# MonotaRO Co., Ltd.

Q1,  FY2016
（Jan. to Mar., 2016)

# 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: | 1.8 million and more throughout Japan |
| Date of foundation: | October 19, 2000 |
| Full-scale operation start date: | November 13, 2001 |
| Capital stock: | 1.91 billion yen or 17.0 million dollars (U$1=JPY112.68) |
| # of employees: | 1,124 including 279 regular employees (as of Mar. 2016 Consolidated) |
| Main Office: | Amagasaki City, Hyogo |
| Distribution center: | (1) Amagasaki City, Hyogo<br>(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 & 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 9 million items, our paper catalogues cover 402 thousand items and 400 thousand items are available for the same day shipment.
263 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 Flyers 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

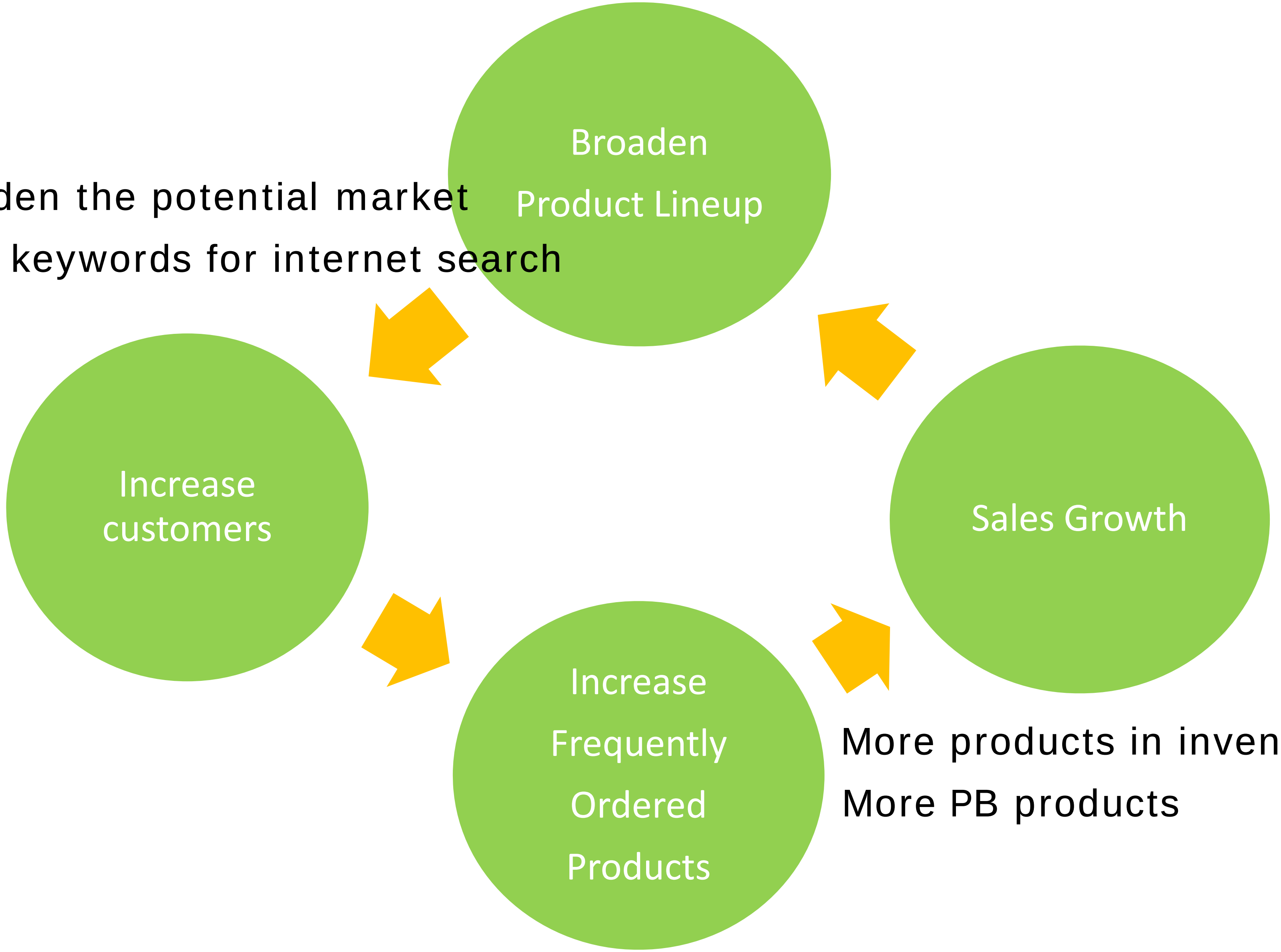
・Higher Margin

・Unique competitive advantage

# 6-1. Our Growth – Development Cycle

Broaden the potential market

More keywords for internet search




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 Introduced Laboratory Products

US business started with consulting to Zoro Tools

Business with Large size companies started to grow

2013 South Korean business started by establishing a subsidiary.

2014 Expanded product lineup

with agricultural equipment and kitchen equipment.

“MonotaRO One Source” Procurement management system for enterprises

2015 Introduced Medical & Nursing care equipment category

# 7-1. FY2016_Q1 Financial Result – Outline
## (MonotaRO Non-consolidated)

### Sales: 16,041 million yen, YonY +23.0%, A/R to 1H Plan 49.1%

-New customer acquisition is continuously accelerated and it marked a record high of 38,900 accounts in March.
-Existing customers' sales growth is steady in line with the plan.
-Carefully monitoring the influence of the macro economic condition on the sales to existing customers .

### Gross Profit: 5,023 million yen, YonY +28.8%, A/R to 1H Plan 49.6%

-The price adjustment, the improvement of delivery cost efficiency by the inventory expansion contributed to the improvement of GP rate by 1.4 points YoY.
- Private label brand sales ratio is slightly lower than the previous quarter, but GP rate is slightly better than the plan due to the favorable forex.

### SG&A Expense 2,860 million yen, YonY +23.7%, A/R to 1H Plan 50.5%

-SG&A cost rate increased by 0.1 point due to the one time cost for the inventory capacity improvement in the current Amagasaki distribution center and the cost for the improvement of IT stability and service level, while variable cost rate is improving due to better operation efficiency.
-Overall cost including promotion cost is in line with the annual plan, which is targeting 0.2 point improvement of SG&A cost ratio from the previous year.

### Operating Income 2,163 million yen, YonY +36.4%, A/R to 1H Plan 48.3%

# 7-2. FY2016_Q1 Financial Result – P/L

(MonotaRO Non-consolidated)

| | 2015 Q1 | | 2016 Q1 | | |
|---|---|---|---|---|---|
| | Amount (million yen) | Ratio to sales | Amount (million yen) | Ratio to sales | YonY |
| Sales | **13,039** | | **16,041** | | +23.0% |
| Gross Profit | **3,899** | 29.9% | **5,023** | 31.3% | +28.8% |
| SG&A Exp. | **2,313** | 17.7% | **2,860** | 17.8% | +23.7% |
| Operating Income | **1,585** | 12.2% | **2,163** | 13.5% | +36.4% |
| Current Income | **1,596** | 12.2% | **2,168** | 13.5% | +35.8% |
| Net income | **1,031** | 7.9% | **1,440** | 9.0% | +39.6% |

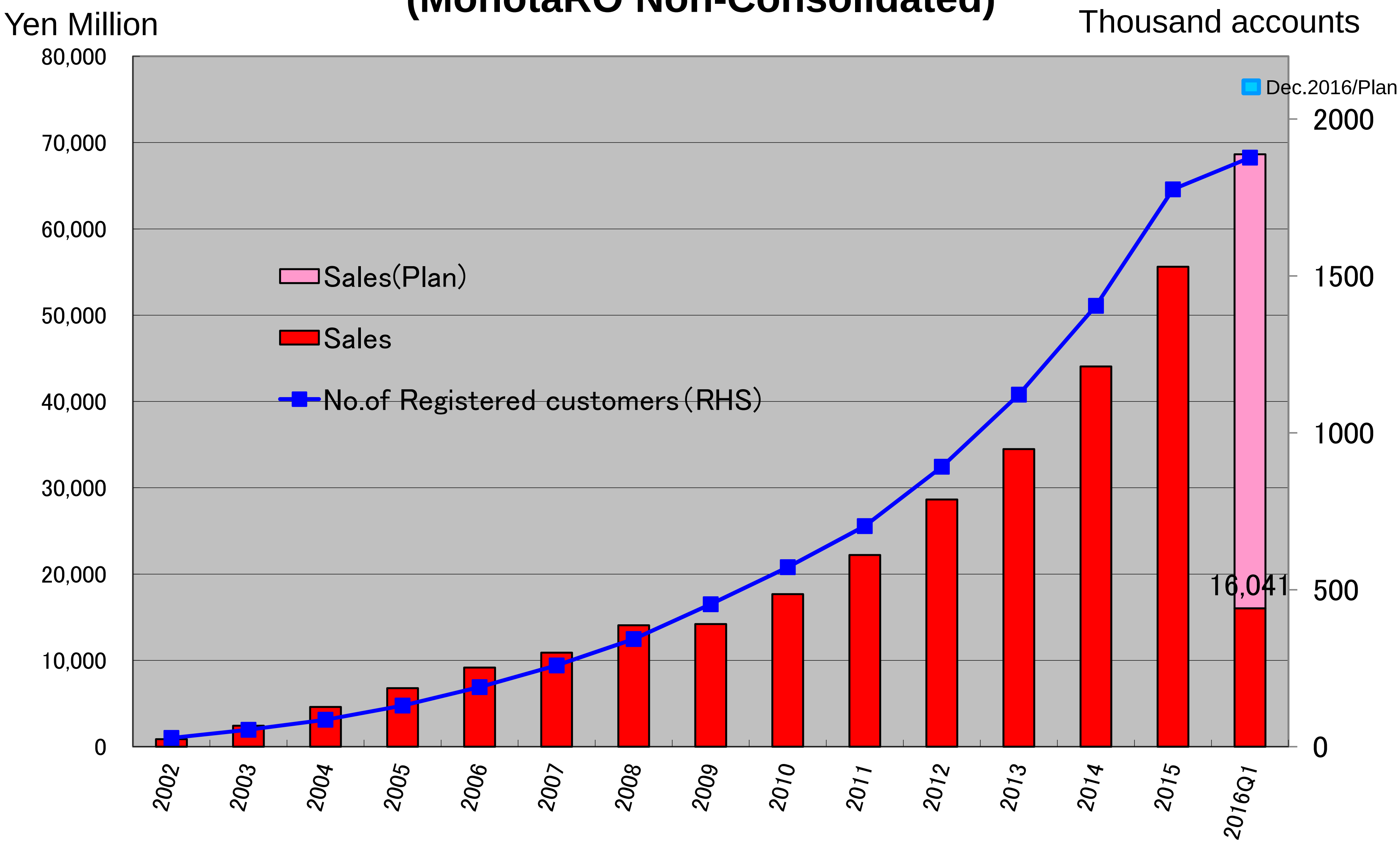
# 7-3. FY2016_Q1 Financial Result – B/S (MonotaRO Non-consolidated)

| | Mar. 2015 | Dec. 2015 | Mar. 2016 Million Yen | Mar. 2016 Ratio |
|---|---|---|---|---|
| **Asset** | | | | |
| CASH | 3,217 | 10,898 | 8,800 | 30.4% |
| Accounts Receivable | 5,683 | 6,080 | 7,079 | 24.4% |
| Inventory | 4,199 | 5,185 | 5,305 | 18.3% |
| Others | 1,980 | 2,499 | 2,525 | 8.7% |
| Total Current Asset | 15,081 | 24,664 | 23,711 | 81.8% |
| Tangible Fixed Asset | 1,060 | 1,523 | 2,219 | 7.7% |
| Intangible Fixed Asset | 930 | 973 | 1,009 | 3.5% |
| Others | 1,530 | 2,056 | 2,053 | 7.1% |
| Total Fixed Assets | 3,521 | 4,553 | 5,282 | 18.2% |
| Total Assets | 18,603 | 29,218 | 28,994 | |

| | Mar. 2015 | Dec. 2015 | Mar. 2016 Million Yen | Mar. 2016 Ratio |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Accounts Payable | 4,048 | 4,204 | 4,880 | 16.8% |
| Short-term Debt & etc. | 814 | 315 | 315 | 1.1% |
| Others | 2,461 | 4,345 | 2,898 | 10.0% |
| Total Current Liabilities | 7,324 | 8,864 | 8,094 | 27.9% |
| Long term Liabilities | 993 | 6,979 | 6,927 | 23.9% |
| Total Liabilities | 8,317 | 15,843 | 15,022 | 51.8% |
| **Net Assets** | | | | |
| Shareholder's Equity | 10,219 | 13,314 | 13,911 | 48.0% |
| Others | 66 | 60 | 61 | 0.2% |
| Total Net Assets | 10,285 | 13,374 | 13,972 | 48.2% |
| Total Liabilities & Net Assets | 18,603 | 29,218 | 28,994 | |

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

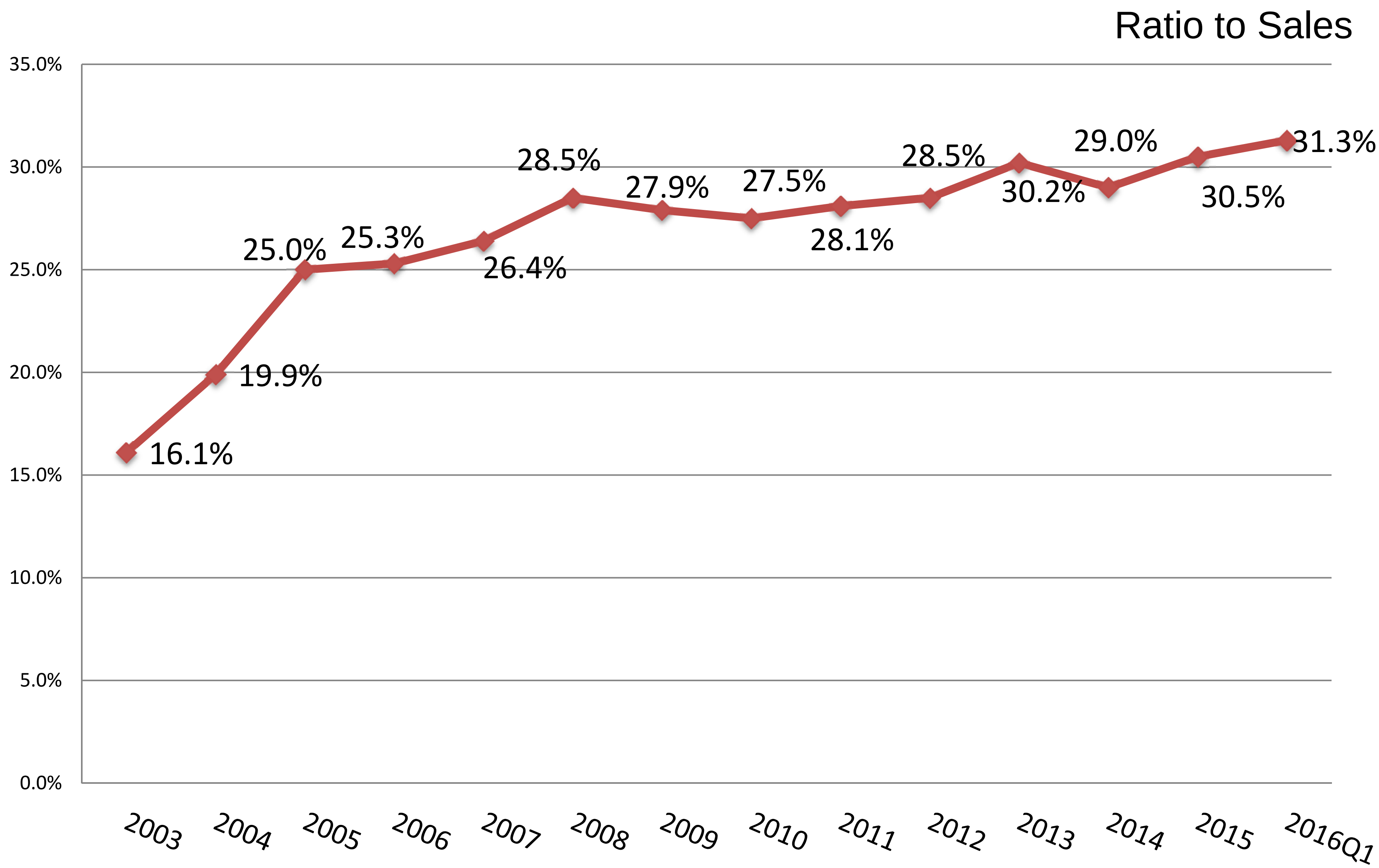
# 8-1. Our Progress -Sales & Customers
## (MonotaRO Non-Consolidated)




No. of Customer (Registered Accounts)

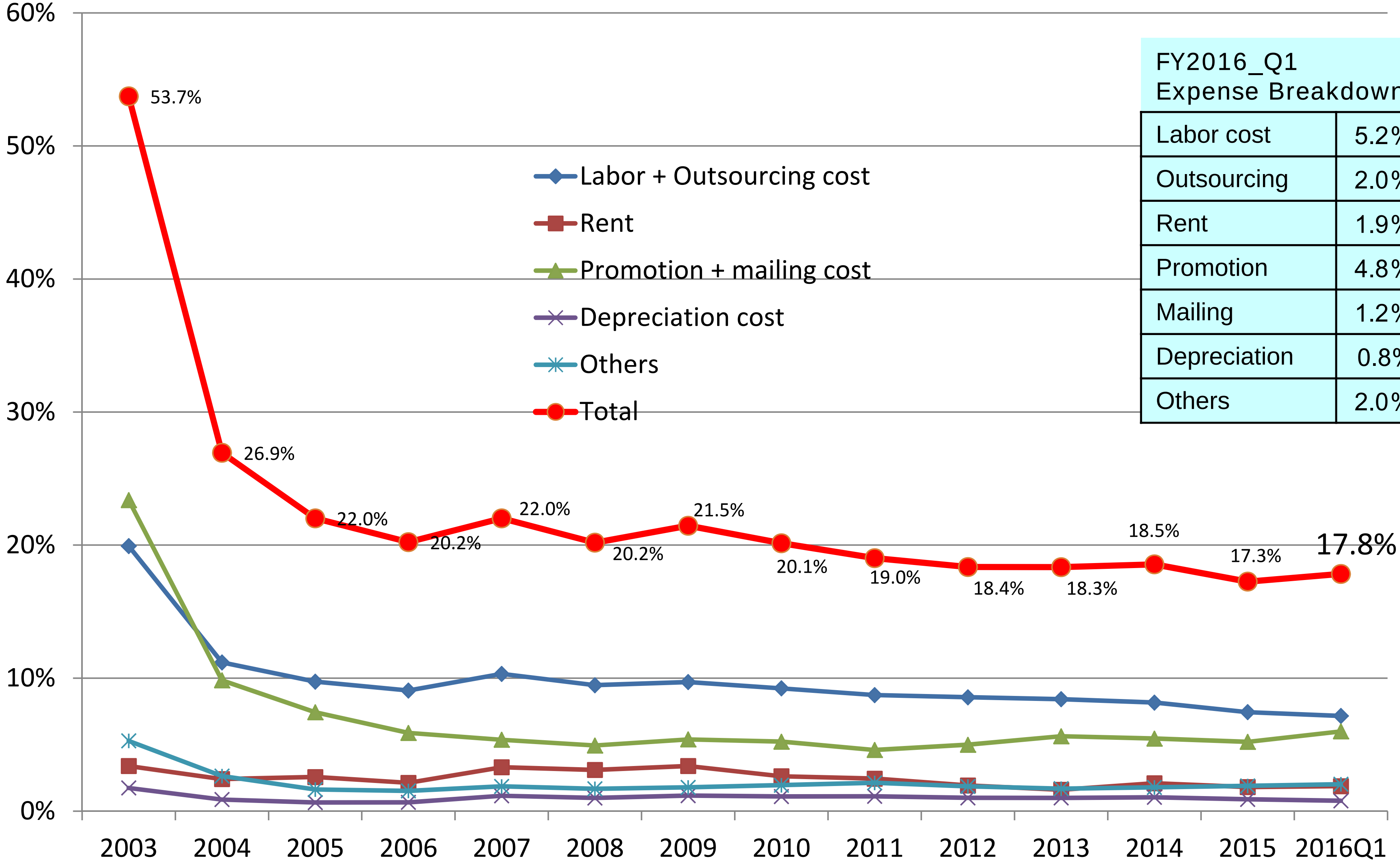
Dec., 2015 1,776,570 ⇨ Mar., 2016 1,877,958 (+101,388) ⇨ Dec., 2016 Plan 2,185,570 (+409,000)

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



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

Ratio to Sales




FY2016_Q1
Expense Breakdown

| | |
|---|---|
| Labor cost | 5.2% |
| Outsourcing | 2.0% |
| Rent | 1.9% |
| Promotion | 4.8% |
| Mailing | 1.2% |
| Depreciation | 0.8% |
| Others | 2.0% |

# 9-1. FY2016_Q1 Financial Result-P/L (Consolidated)

| | 2015_Q1 | | 2016_Q1 | | |
|---|---|---|---|---|---|
| Million yen | Amount | Ratio to Sales | Amount | Ratio to Sales | YonY |
| Sales | 13,447 | | 16,589 | | +23.4% |
| Gross Profit | 3,976 | 29.6% | 5,128 | 30.9% | +29.0% |
| SG&A Exp. | 2,457 | 18.3% | 3,028 | 18.3% | +23.2% |
| Operating Income | 1,518 | 11.3% | 2,099 | 12.7% | +38.2% |
| Current Income | 1,529 | 11.4% | 2,103 | 12.7% | +37.5% |
| Net Income | 965 | 7.2% | 1,375 | 8.3% | +42.5% |

# 9-2. FY2016_Q1 Financial Result-B/S(Consolidated)

| | Mar. 2015 | Dec. 2015 | Mar., 2016 Million Yen | Mar., 2016 Ratio |
|---|---|---|---|---|
| **Asset** | | | | |
| CASH | 3,310 | 11,189 | 8,996 | 31.7% |
| Accounts Receivable | 5,727 | 6,128 | 7,153 | 25.2% |
| Inventory | 4,386 | 5,411 | 5,512 | 19.4% |
| Others | 1,994 | 2,518 | 2,535 | 8.9% |
| Total Current Asset | 15,418 | 25,248 | 24,196 | 85.2% |
| Tangible Fixed Asset | 1,072 | 1,571 | 2,260 | 8.0% |
| Intangible Fixed Asset | 972 | 1,012 | 1,045 | 3.7% |
| Others | 808 | 911 | 907 | 3.2% |
| Total Fixed Assets | 2,854 | 3,496 | 4,214 | 14.8% |
| Total Assets | 18,273 | 28,744 | 28,410 | |

| | Mar. 2015 | Dec. 2015 | Mar., 2016 Million Yen | Mar., 2016 Ratio |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Accounts Payable | 4,167 | 4,404 | 5,058 | 17.8% |
| Short-term Debt & etc. | 814 | 315 | 315 | 1.1% |
| Others | 2,507 | 4,410 | 2,961 | 10.4% |
| Total Current Liabilities | 7,489 | 9,130 | 8,334 | 29.3% |
| Long term Liabilities | 997 | 6,981 | 6,933 | 24.4% |
| Total Liabilities | 8,487 | 16,112 | 15,267 | 53.7% |
| **Net Assets** | | | | |
| Shareholder's Equity | 9,651 | 12,534 | 13,066 | 46.0% |
| Others | 134 | 97 | 76 | 0.3% |
| Total Net Assets | 9,786 | 12,632 | 13,143 | 46.3% |
| Total Liabilities & Net Assets | 18,273 | 28,744 | 28,410 | |

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

# 9-3. FY2016_Q1 Financial Result-C/F(Consolidated)

| (M Yen) | | 2015Q1 | 2016Q1 |
|---|---|---|---|
| Ⅰ Cash Flow from Operating Activity | | | |
| | Net Income before Tax | 1,528 | 2,103 |
| | Increase or Decrease in Accounts Receivable | -832 | -1,027 |
| | Increase or Decrease in Inventory | -294 | -111 |
| | Increase or Decrease in Accounts Payable | 466 | 663 |
| | Tax payment | -937 | -2,004 |
| | Others | -217 | -19 |
| | Total | -287 | -396 |
| Ⅱ Cash Flow from Investing Activity | | | |
| | Acquisition of Tangible Assets | -3 | -786 |
| | Acquisition of Intangible Assets | -74 | -79 |
| | Others | -8 | 300 |
| | Total | -86 | -566 |
| Ⅲ Cash Flow from Financing Activity | | | |
| | Dividend | -421 | -850 |
| | Others | -76 | -65 |
| | Total | -498 | -915 |
| Ⅳ Currency Exchange Adjustment | | -1 | -15 |
| Ⅴ Net Increase/Decrease of Cash and Cash Equivalent | | -874 | -1,893 |
| Ⅵ Cash and Cash Equivalent at the beginning of the period | | 3,884 | 10,889 |
| Ⅶ Cash and Cash Equivalent at the end of the period | | 3,010 | 8,996 |

# 10-1. FY2016 Plan / P/L– MonotaRO non-conslidated

| million | FY2015 Result Amount | FY2015 Result Ratio to Sales | FY2016 Plan Amount | FY2016 Plan Ratio to Sales | FY2016 Plan 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 1st Half (Jan to Jun) Plan Amount | Ratio to Sales | YonY | 2016 2nd Half(Jul to Dec) Plan 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% |

# 10-2. FY2016 Plan / P/L – Consolidated

| million | FY2015 Result Amount | FY2015 Result Ratio to Sales | FY2016 Plan Amount | FY2016 Plan Ratio to Sales | FY2016 Plan YonY |
|---|---|---|---|---|---|
| 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 1st Half (Jan to Jun) Plan Amount | Ratio to Sales | YonY | 2016 2nd Half(Jul to Dec) Plan Amount | Ratio to Sales | YonY |
|---|---|---|---|---|---|---|
| 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% |

# 10-3. FY2016 Business Strategy-1/3

## 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 customers acquisition.
Targeting over 400 thousand accounts to acquire in 2016.
Q1 result is on schedule.

## 2.Sales to large companies

### ✔2016 Performance

No. of company connected: 230 (+9 from Dec. 2015)
Sales: 1.25b yen YoY +65%

### ✔MonotaRO One Source – Procurement management system

Introduced to 5 companies (+1 from Dec.2015)
2 more companies are going to introduce.

# 10-3. FY2016 Business Strategy-2/3

## 3. Overseas Business

### ✔South Korean Subsidiary

2016Q1 Sales 548 million yen, YoY +34.3%

Favorable growth of +51.6% YoY in the local currency in line with the plan.

### ✔Consulting business

Royalty income is as planned while it is slightly affected by the forex.

## 4. Next Distribution Center

Started the building construction on April 15 for targeted launch in March, 2017.

# 10-3. FY2016 Business Strategy-3/3

## 5. Entering into Indonesian Market

Acquiring 51% share of an Indonesian e-commerce company, for the purpose of expanding its business to MRO market leveraging our knowledge.

✔Overview of the company to be invested to.
Name: PT Sumisho E-Commerce Indonesia (Jakarta)
Current business: Online Store for Household Consumables
Office supply & daily goods sales to business users

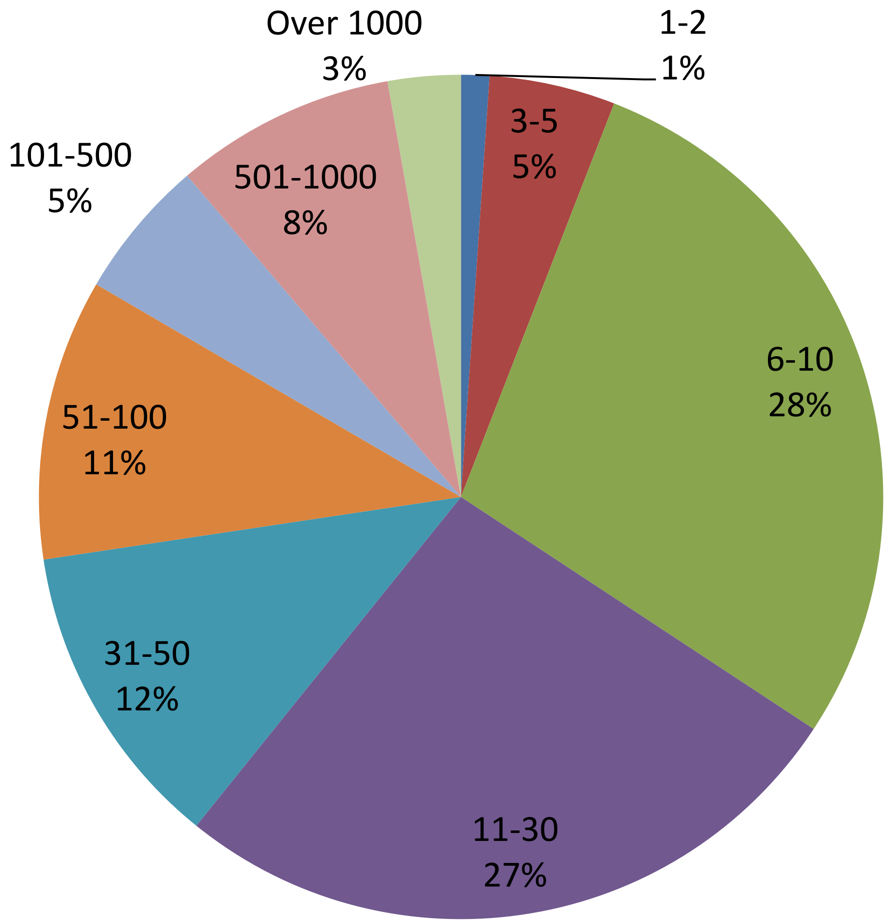
✔Investing amount
3 million US dollar

✔Shareholders and shareholding ratio after the investment
MonotaRO 51%
Sumitomo Corporation 29.4%, PT Sumitomo Indonesia 19.6%

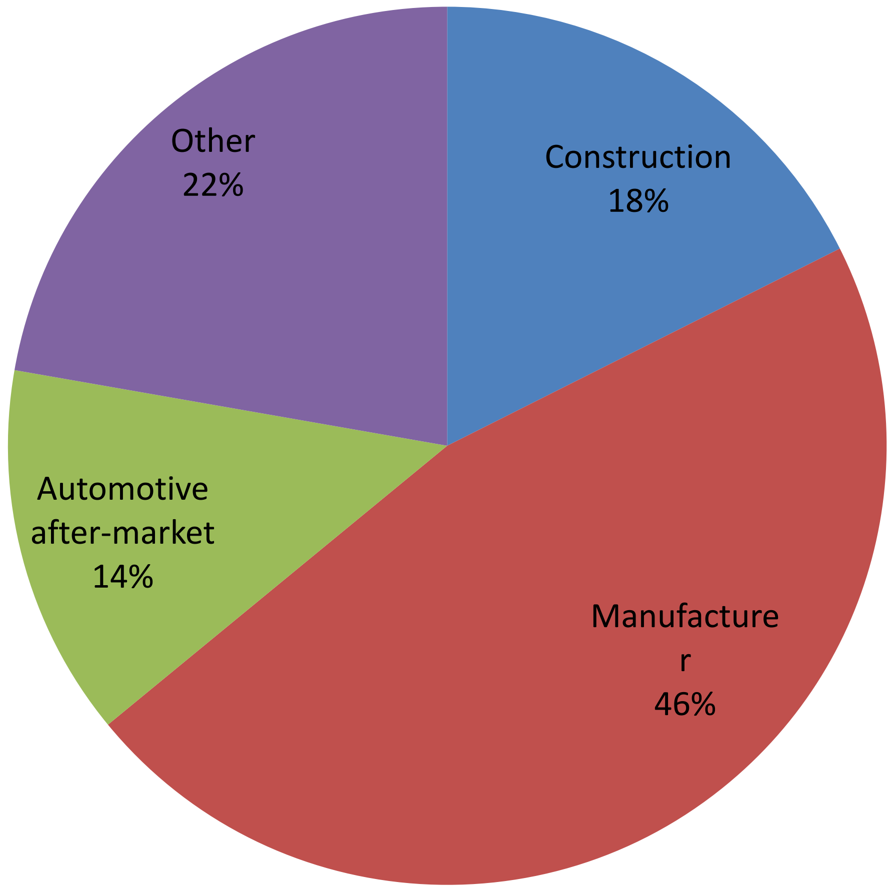
✔Purpose of the investment
Utilizing the company's sales license, logistics & IT infrastructure for the faster penetration to the MRO e-commerce market in Indonesia.
Challenge in the developing country market with limited risk.

# Reference 1: Customer Demographics

**Size**
**（number of employees）**

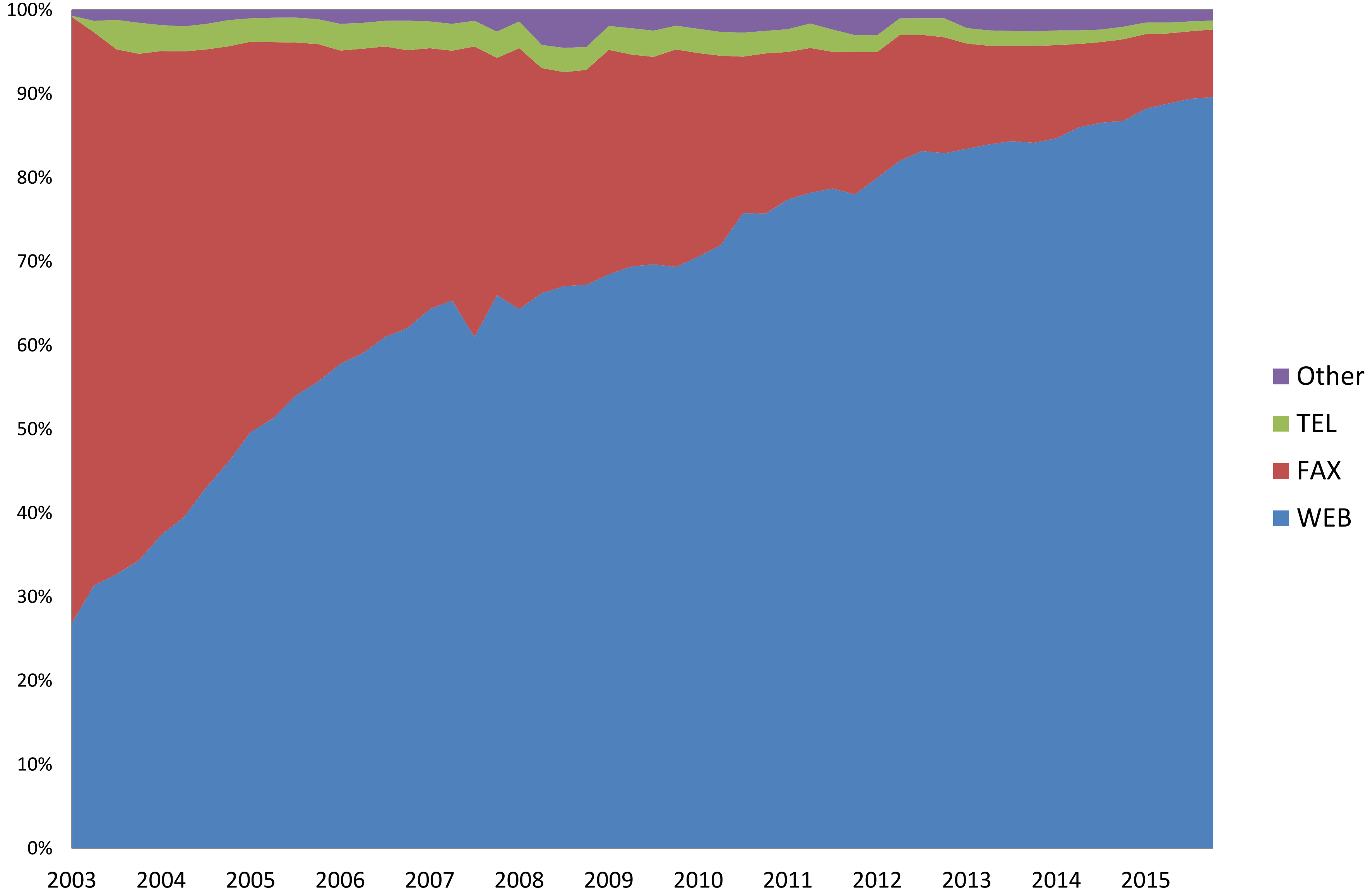



**Industry**

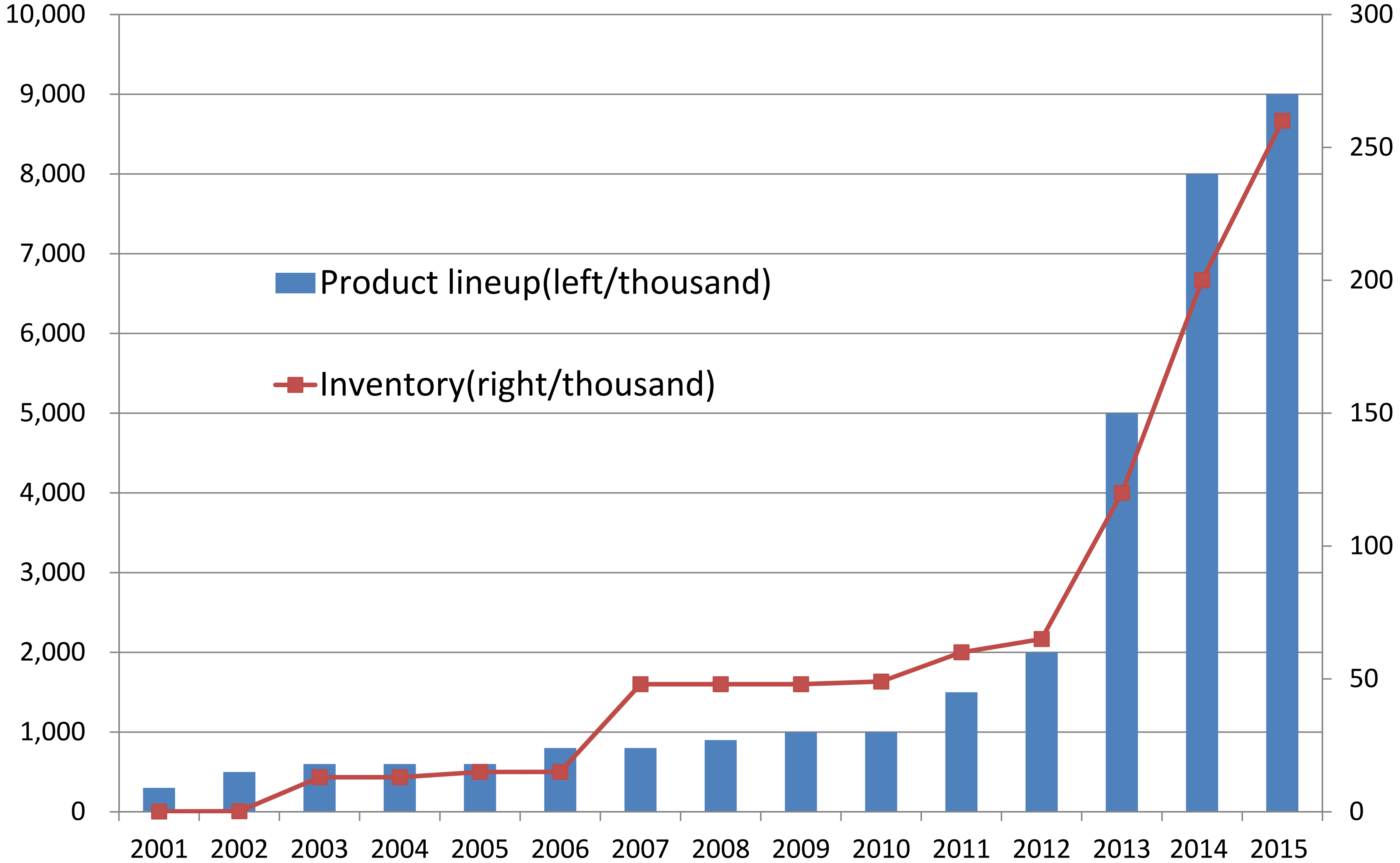



**Ratio by sales amount in 2015**
**(Sales through Shopping website-excluding sales through API connection)**

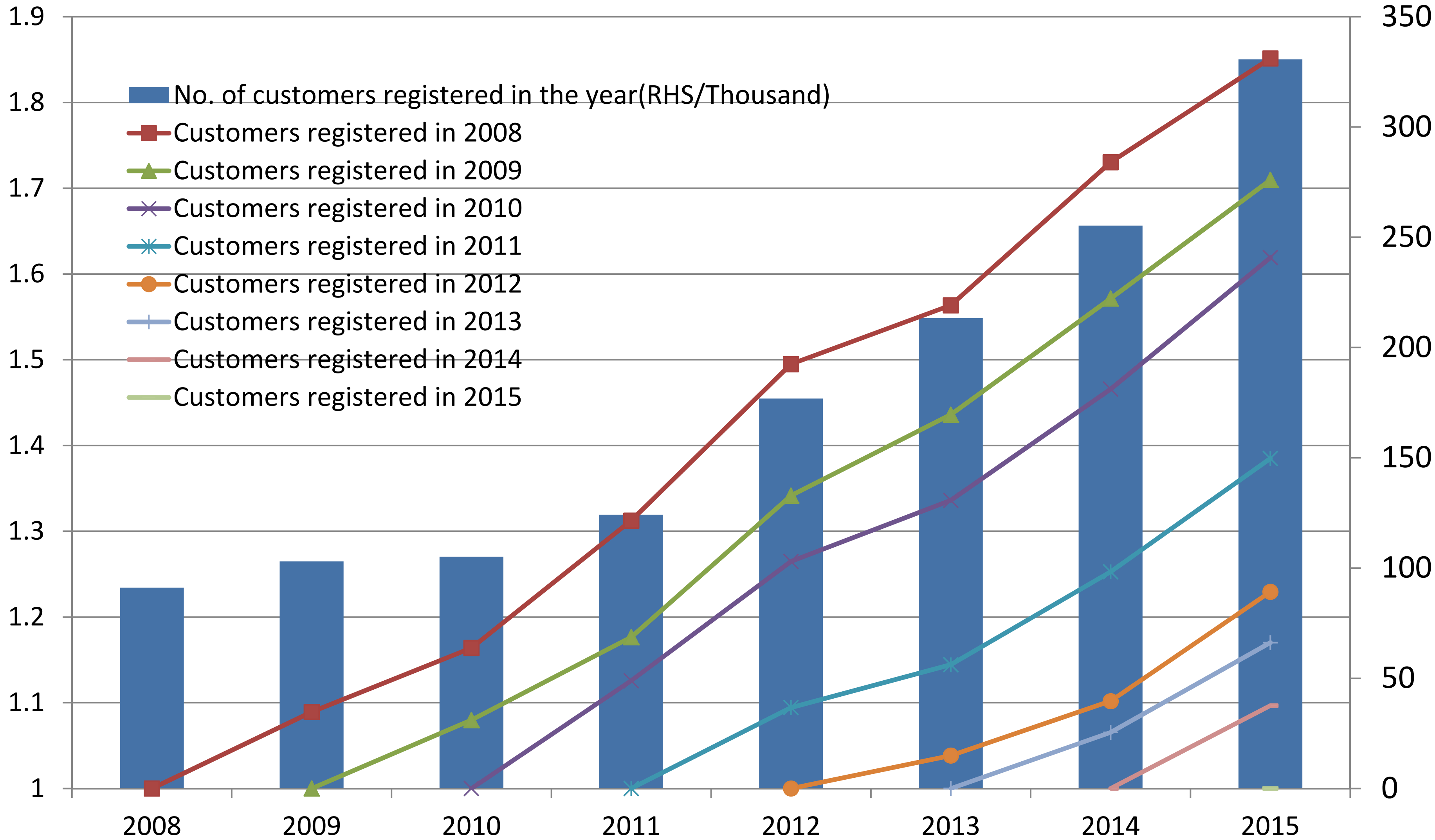
# Reference 2 : Internet PO Ratio



# Reference 3 : Product Lineup & Inventory



# Reference 4 : Customers' Purchase Growth History




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

# Reference 5 :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 April 13, 2016

| | W：Wholesaler / R：Retailer | Upper：Sales / Lower：Operating Profit (Yen MM) 2007 | 2009 | 2014 | 2015 | Change 2007 to 2015 |
|---|---|---|---|---|---|---|
| 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) - (D) | W | 134,430 | 99,201 | 114,473 | 166,565 | +23.9% |
| | | 9,120 | 3,745 | 8,477 | 12,976 | +42.2% |
| 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 | 43,483 | -15.6% |
| | | 1,343 | -668 | 463 | 585 | -56.5% |
| Sugimoto (9932) - (M) | W・R | 41,461 | 24,724 | 35,292 | 41,300 | -0.4% |
| | | 2,292 | -84 | 1,637 | 1,900 | -17.2% |
| 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 Trusco, NaITO and 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.

## Contact Us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