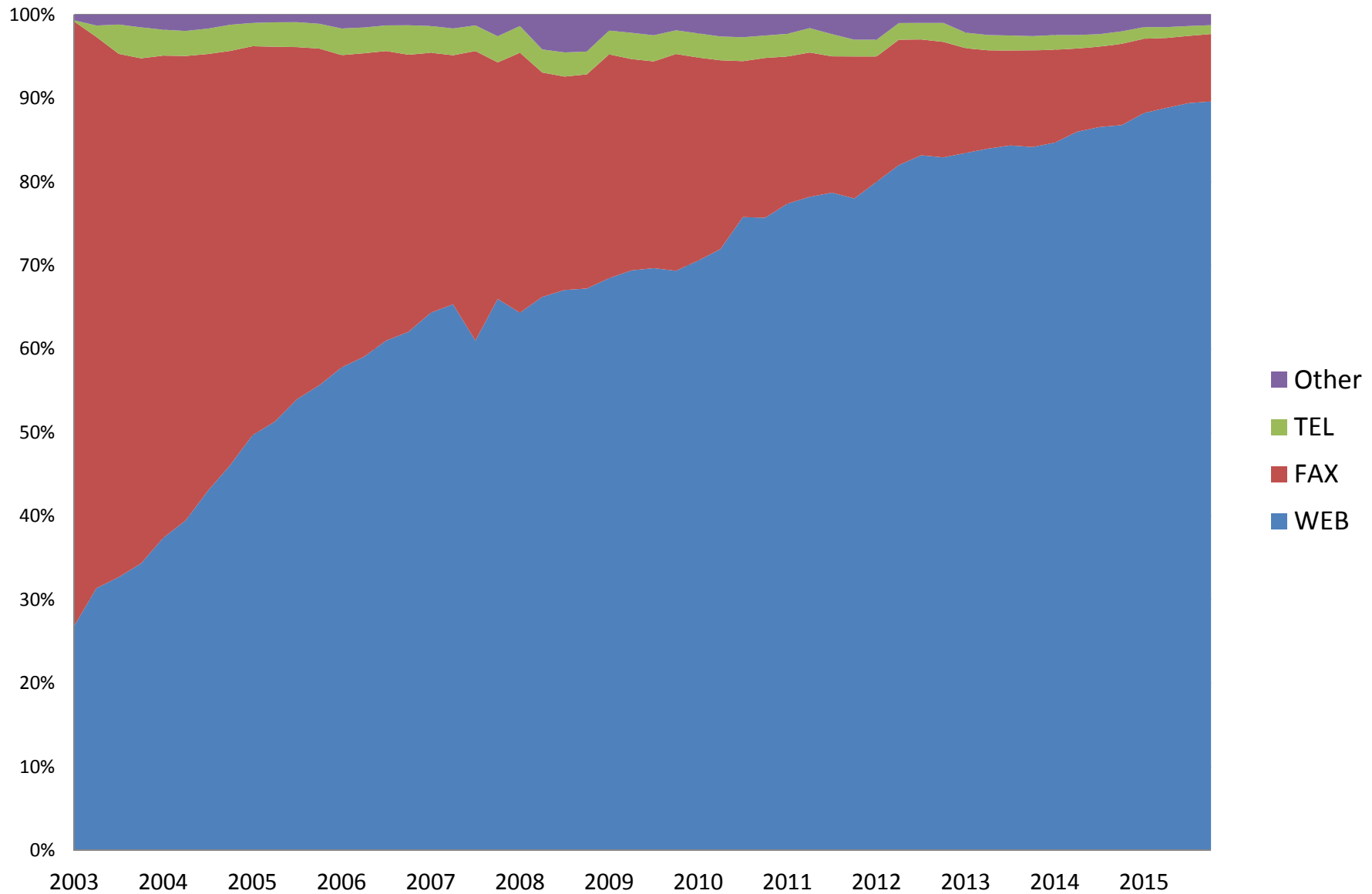
# Reference 1: Customer Demographics



**Ratio by sales amount in 2015**  
(Sales through Shopping website-not include sales through API connection)

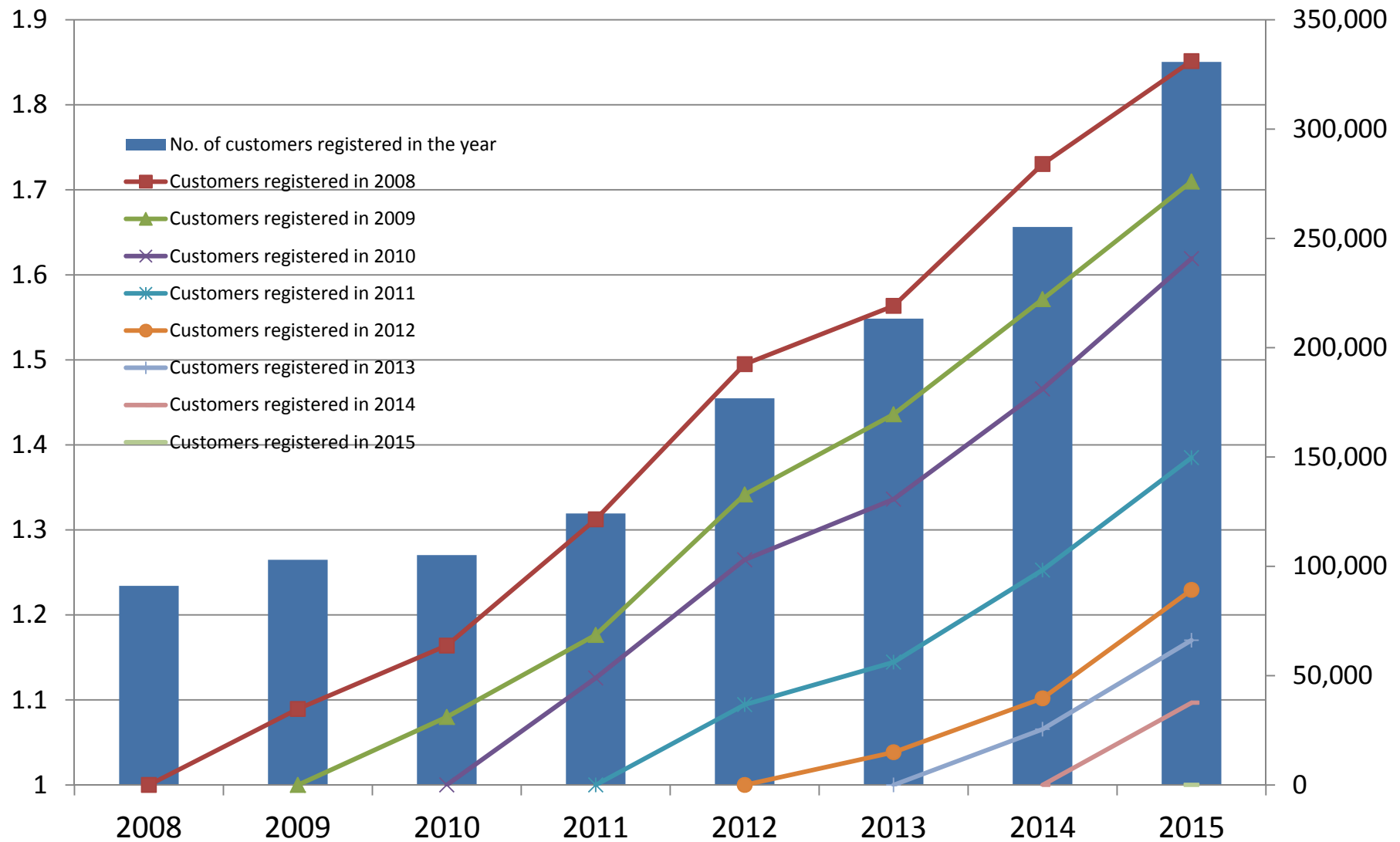


## Reference 2 : Internet PO Ratio





# Reference 3 : Customers' Growth History



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



# 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	-3.5%
		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	57,563	+428.5%
		480	910	4,323	7,087	+1376.5%

The amounts of 2015 are 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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