



monotaro

MonotaRO Co., Ltd.

FY2016
(Jan. to Dec., 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 10 million)
# of customers:	2.2 million and more throughout Japan
Date of foundation:	October 19, 2000
Full-scale operation start date:	November 13, 2001
Capital stock:	1.94 billion yen or 16.6 million dollars (U\$1=JPY116.49)
# of employees:	1,311 including 338 regular employees (as of Dec. 2016 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
- Measuring & Surveying tools
- Hand tools, Power tools, Pneumatics
- Chemicals, Adhesive, Welding
- Hydraulics, Pneumatics, Hose
- Bearing, Mechanical 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 & supplies





3. Our Strength

-Efficient Sales through Internet

Our sales through internet, targeting whole of Japan, realize economies of scale.
Our promotions are efficient, leveraging IT and cutting-edge data-base marketing.

Conventional supplier:
Labor Intensive, Localized, Small size

-One-Price Policy

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.

Conventional supplier:
Individual and unclear price

-Product Availability

We sell 10 million items, our paper catalogues cover 419 thousand items and 450 thousand items are available for the same day shipment.
298 thousand items out of the same day shipment products are in our inventory.

Conventional supplier:
Limited product availability, Small selection

-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.

Conventional supplier:
Mainly sell expensive top brand products



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

- 19 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

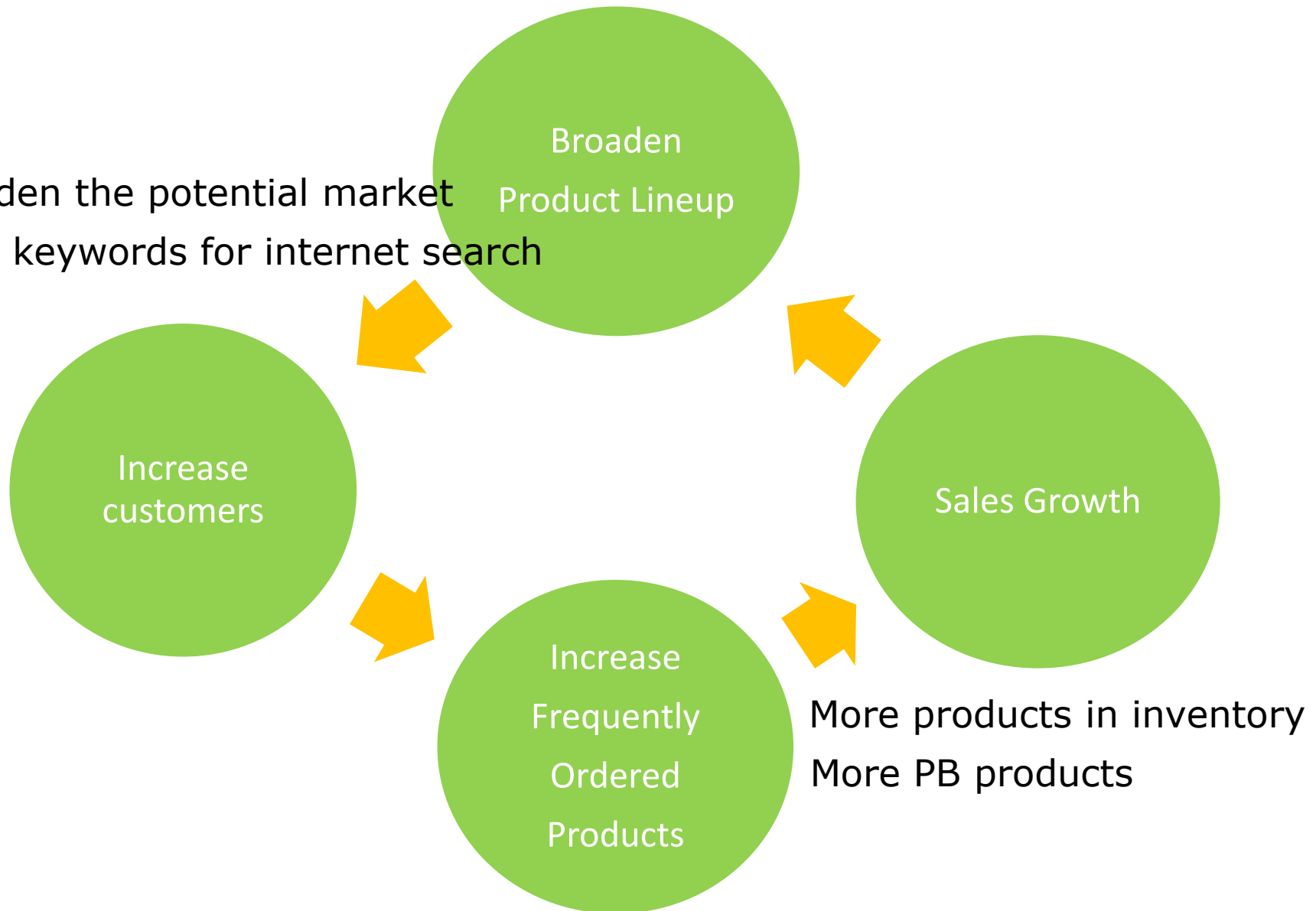
Direct Import and Private Brand Products

- Higher Margin
- Unique competitive advantage



6-1. Our Growth – Development Cycle

Broaden the potential market
More keywords for internet search





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 :
 - Introduced 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
 - Started business in April
- 2014 Expand product lineup
 - with agricultural equipment and kitchen equipment.
 - "MonotaRO One Source" Procurement management system for enterprises
- 2016 Indonesian business:
 - Acquired majority (51%) of PT MONOTARO INDONESIA
 - Consolidated to MonotaRO's in Q4

7-1. FY2016 Financial Result – Outline

(MonotaRO Non-consolidated)



◆ Sales: 67,105 million yen YonY +20.7% A/F +0.5%

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

Monthly average no. of newly acquired customers	2015 Average	2016			
		1Q average	2Q average	3Q average	4Q average
	32.4	35.3	36.4	38.0	40.2

- Growth of sales to existing customers not high as initial expectation. Promotions in response to more diversified customers' preferences and demands contributed to total sales for fiscal year 2016 exceeding Plan revised in October by 300 million JPY.

◆ Gross Profit: 21,406 million yen YonY +26.2% A/F +0.3%

- Optimizations concerning private-brand / imported products, and appreciation of JPY against USD improved GP% by 1.4 points to 31.9% YonY.

◆ SG&A Expense 11,624 million yen YonY +21.2% A/F -0.4%

- Other expenses to strengthen IT base and improve efficiencies of Amagasaki Distribution Center. Amagasaki DC's operation was improved and contributed to lowering Labor & Outsourcing Expenses.
- Savings in Labor & Outsourcing Expenses were partially used for promotions to increase sales to existing customers in 4th Quarter.
- SG&A Expense total stays almost equal to Plan.

◆ Operating Income 9,782 million yen YonY +32.8% A/F +1.2%



7-2. FY2016 Financial Result – P/L

(MonotaRO Non-consolidated)

	FY2015 Result		FY2016 Plan revised		FY2016 Result			
	Amount	Ratio to	Amount	Ratio to	Amount	Ratio to	YonY	A/F
	Million	Sales	Million	Sales	Million	Sales		
Sales	55,607		66,777		67,105		+20.7%	+0.5%
Gross Profit	16,957	30.5%	21,333	31.9%	21,406	31.9%	+26.2%	+0.3%
SGA Exp.	9,593	17.3%	11,670	17.5%	11,624	17.3%	+21.2%	-0.4%
Operation Income	7,363	13.2%	9,663	14.5%	9,782	14.6%	+32.8%	+1.2%
Current Profit	7,398	13.3%	9,667	14.5%	9,800	14.6%	+32.5%	+1.4%
Net income	4,718	8.5%	6,425	9.6%	6,631	9.9%	+40.5%	+3.2%



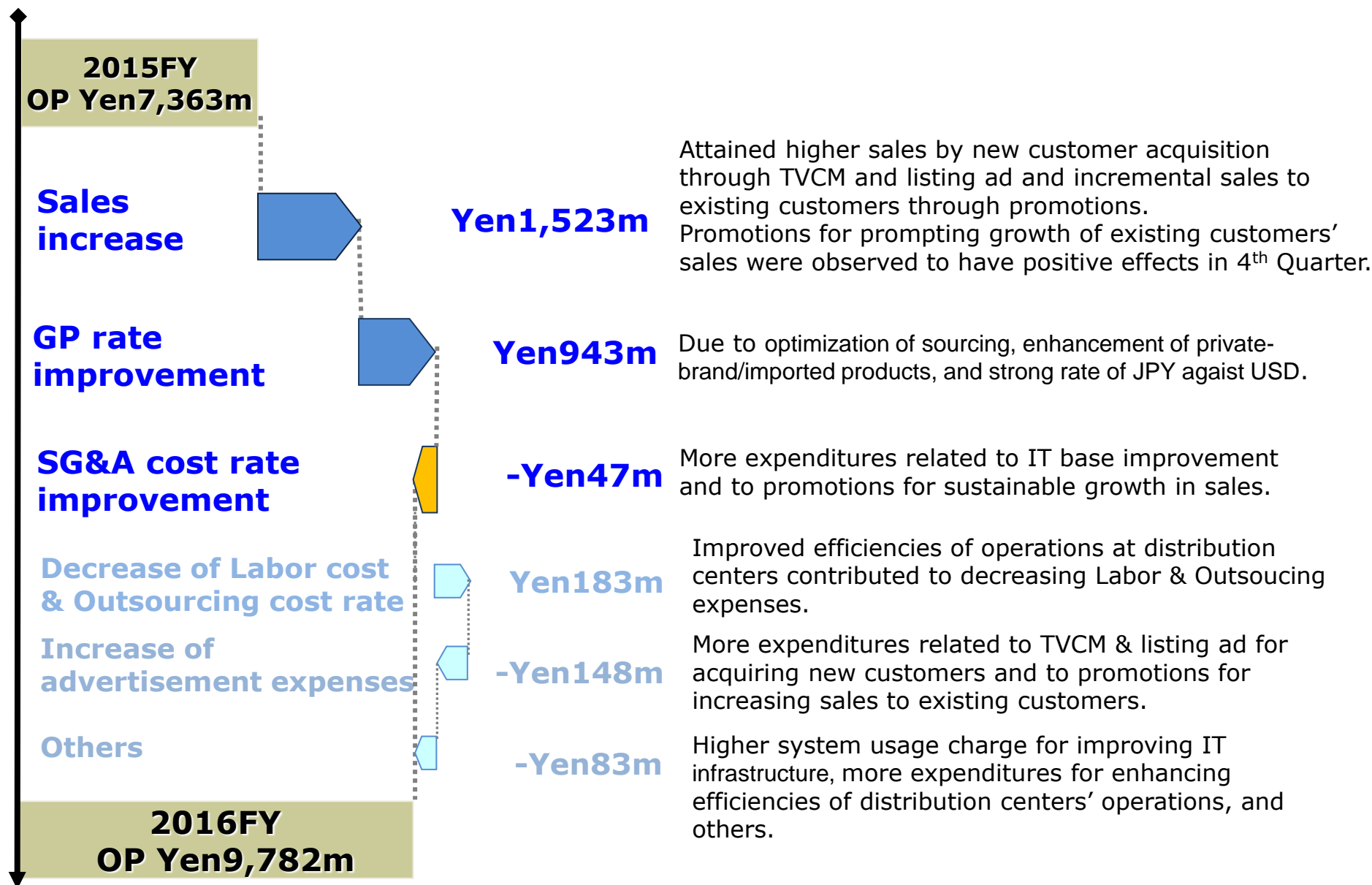
7-3. FY2016 Financial Result - B/S (MonotaRO Non-consolidated)

	DEC.	DEC. 2016	
	2015	Million	Ratio
Asset			
CASH	10,898	6,536	17.8%
Accounts Receivable	6,080	7,502	20.4%
Inventory	5,185	5,704	15.5%
Others	2,499	3,037	8.3%
Total Current Asset	24,664	22,780	61.9%
Tangible Fixed Asset	1,523	10,298	28.0%
Intangible Fixed Asset	973	1,054	2.9%
Others	2,056	2,681	7.3%
Total Fixed Assets	4,553	14,034	38.1%
Total Assets	29,218	36,814	

	DEC.	DEC. 2016	
	2015	Million	Ratio
Liabilities			
Accounts Payable	4,204	5,063	13.8%
Short-term Debt	315	225	0.6%
Others	4,345	6,692	18.2%
Total Current Liabilities	8,864	11,981	32.5%
Long term Liabilities	6,850	6,625	18.0%
Others	129	125	0.3%
Total Long-term Liabilities	6,979	6,750	18.3%
Total Liabilities	15,843	18,732	50.9%
Net Assets			
Shareholder's Equity	13,314	18,026	49.0%
Others	60	55	0.2%
Total Net Assets	13,374	18,081	49.1%
Total Liabilities & Net Assets	29,218	36,814	

7-4. FY2016 Financial Results

– Operating Income Change Factor (Non-Consolidated)





8-1. FY2016 Financial Result-P/L (Consolidated)

	FY2015 Result		FY2016 Plan revised		FY2016 Result			
(Million Yen)	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY	A/F
Sales	57,563		69,307		69,647		+21.0%	+0.5%
Gross Profit	17,327	30.1%	21,830	31.5%	21,895	31.4%	+26.4%	+0.3%
SGA Exp.	10,239	17.8%	12,450	18.0%	12,401	17.8%	+21.1%	-0.4%
Operating Income	7,087	12.3%	9,380	13.5%	9,493	13.6%	+33.9%	+1.2%
Current Income	7,120	12.4%	9,386	13.5%	9,514	13.7%	+33.6%	+1.4%
Net Income	4,439	7.7%	6,149	8.9%	6,349	9.1%	+43.0%	+3.3%
Net Income attributable to owners of the parent	4,439	7.7%	6,166	8.9%	6,368	9.1%	43.4%	+3.3%

※ MONOTARO INDONESIA consolidated since the beginning of Q4



8-2. FY2016 Financial Result-B/S(Consolidated)

	Dec., 2015		Dec., 2016	
	Amount	Ratio	Amount	Ratio
Asset				
CASH	11,189	38.9%	7,229	19.9%
Accounts Receivable	6,128	21.3%	7,569	20.8%
Inventory	5,411	18.8%	5,993	16.5%
Others	2,518	8.8%	3,089	8.5%
Total Current Asset	25,248	87.8%	23,881	65.7%
Tangible Fixed Asset	1,571	5.5%	10,331	28.4%
Intangible Fixed Asset	1,012	3.5%	1,204	3.3%
Others	911	3.2%	936	2.6%
Total Fixed Assets	3,496	12.2%	12,471	34.3%
Total Assets	28,744		36,353	

	Dec., 2015		Dec., 2016	
	Amount	Ratio	Amount	Ratio
Liabilities				
Accounts Payable	4,404	15.3%	5,302	14.6%
Short-term Debt	315	1.1%	225	0.6%
Others	4,410	15.3%	6,780	18.7%
Total Current Liabilities	9,130	31.8%	12,308	33.9%
Long-term Debt	6,850	23.8%	6,625	18.2%
Others	131	0.5%	156	0.4%
Total Long-term Liabilities	6,981	24.3%	6,781	18.7%
Total Liabilities	16,112	56.1%	19,089	52.5%
Net Assets				
Shareholder's Equity	12,534	43.6%	16,983	46.7%
Others	97	0.3%	279	0.8%
Total Net Assets	12,632	43.9%	17,263	47.5%
Total Liabilities & Net Assets	28,744		36,353	



8-3. FY2016 Financial Result-C/F(Consolidated)

	FY2015	FY2016
(M Yen)		
I Cash Flow from Operating Activity		
Net Income before Tax	7,118	9,514
Increase or Decrease in Accounts Receivable	-1,236	-1,402
Increase or Decrease in Inventory	-1,332	-575
Increase or Decrease in Accounts Payable	715	883
Others	-1,505	-3,436
Total	3,758	4,982
II Cash Flow from Investing Activity		
Acquisition of Tangible Assets	-589	-6,300
Acquisition of Intangible Assets	-371	-432
Others	-112	631
Total	-1,073	-6,101
III Cash Flow from Financing Activity		
Increase or Decrease of Short-term Debt	-500	0
Increase or Decrease of Long-term Debt	6,185	-315
Dividend	-1,046	-1,977
Others	-295	-268
Total	4,343	-2,561
IV Currency Exchange Adjustment	-24	19
V Net Increase/Decrease of Cash and Cash Equivalent	7,005	-3,660
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	10,889	7,229



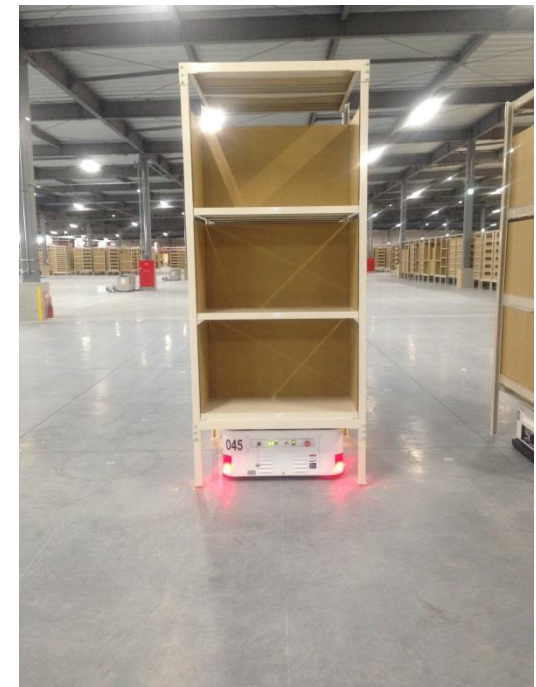
9. FY2017 Business Strategy-1/3 (1)

◆ New Distribution Center (Kasama DC) to start operation

- Construction to be completed in late February and operations to start in March
 - 8.5 billion JPY investment (land, building, and initial equipment)
 - Automated operations to realize higher productivity (improving picking operation by self-directed delivery robots)
 - Tagajyo DC in Miyagi Prefecture to be closed as Kasama DC starts operations
 - Higher productivity enables to lower Labor & Outsourcing Expenses in Latter Half, and Sales Ratio of Costs related to distribution operations to be lowered after launch of operations at Kasama DC
- (Cost analysis shown next page)



Kasama DC exterior view (Jan. 2017)



Self-directed Delivery Robot



9. FY2017 Business Strategy-1/3(2)

◆ Cost related to distribution operation

(Unit: 100M JPY)

	2016 First Half Actual		2016 Latter Half Actual		2016FY Actual	
	Amount	Sales Ratio	Amount	Sales Ratio	Amount	Sales Ratio
Sales (MonotaRO Non-Consol.)	321.4		349.5		671.0	
Depreciation	0.8	0.3%	1.1	0.3%	2.0	0.3%
Labor & Outsourcing	9.8	3.1%	10.8	3.1%	20.7	3.1%
Facility Rent	5.6	1.7%	5.5	1.6%	11.2	1.7%
Others	2.5	0.8%	2.7	0.8%	5.3	0.8%
Total	18.8	5.9%	20.4	5.9%	39.3	5.9%

	2017 First Half Plan		2017 Latter Half Plan		2017FY Plan	
	Amount	Sales Ratio	Amount	Sales Ratio	Amount	Sales Ratio
Sales (MonotaRO Non-Consol.)	385.9		416.4		802.4	
Depreciation	2.3	0.6%	3.6	0.9%	6.0	0.7%
Labor & Outsourcing	12.1	3.1%	10.2	2.5%	22.4	2.8%
Facility Rent	5.6	1.5%	5.1	1.2%	10.7	1.3%
Others	4.3	1.1%	3.3	0.8%	7.6	1.0%
Total	24.4	6.3%	22.3	5.4%	46.8	5.8%



9. FY2017 Business Strategy-2/3

◆ **Creating Platform for MRO Procurement**

- Expansion of the customer base
 - To acquire more new customers, working on optimization of landing pages as well as TVCM and Listing Ad.
 - Planning to acquire more than 480 thousand new customer
- Accelerating increase of sales to existing customers
 - Continuing to strengthen promotions for growth of sales to existing customers
- More convenience through strengthening Supply Chain
 - Improving distribution system to shorten lead-time
 - Reviewing delivery companies for providing delivery services with higher qualities

◆ **Development of Business with Large Corporations**

- 2016 result
 - 309 companies (YonY+88), 5.5 billion JPY sales (YonY+57%)
- 2017 plan
 - Sales 8.1 billion JPY (YonY+45%)
 - Acquiring new corporate customers and increasing sales to existing customers

(continued to next page)



9. FY2017 Business Strategy-3/3

◆ Development of Business with Large Corporations (continued from previous page)

- MonotaRO One Source
 - 9 companies employed, 3 considering
 - Focusing on expanding customers
- MonotaRO One Source Lite
 - Simplified & easy-installation system for expanding customer base
 - To be released in March 2017

◆ Overseas expansion

- NaviMRO (subsidiary in South Korea)
 - Planning sales 3.7billion JPY (+45% YonY in local currency/ +50% YonY in JPY)
 - Planning to reach break-even on a single month basis in latter half in 2017 and exceed annual break-even in 2018
- MONOTARO INDONESIA
 - Planning sales 200 milliom JPY
 - Consolidated in 4th Quater, FY2016
- Consulting / Royalty business
 - Sales of companies subject to consulting services expected to grow by more than 20% in 2017



10. FY2017 Plan / Outline – Consolidated 1/2

◆ Sales: 84,239 million yen YonY+21.0%

- More new customer acquisition through continual-aggressive advertisement.
- Increasing sales to existing customers with promotions, which were observed to have positive effects in Q4 2016.
- NaviMRO (South Korea) planning 3.7 billion JPY sales and MONOTARO INDONESIA plans 200 million JPY sales.

◆ Gross Profit: 26,182 million yen YonY+19.6%

- Positive effects of appreciation of JPY remaining in 2017 due to time lags between importing goods and recording Cost of Sales (2017 Plan based on ¥115 = USD1).
- Due to higher Delivery Expense for better service and Accounting Policy change (Credit Card Payment Charge is recorded as Cost of Sales from FY2017), GP% to be lower by 0.3 point to 31.1%.
- GP% to be improved in reality by 0.1 point to 31.5 excluding effect caused by shift of credit-card charge fee from SG&A to COGS.

◆ SG&A Expense: 14,585 million yen YonY+17.6%

- Due to higher expenses for initial operation at Kasama DC and advertisement & promotion expense to acquire more new customers and increase sales to existing customers.
- SG&A % to be improved by 0.5 point through improved operation after Kasama launch and higher sales.
- SG&A % to be improved in reality by 0.1 point to 17.7% excluding effect caused by shift of credit-card charge fee from SG&A to COGS.



10. FY2017 Plan / Outline – Consolidated 2/2

◆ **Operating Income: 11,596 million yen YonY+22.2%**

◆ **Net Income attributable to Owners of the Parent:
7,934 million yen YonY+24.6%**

- Dividend planned to increase to 22 yen/year.
- Consolidated subsidiaries;
 - South Korea -120 million JPY
 - Indonesia -90 million JPY



11-1. FY2017 Plan / P/L – Consolidated

million	FY2016 Result		FY2017 Plan		
	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY
Sales	69,647		84,239		+21.0%
Gross Profit	21,895	31.4%	26,182	31.1%	+19.6%
SGA Expense	12,401	17.8%	14,585	17.3%	+17.6%
Operating Income	9,493	13.6%	11,596	13.8%	+22.2%
Current Income	9,514	13.7%	11,607	13.8%	+22.0%
Net Income	6,349	9.1%	7,840	9.3%	+23.5%
Net Income attributable to owners of the parent	6,368	9.1%	7,934	9.4%	+24.6%

million	2017 1 st Half (Jan to Jun) Plan			2017 2 nd Half(Jul to Dec) Plan		
	Amount	Ratio to Sales	YonY	Amount	Ratio to Sales	YonY
Sales	40,414		+21.4%	43,825		+20.6%
Gross Profit	12,628	31.2%	+21.7%	13,554	30.9%	+17.7%
SGA Expense	7,234	17.9%	+23.2%	7,351	16.8%	+12.6%
Operating Income	5,393	13.3%	+19.6%	6,202	14.2%	+24.4%
Current Income	5,399	13.4%	+19.7%	6,207	14.2%	+24.1%
Net Income	3,645	9.0%	+22.4%	4,195	9.6%	+24.4%
Net Income attributable to owners of the parent	3,685	9.1%	+23.8%	4,248	9.7%	+25.3%



11-2. FY2017 Plan / P/L– MonotaRO non-consolidated

million	FY2016 Result		FY2017 Plan		
	Amount	Ratio to Sales	Amount	Ratio to Sales	YonY
Sales	67,105		80,240		+19.6%
Gross Profit	21,406	31.9%	25,376	31.6%	+18.5%
SGA Expense	11,624	17.3%	13,436	16.7%	+15.6%
Operating Income	9,782	14.6%	11,939	14.9%	+22.1%
Current Income	9,800	14.6%	11,939	14.9%	+21.8%
Net Income	6,631	9.9%	8,172	10.2%	+23.2%

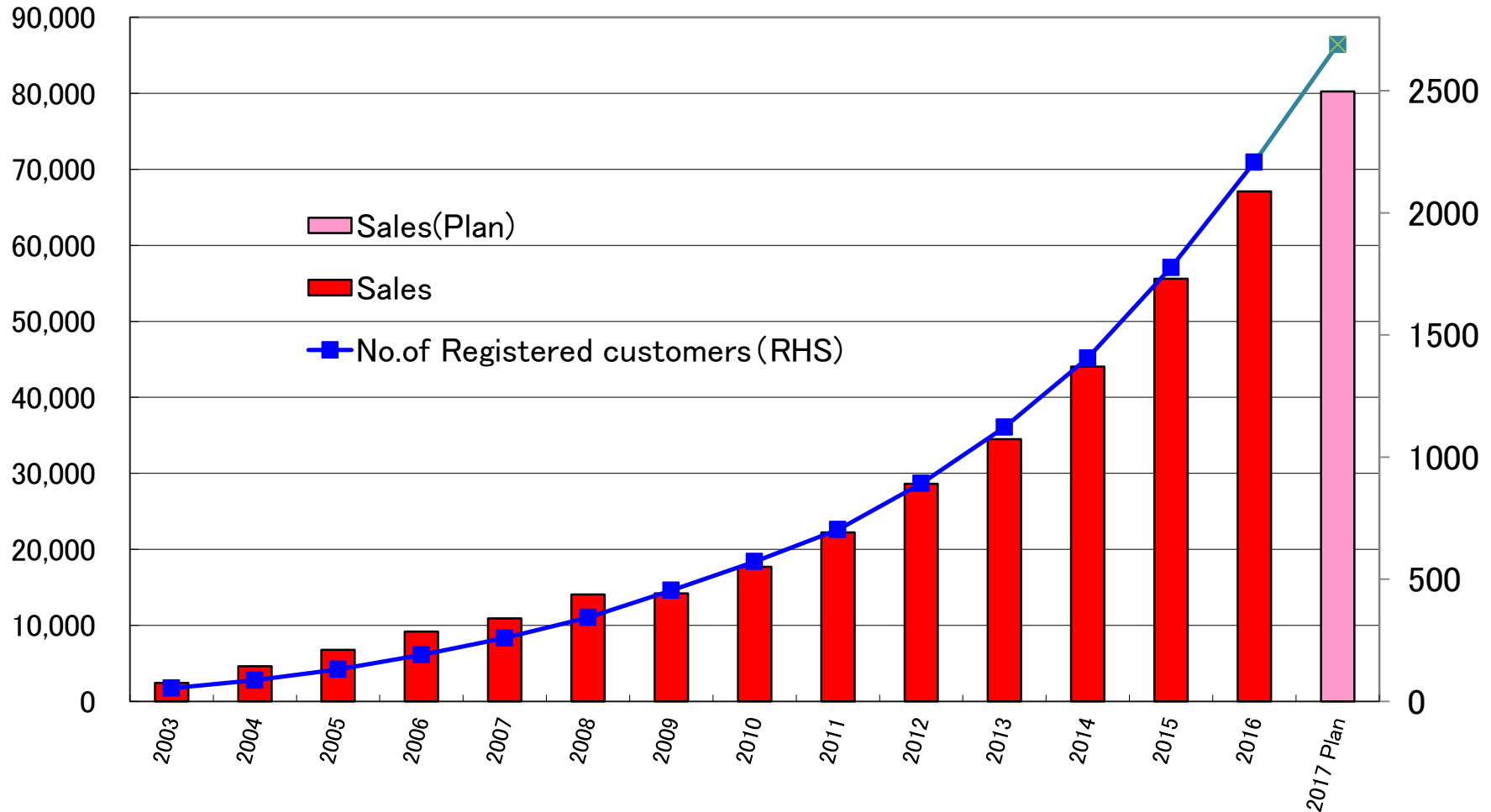
million	2017 1 st Half (Jan to Jun) Plan			2017 2 nd Half (Jul to Dec) Plan		
	Amount	Ratio to Sales	YonY	Amount	Ratio to Sales	YonY
Sales	38,598		+20.1%	41,641		+19.1%
Gross Profit	12,280	31.8%	+20.9%	13,095	31.4%	+16.4%
SGA Expense	6,665	17.3%	+21.0%	6,771	16.3%	+10.7%
Operating Income	5,615	14.5%	+20.9%	6,323	15.2%	+23.1%
Current Income	5,614	14.5%	+20.9%	6,324	15.2%	+22.7%
Net Income	3,860	10.0%	+24.1%	4,312	10.4%	+22.5%



12-1. Our Progress -Sales & Customers (MonotaRO Non-Consolidated)

Yen Million

Thousand accounts



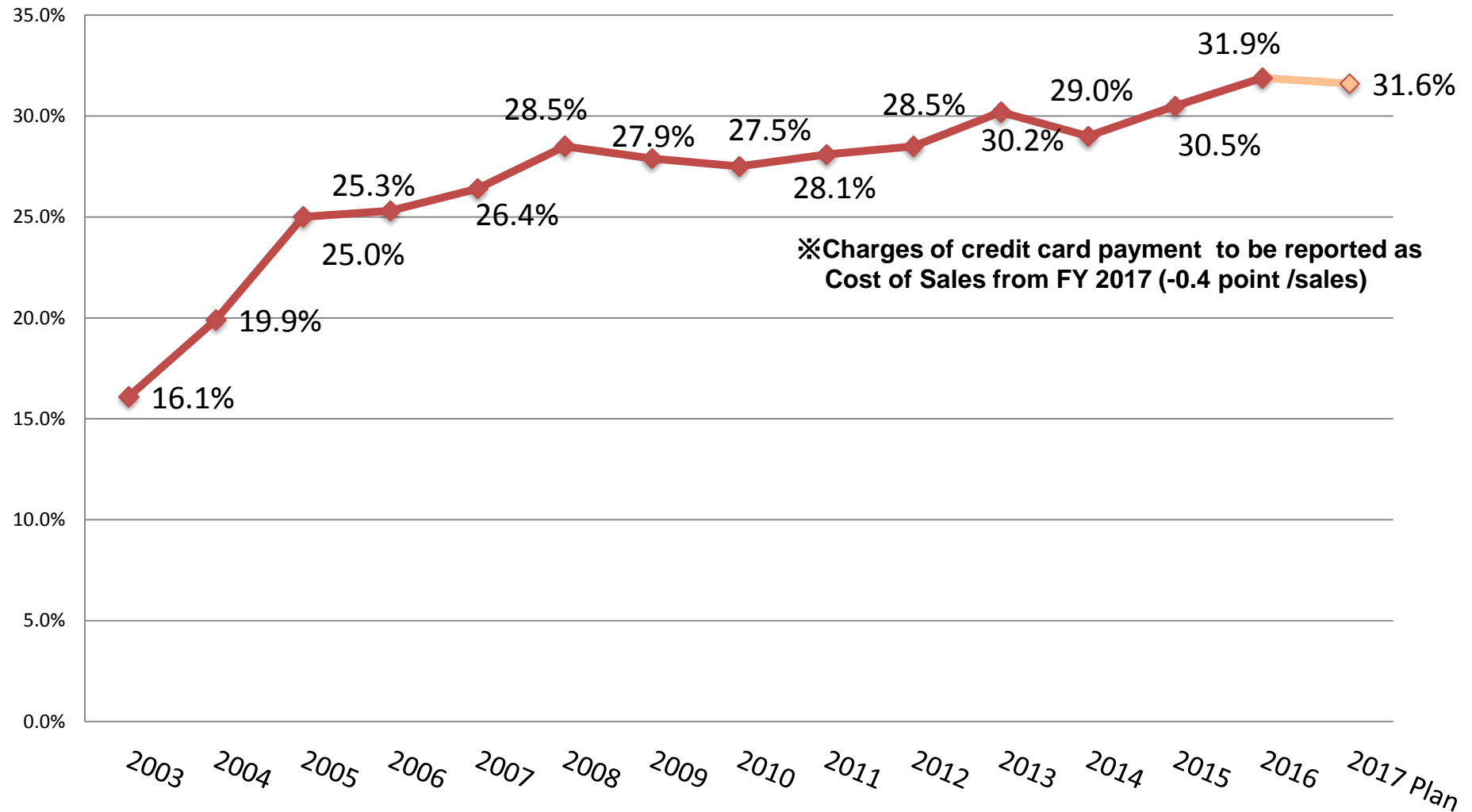
No. of Customer (Registered Accounts)

Dec. 2015 1,776,570 ⇒ Dec. 2016 2,207,427 (+430,857) ⇒ Dec., 2017 Plan 2,689,427 (+482,000)



12-2. Our Progress -Gross Profit (MonotaRO Non-Consolidated)

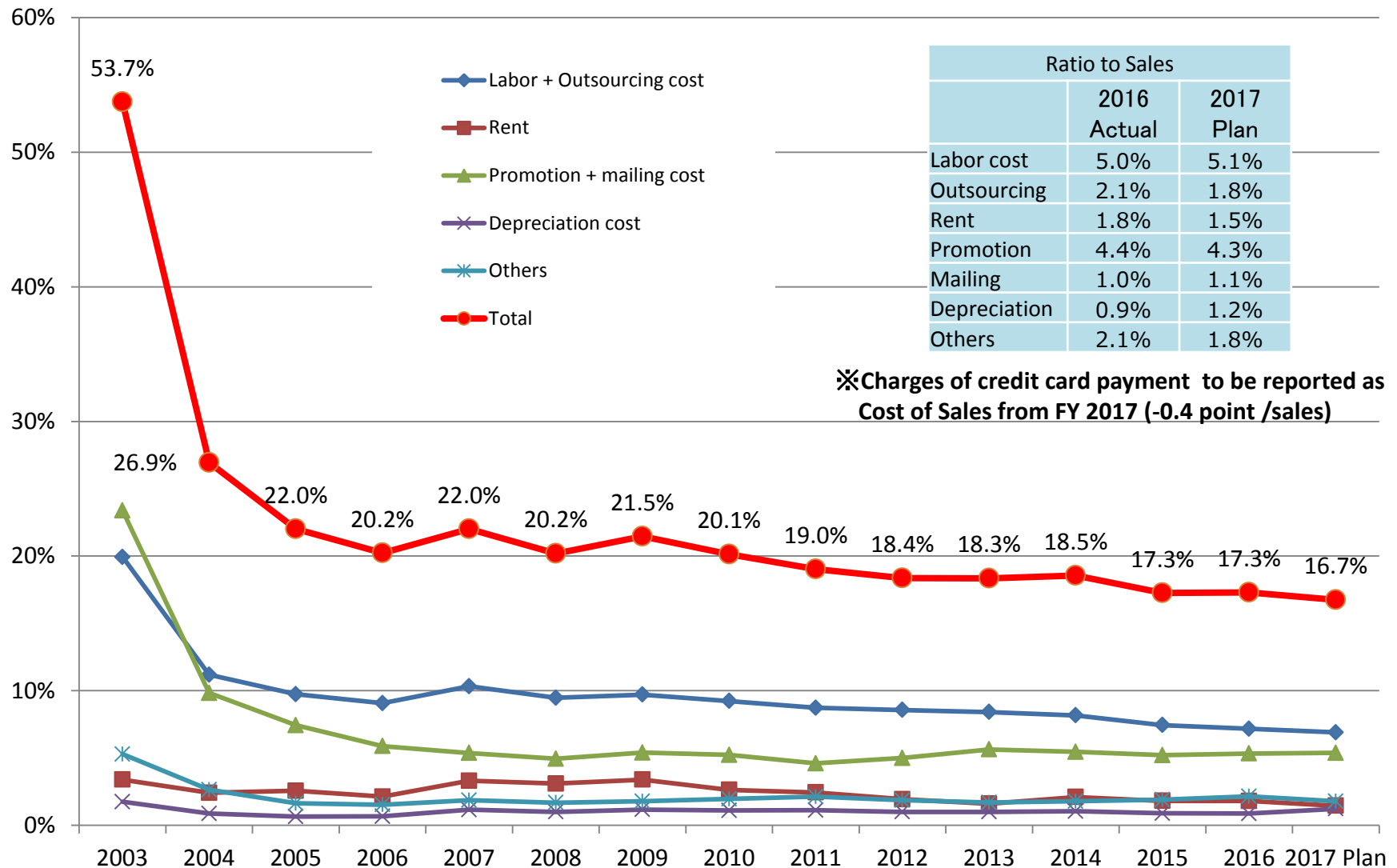
Ratio to Sales





12-3. Our Progress -Fixed Cost (MonotaRO Non-Consolidated)

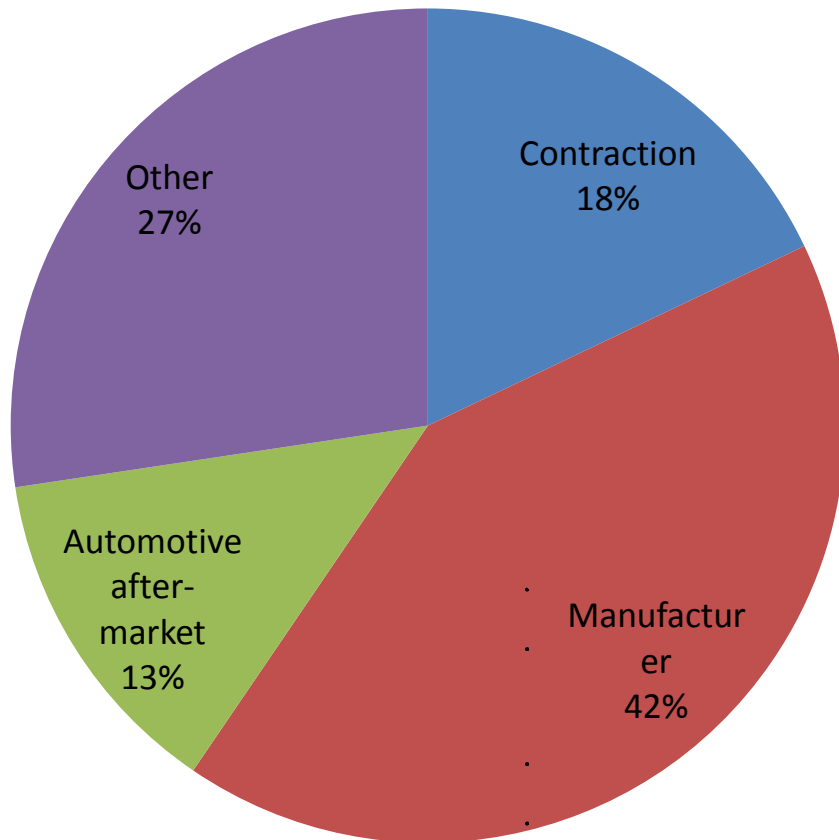
Ratio to Sales



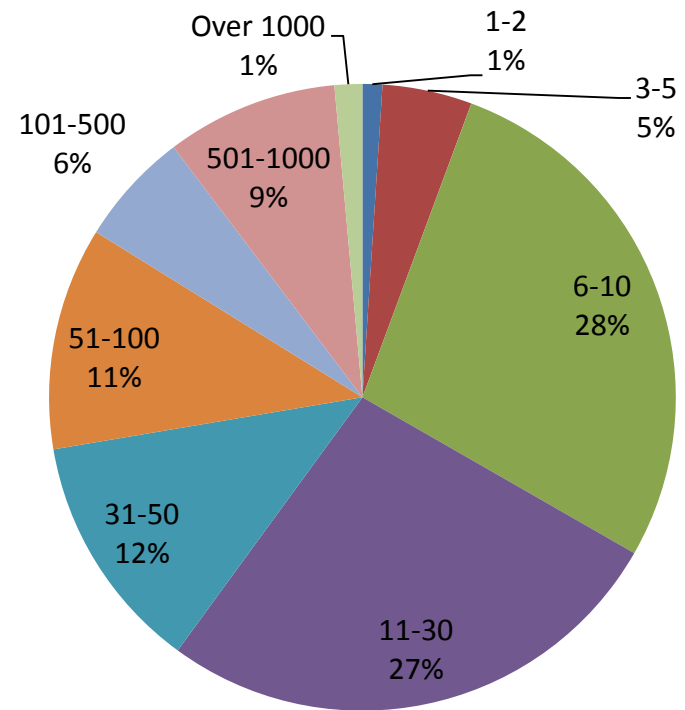


Reference 1: Customer Demographics

Industry



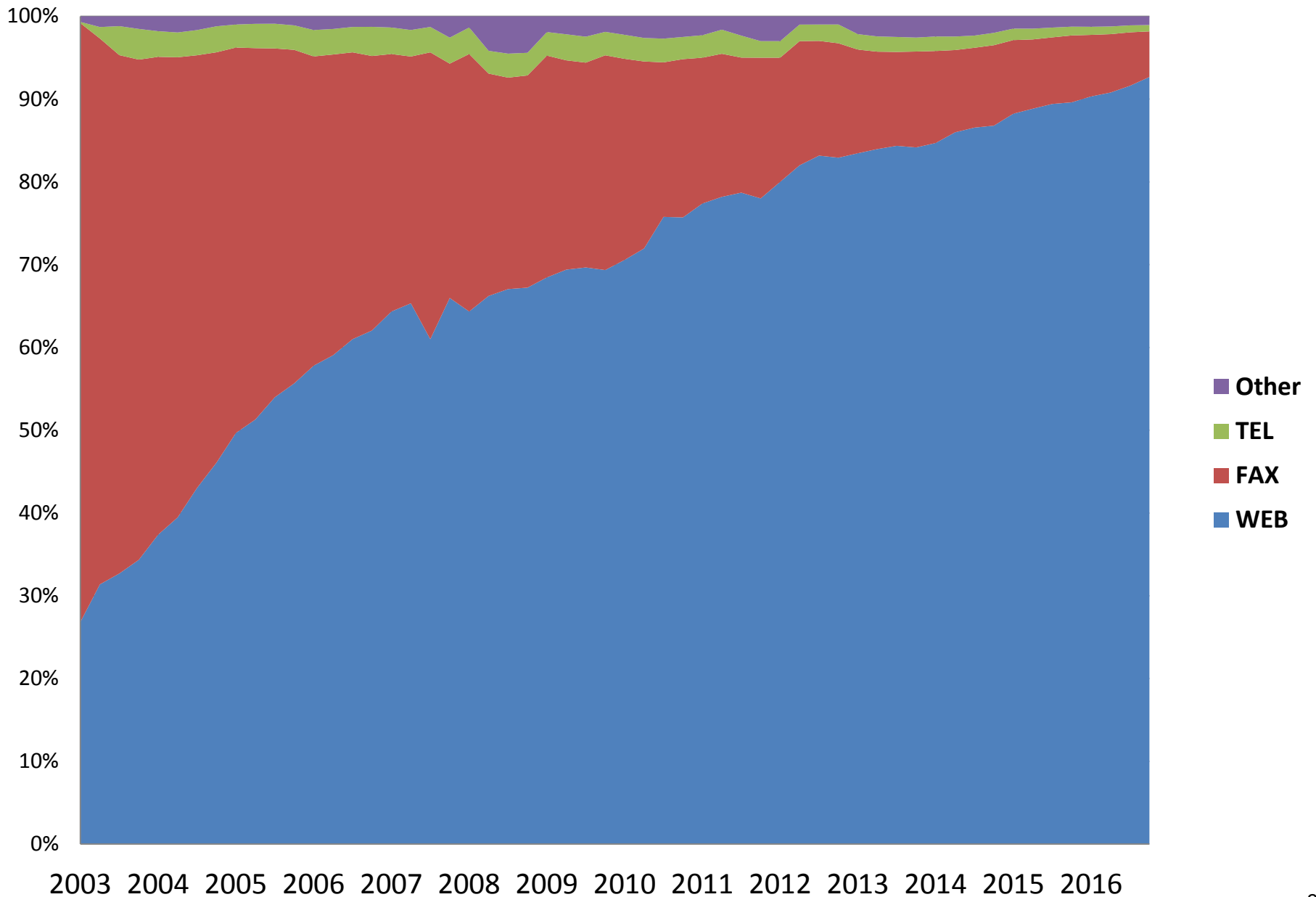
Size (number of employees)



※ Circular chart shown above is based upon partial data since numbers of employees are optionally provided by customers in registration.

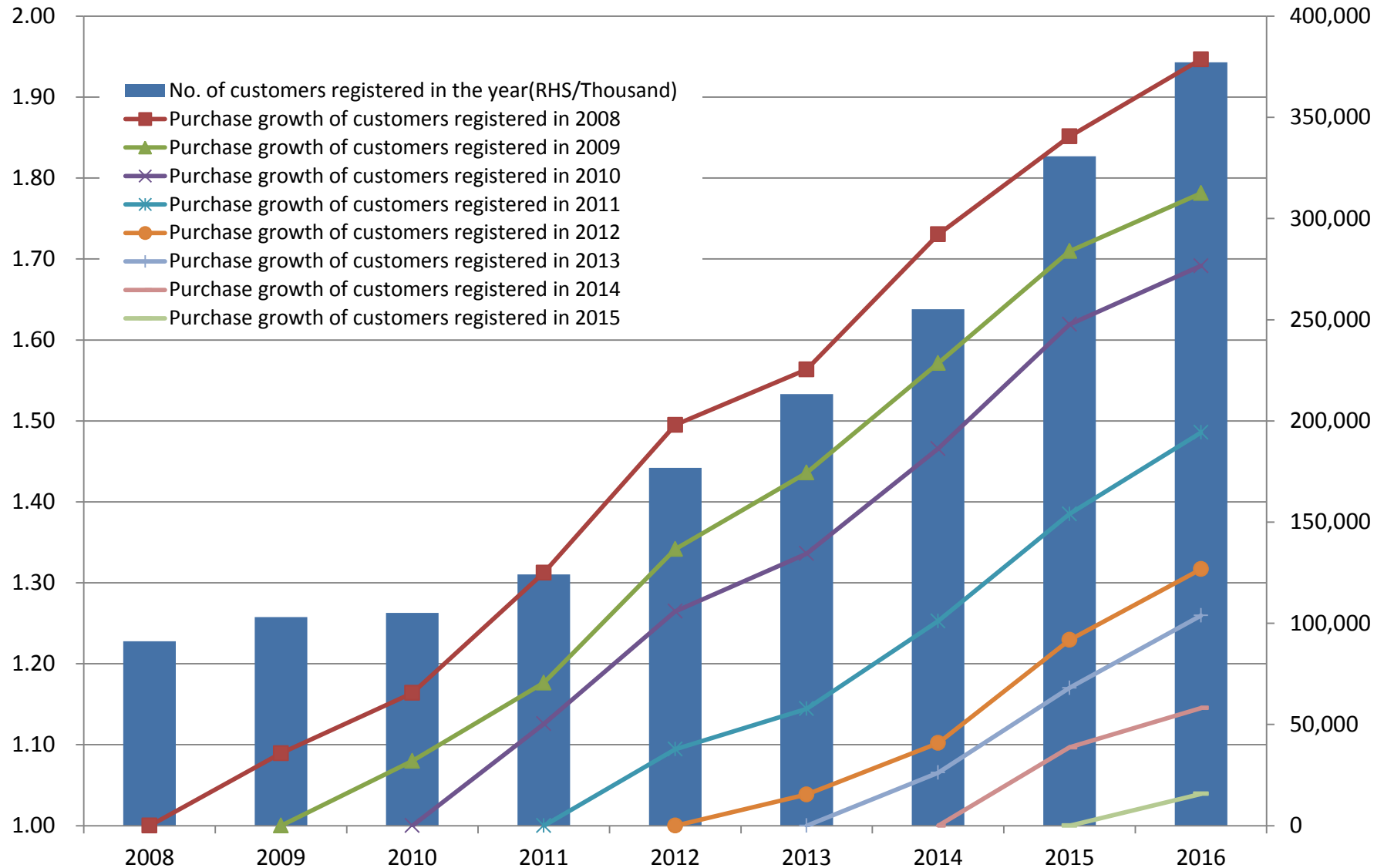
Ratio by sales amount in 2016
(Sales through Shopping website-excluding sales through API connection)

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	Upper : Sales Lower : Operating Profit (Yen MM)				Change
	R : Retailer	2007	2009	2015	2016 (Plan)	2007 to 2016
Yuasa (8074) - (M)	W	468,476	309,196	442,042	447,000	-4.6%
		8,254	204	10,357	10,500	+27.2%
Yamazen (8051) - (M)	W	376,852	241,410	447,774	460,000	+22.1%
		11,518	836	13,258	13,300	+15.5%
Trusco (9830) - (D)	W	134,430	99,201	166,565	177,000	+31.7%
		9,120	3,745	12,976	14,700	+61.2%
Misumi (9962) - (M)	R	126,668	89,180	240,139	253,500	+100.1%
		16,317	8,408	25,690	27,200	+66.7%
Nichiden (9902) - (M)	W	92,745	58,639	101,508	105,000	+13.2%
		5,533	1,283	5,066	5,290	-4.4%
NaiTO (7624) - (F)	W	51,479	26,256	43,483	43,100	-16.3%
		1,343	-668	585	480	-64.3%
Sugimoto (9932) - (M)	W・R	41,461	24,724	41,361	40,000	-3.5%
		2,292	-84	1,843	1,560	-31.9%
Toba (7472) - (M)	R	25,800	11,438	22,881	22,500	-12.8%
		2,115	-28	1,279	1,090	-48.5%
Uematsu (9914) - (M)	R	7,647	4,428	5,755	6,200	-18.9%
		190	-161	0	42	-77.9%
MonotaRO (3064) - (D)	R	10,897	14,209	57,563	69,647	+539.1%
		480	910	7,087	9,493	+1877.71%

The amounts of 2016 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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