




Quarter 2, FY2017
(Jan. to Jun. 2017)

MonotaRO Co., Ltd.
www.monotaro.com

1. Company Profile

MonotaRO means	<ul style="list-style-type: none">• Maintenance, Repair, and Operation• “The sufficient number of products” in Japanese• Like “Momotaro,” fight against unfair-old distribution system	 <p>Image of “Momotaro” in Japanese folk tale</p>
MonotaRO Business	<ul style="list-style-type: none">• Providing MRO products through Internet and catalogues, targeting small to mid-sized domestic manufacturers which are not treated well by conventional retailers.	
MRO products	<ul style="list-style-type: none">• Cutting tools/Safety products/Bearings/Fasteners/Industrial equipment (number of product SKUs exceeds 10 million)	
Number of Customers	<ul style="list-style-type: none">• More than 2.4 million	
Capital Stock	<ul style="list-style-type: none">• 1.95 billion JPY or 17.4 million USD (USD1=JPY112.00)	
Number of Employees	<ul style="list-style-type: none">• 1,568 including 361 regular employees (as of Jun. 30, 2017 consolidated)	
Head Office	<ul style="list-style-type: none">• Amagasaki-city, Hyogo Prefecture	
Major Distribution Center	<ul style="list-style-type: none">• Amagasaki-city, Hyogo Prefecture• Kasama-city, Ibaraki Prefecture	

2. Product Categories

- 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
- Electrical
- Construction, Painting/Interior
- Air conditioning/Electric Facilities, Piping, Plumbing
- Fastener, Nail
- Auto/Cargo Truck Maintenance & Parts
- Motor Bike/Bicycle Maintenance & Parts
- Laboratory
- Kitchen Equipment & Supplies
- Agricultural Equipment & Supplies
- Medical & Nursing Care Equipment & Supplies
- Office Supplies, Tapes



3. Strength

MonotaRO

Conventional Supplier

■ Efficient Sales through Internet

- Sales through internet, targeting the whole of Japan, realizing economies of scale.
- Efficient promotions, leveraging IT and cutting-edge & data-base marketing.

■ Labor Intensive and localized & small sized

■ One-Price Policy

- Providing same price to all customers on web site.
- Customers trust in our open, fair, and proper prices, and now they are free from bothers in asking quotes every time.

■ Individual and unclear price

■ Product Availability

- Selling more than 10 million items; 500 thousand items are available for same day shipment.
- 303 thousand items out of the same day shipment products are in our inventory.

■ Limited product availability and small selection

■ Private Label Brand and Direct Import Products

- Introducing 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.

■ Sell mainly expensive top brand products

4. Marketing

1. Customer Acquisition

- Search engine marketing (SEO and paid search)
- Sending direct e-mail, flyers, and faxes to prospects
- Broadcasting CM

2. Website

- Recommendations and personalized contents

3. Direct e-mail, Flyers, and Faxes

- Semi-personalized contents

4. Direct Mail Flyers

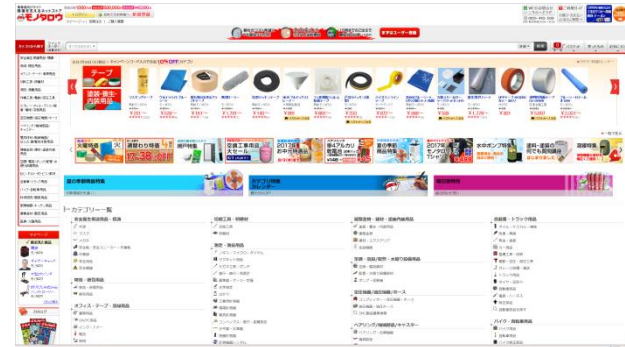
- Small batches of on-demand printed fliers with DTP

5. Catalogue

- 19 separate volumes for better targeting

6. Data Mining and Campaign Management

- Personalized promotion for more effectiveness and efficiency

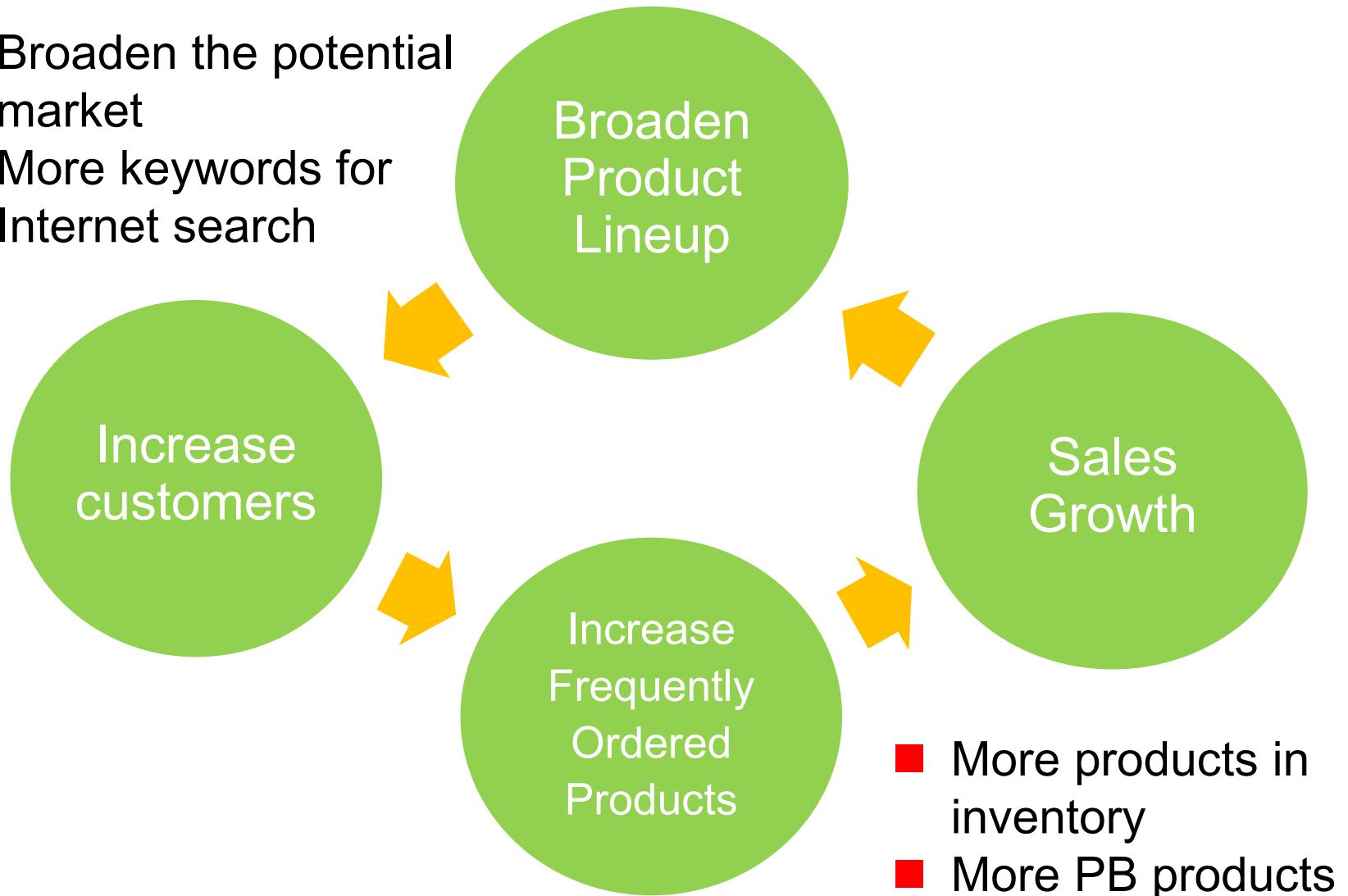


5. Procurement

- 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. Growth – Development Cycle

- Broaden the potential market
- More keywords for Internet search



6-2. Growth – Industrial Beachhead Expansion

2002	<ul style="list-style-type: none">• Started with small-to-mid sized manufacturing companies, iron works, metal works, and machine assembly companies
2008	<ul style="list-style-type: none">• Entered automotive aftermarket
2009	<ul style="list-style-type: none">• Entered independent contractor market
2010	<ul style="list-style-type: none">• Introduced laboratory products• Started US business with providing consulting service to Zoro Tools• Business with large corporations started to grow
2011	<ul style="list-style-type: none">• Established Tagajyo Distribution Center in Miyagi Prefecture
2013	<ul style="list-style-type: none">• Started South Korean business by establishing a subsidiary NAVIMRO
2014	<ul style="list-style-type: none">• Established Amagasaki Distribution Center in Hyogo Prefecture• Expanded product lineup: agricultural equipment and kitchen equipment• Introduced “MonotaRO One Source” procurement system for large corporations
2015	<ul style="list-style-type: none">• Introduced medical & nursing care equipment category
2016	<ul style="list-style-type: none">• Started Indonesian business by acquiring majority (51%) of PT MONOTARO INDONESIA and consolidated to MonotaRO's in Q4
2017	<ul style="list-style-type: none">• Established Kasama Distribution Center in Ibaraki Prefecture• Introduced simplified and easy-installation system “MonotaRO One Source Lite” for large corporations• Closed Tagajyo Distribution Center

7-1. (Non-consolidated) 2017Q2 Cumulative Financial Result Outline

- Sales: 40,058 million JPY (YonY +24.6%, A/F +3.8%)
 - Both number of newly acquired customers (1-2Q: +254 thou. accounts acquired/strengthening listing ad., improving landing pages, and broadcasting CM), and sales to existing customers (improving frequencies of use and favorable macro economy condition) exceed last year and Plan.
 - Number of new customer of and sales to large corporations exceed last year and Plan.
- Gross Profit: 12,609 million JPY (YonY +24.2%, A/F +2.7%)
 - Gross Profit (GP) % decreases from last year by 0.1 point. If effect of accounting policy change is removed, GP% is 32.0% (※) and improvement in reality is 0.4 pt. While sales ratio of NB/domestic goods increases as number of new customers goes up, PB/imported goods' profit % has been improved including effects of appreciation of JPY.
 - GP% is 0.3 pt. lower than Plan. Though rate of JPY is slightly higher than planned USD rate (USD1=JPY115), low sales ratio of PB/imported goods keeps GP% lower than Plan.
- SG&A Expense: 6,823 million JPY (YonY +23.9, A/F +2.4%)
 - SG&A Expense % is 17.0% lowered from last year by 0.1 pt.. If effect of accounting policy change is removed, SG&A Exp.% is 17.5% (※) and 0.4 pt. higher in reality due mainly to costs incurred for launching new Kasama DC.
 - SG&A Exp. % is 0.3% improved from Plan due mainly to lower sales ratios of Labor Expense for those other than logistic workers and Promotion Expense as sales goes beyond Plan.
- Operating Income: 5,785 million JPY (YonY +24.5%, A/F +3.0%)
- Net Income: 4,140 million JPY (YonY +33.1, A/F +7.3%)
 - Higher sales and receiving tax benefit (investment in Kasama DC is subject to benefit for investment for improving productivities) cause Net Income higher than last year and Plan.

※ Credit Card Payment Charge is reported as COGS from FY2017, while it had been reported as SG&A Expense in and before FY2016.

7-2. (Non-consolidated) 2017Q2 Cumulative Financial Result P/L

	Jan. – Jun. 2016 Result		Jan. – Jun. 2017 Plan		Jan. – Jun. 2017 Result			
	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	YonY	A/F
Sales	32,147		38,598		40,058		+24.6%	+3.8%
Gross Profit	10,154	31.6%	12,280	31.8%	12,609	31.5%	+24.2%	+2.7%
SG&A Exp.	5,509	17.1%	6,665	17.3%	6,823	17.0%	+23.9%	+2.4%
Operating Income	4,645	14.5%	5,615	14.5%	5,785	14.4%	+24.5%	+3.0%
Current Income	4,645	14.5%	5,614	14.5%	5,824	14.5%	+25.4%	+3.7%
Net Income	3,109	9.7%	3,860	10.0%	4,140	10.3%	+33.1%	+7.3%

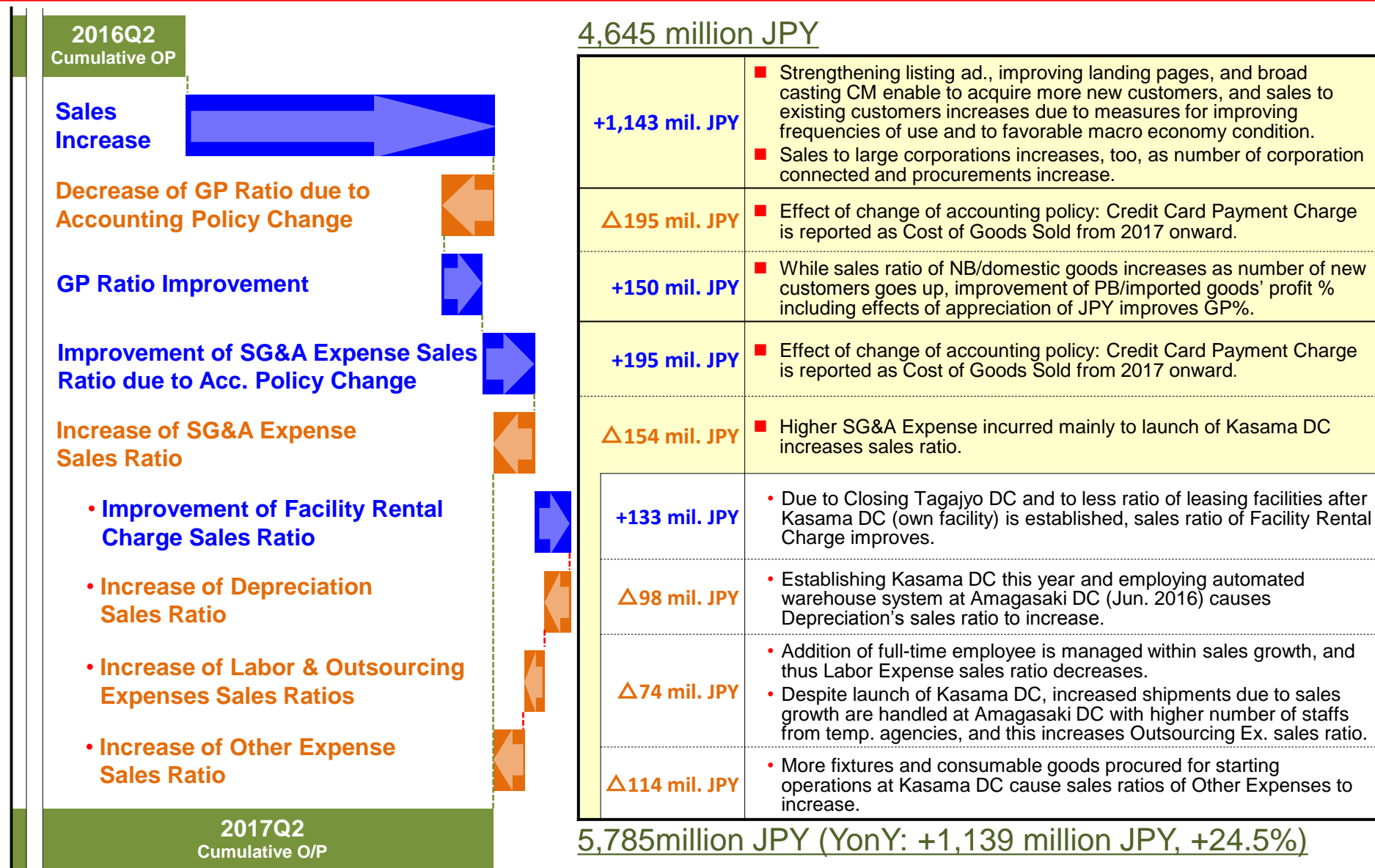
7-3. (Non-consolidated) 2017Q2 Financial Result B/S

	Jun. 2016	Dec. 2016	Jun. 2017	
	Million JPY	Million JPY	Million JPY	Ratio
Assets				
Cash	9,699	6,536	5,456	13.9%
Accounts Receivable	6,822	7,502	8,974	22.8%
Inventory	5,440	5,704	7,164	18.2%
Other	2,518	3,037	3,623	9.2%
Total Current Asset	24,481	22,780	25,219	64.0%
Tangible Fixed Asset	3,188	10,298	10,192	25.9%
Intangible Fixed Assets	1,022	1,054	1,096	2.8%
Other	2,331	2,681	2,878	7.3%
Total Fixed Asset	6,542	14,034	14,167	36.0%
Total Assets	31,024	36,814	39,386	

	Jun. 2016	Dec. 2016	Jun. 2017	
	Million JPY	Million JPY	Million JPY	Ratio
Liabilities				
Accounts Payable	4,045	5,063	6,113	15.5%
Short-term Debt & etc.	814	225	1,175	3.0%
Others	3,183	6,692	4,488	11.4%
Total Current Liabilities	8,043	11,981	11,777	29.9%
Total Long term Liabilities	738	6,750	6,481	16.5%
Total Liabilities	8,781	18,732	18,258	46.4%
Net Assets				
Shareholder's Equity	11,510	18,026	21,077	53.5%
Others	66	55	50	0.1%
Total Net Assets	11,577	18,081	21,127	53.6%
Total Liabilities & Net Assets	20,359	36,814	39,386	

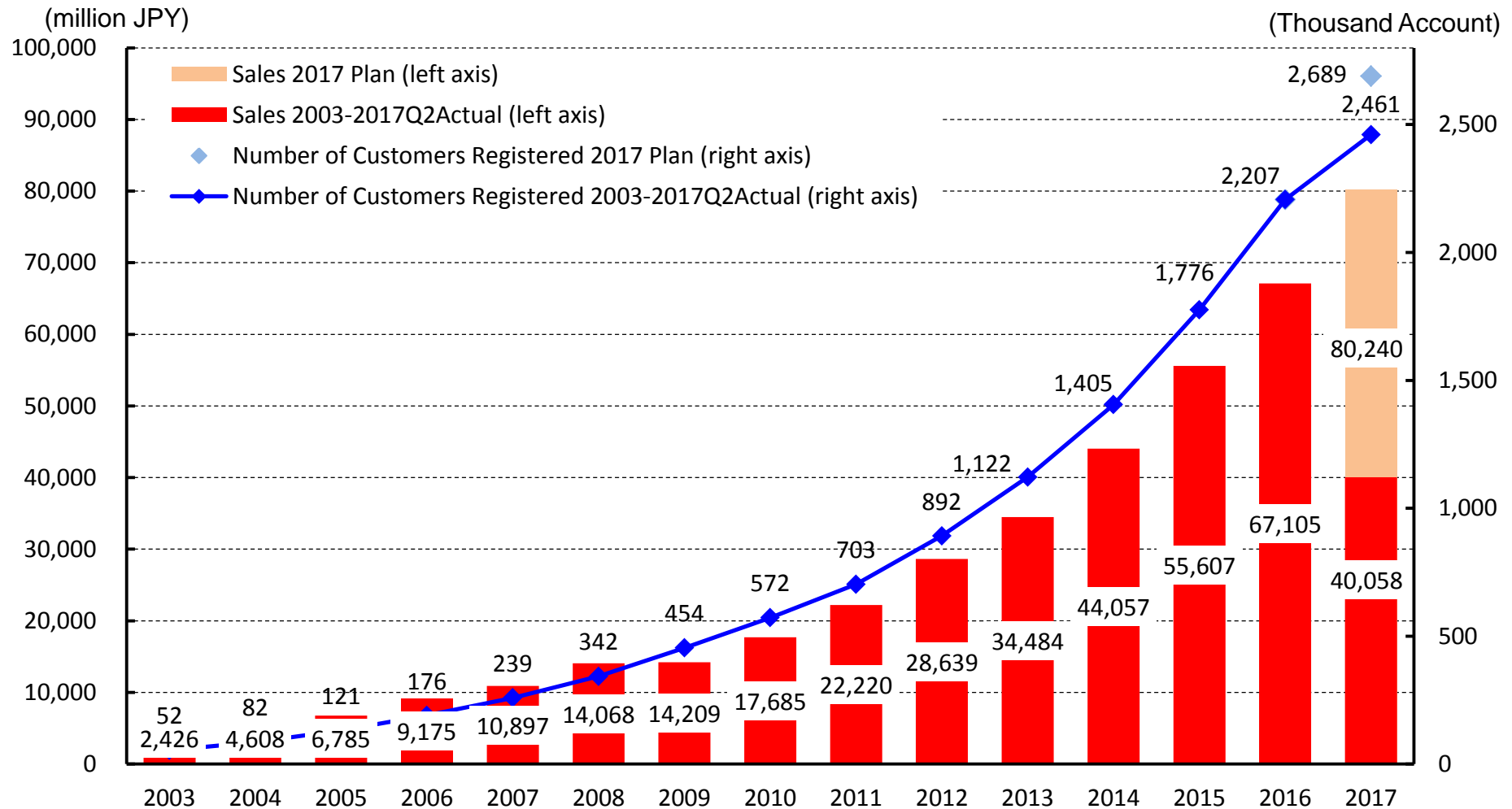
Short-term Debt & etc. includes short-term debt & current portion of long-term debt.

7-4. (Non-consolidated) Operating Profit Change Factors



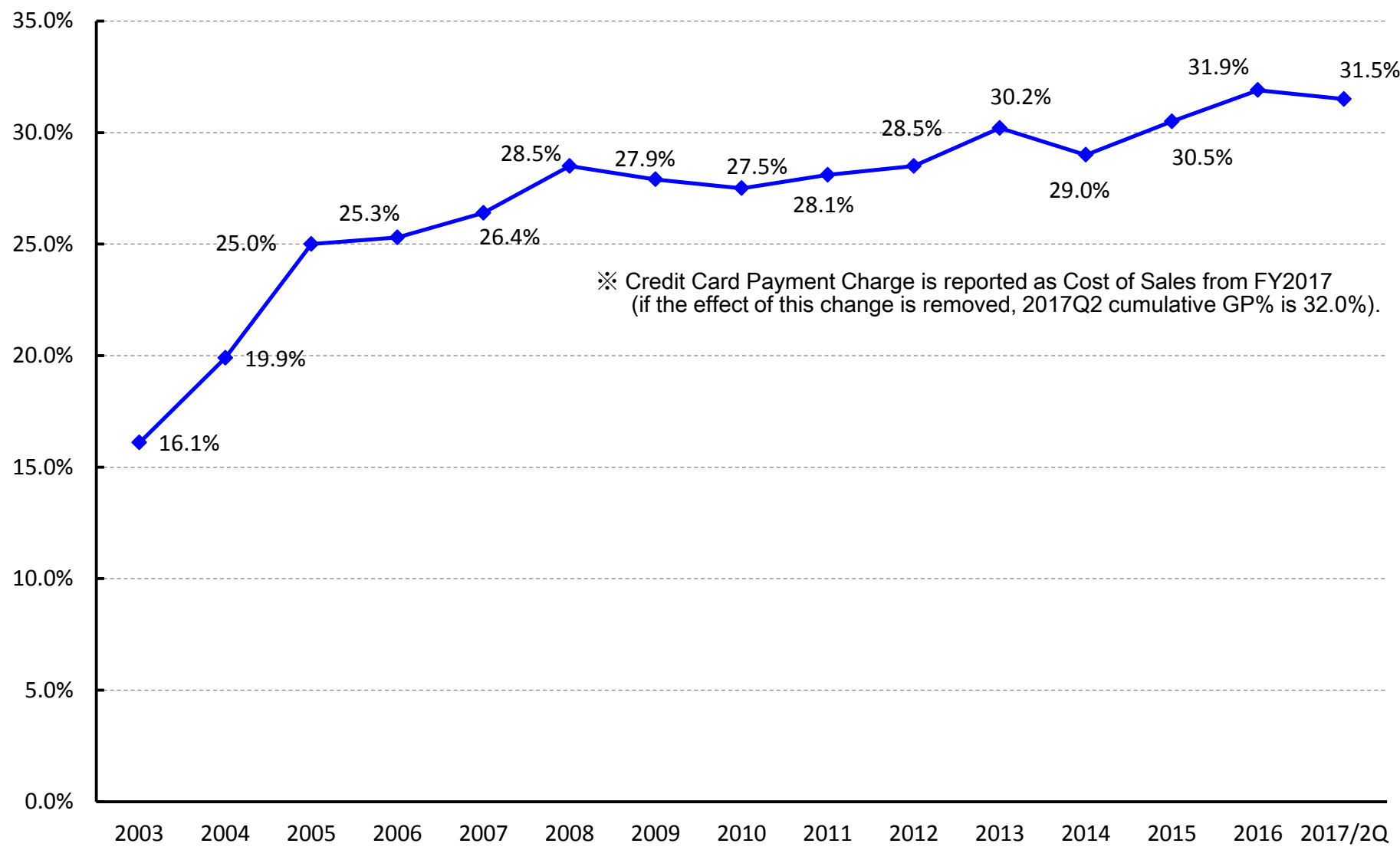
※ Amounts are effects on O/P margin by changes of rates, not actual amounts.

8-1. (Non-consolidated) Progress – Sales & Customer

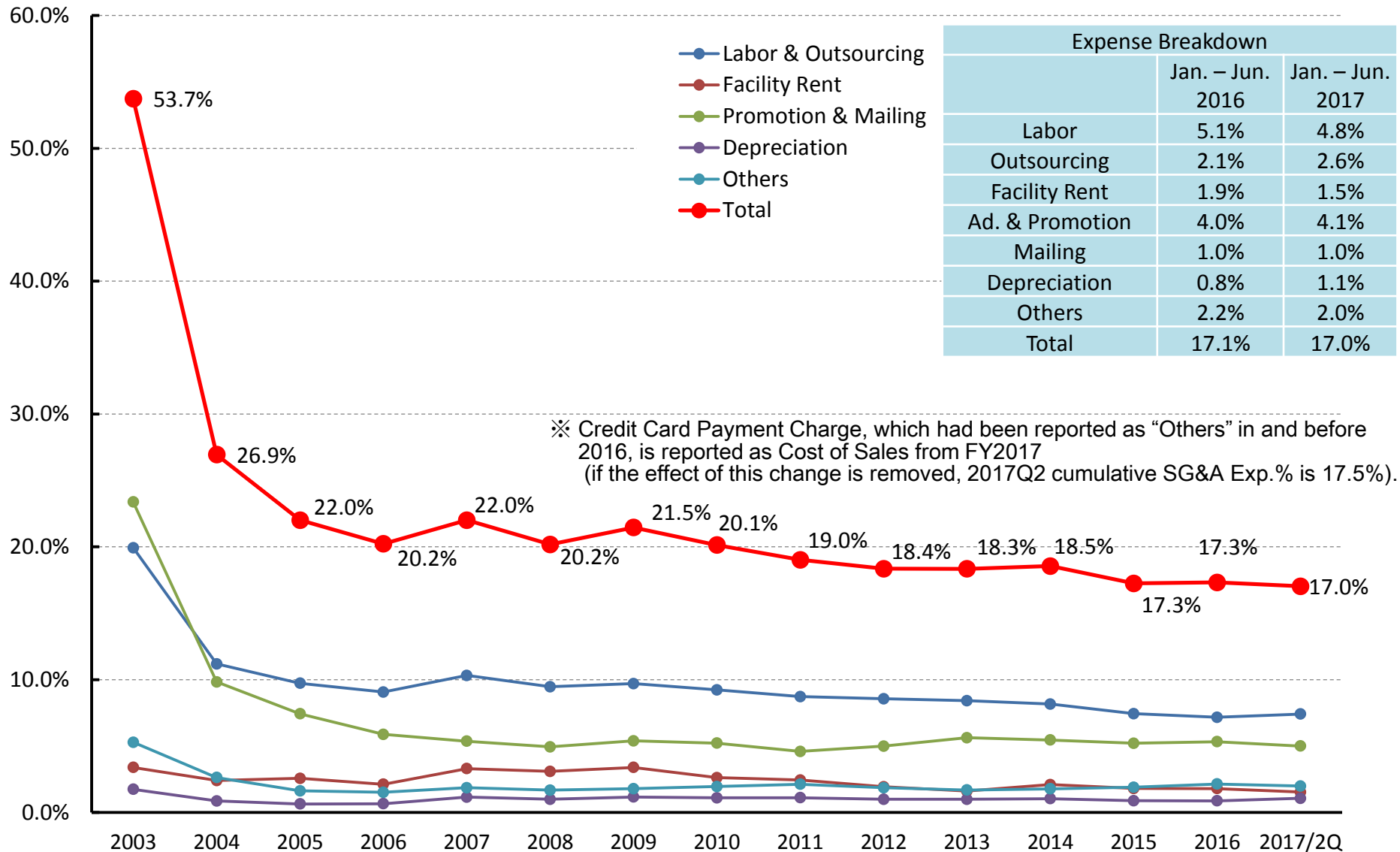


	Dec. 2016	Jun. 2017		Dec. 2017 (Plan)	
Number of Customers (Registered Accounts)	2,207,427	2,461,835	+254,408 (vs. Dec. 2016)	2,689,427	+482,000 (vs. Dec. 2016)

8-2. (Non-consolidated) Progress – Gross Profit



8-3. (Non-consolidated) Progress – SG&A Expense



9-1. (Consolidated) 2017Q2 Cumulative Financial Result P/L

	Jan. – Jun. 2016 Result		Jan. – Jun. 2017 Plan		Jan. – Jun. 2017 Result			
	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	YonY	A/F
Sales	33,297		40,414		41,776		+25.5%	+3.4%
Gross Profit	10,379	31.2%	12,628	31.2%	12,934	31.0%	+24.6%	+2.4%
SG&A Exp.	5,870	17.6%	7,234	17.9%	7,366	17.6%	+25.5%	+1.8%
Operating Income	4,509	13.5%	5,393	13.3%	5,567	13.3%	+23.5%	+3.2%
Current Income	4,510	13.5%	5,399	13.4%	5,612	13.4%	+24.4%	+3.9%
Net Income	2,977	8.9%	3,645	9.0%	3,927	9.4%	+31.9%	+7.7%
Net Income attributable to owners of the parent	2,977	8.9%	3,685	9.1%	3,965	9.5%	+33.2%	+7.6%

9-2. (Consolidated) 2017Q2 Financial Result B/S

	Jun. 2016	Dec. 2016	Jun. 2017	
	Million JPY	Million JPY	Million JPY	Ratio
Assets				
Cash	10,088	7,229	6,112	15.8%
Accounts Receivable	6,858	7,569	9,043	23.3%
Inventory	5,646	5,993	7,490	19.3%
Other	2,526	3,089	3,709	9.6%
Total Current Asset	25,120	23,881	26,356	68.0%
Tangible Fixed Asset	3,221	10,331	10,219	26.4%
Intangible Fixed Assets	1,051	1,204	1,231	3.2%
Other	903	936	940	2.4%
Total Fixed Asset	5,176	12,471	12,391	32.0%
Total Assets	30,296	36,353	38,748	

	Jun. 2016	Dec. 2016	Jun. 2017	
	Million JPY	Million JPY	Million JPY	Ratio
Liabilities				
Accounts Payable	4,863	5,302	6,382	16.5%
Short-term Debt & etc.	315	225	1,175	3.0%
Others	3,518	6,780	4,598	11.9%
Total Current Liabilities	8,696	12,308	12,156	31.4%
Total Long term Liabilities	6,875	6,781	6,505	16.8%
Total Liabilities	15,572	19,089	18,661	48.2%
Net Assets				
Shareholder's Equity	14,699	16,983	19,859	51.3%
Others	24	279	226	0.6%
Total Net Assets	14,724	17,263	20,086	51.8%
Total Liabilities & Net Assets	30,296	36,353	38,748	

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

9-3. (Consolidated) 2017Q2 Cumulative Financial Result C/F

	Jan. – Jun. 2016	Jan. – Jun. 2017
	Million JPY	Million JPY
Cash Flow from Operating Activity		
Net Income before Tax	4,510	5,609
Increase or Decrease in Accounts Receivable	△739	△1,475
Increase or Decrease in Inventory	△267	△1,494
Increase or Decrease in Accounts Payable ((△) decrease)	486	1,077
Tax payment	△2,004	△1,759
Others	14	△232
Total	1,999	1,725
Cash Flow from Investing Activity		
Acquisition of Tangible Assets	△1,664	△3,191
Acquisition of Intangible Assets	△222	△233
Others	300	476
Total	△1,587	△2,948
Cash Flow from Financing Activity		
Repayments of Lease Obligations	△229	△1,113
Proceeds from Sales & Leasebacks	—	2,440
Dividend	△862	△1,113
Others	△75	△100
Total	△1,168	111
Currency Exchange Adjustment	△44	△5
Net Increase/Decrease of Cash and Cash Equivalent	△800	△1,116
Cash and Cash Equivalent at Beginning of Period	10,889	7,229
Cash and Cash Equivalent at End of Period	10,088	6,112

10-1. 2017Q2 Business Strategy Update – 1/2

■ Platform for MRO Procurement

- Expanding Customer Base
 - Customer acquisition in Jan. to Jun. is higher than Plan. Continuing to improve listing ad. and landing page and to broadcast CM for acquiring more new customers.
- Expanding Sales to Existing Customers
 - Expanding product lineup and shortening lead time for increasing purchase amount per customer.

■ Business with Large Corporations

- 2017Q2 result:
 - Number of corporations 367 (since Dec. 31, 2016 +58), 3.98 billion JPY sales (YonY +57%)
- MonotaRO One Source
 - 11 corporations employed (since Dec. 31, 2016 +2), and 3 considering
- MonotaRO One Source Lite
 - 27 corporations employed (released in March 2017), and 12 considering

■ Overseas Expansion

- NAVIMRO (South Korea): Sales does not reach Plan, but Operating Loss is within Plan.
 - 2017Q2 cumulative result: Sales 1,620 million JPY (YonY +24.5%, +35.9% in local currency) and Operating Loss 120 million JPY (Planning to reach single month break-even within 2017 and annual break-even next year in 2018)
- MONOTARO INDONESIA (Indonesia): Sales does not reach Plan.
 - 2017Q2 cumulative result: Sales 80 million JPY (consolidated in Oct. 2016)
- Consulting / Royalty Business
 - Amount received in JPY is approximately equal to Plan.

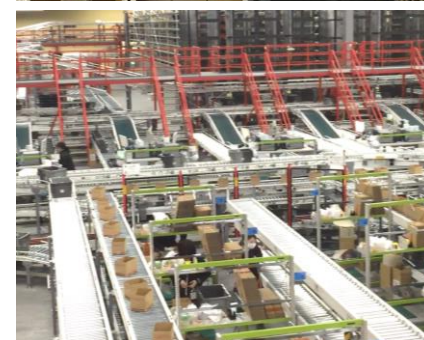
10-2. 2017Q2 Business Strategy Update – 2/2

■ Kasama Distribution Center (Kasama DC)

- Operation level is being increased in line with Plan since April 2017.
 - Inventory SKU number on Jun. 30 is 120 thou.
(Plan Dec. 31: 200 thou.)

■ Distribution-related Cost of SG&A Expense

- Ratio to sales is 0.2% higher than Plan
 - Increased number of shipment resulted from higher sales is handled at Amagasaki DC. Number of shipment from Kasama DC is approximately equal to Plan; however, number of items per shipment is lower than Plan. This results in higher number of items handled at Amagasaki DC. Amagasaki DC increases number of staffs from temp agencies to deal with this, and Labor & Outsourcing Expenses incurred are higher than Plan.
 - By adjusting numbers of shipments between DCs and making full use of DC resources, aim to manage Jul. to Dec. sales ratio of Distribution-related Cost lower than 2016 LH result.



	2016Q2 Cumulative Result		2017Q2 Cumulative Plan		2017Q2 Cumulative Result			
	Million JPY	Ratio to Sales	Million JPY	Ratio to Sales	Million JPY	Ratio to Sales	YonY	vs. Plan
Sales (Non-consolidated)	32,147		38,598		40,058		+24.6%	+3.8%
Depreciation	83	0.3%	232	0.6%	224	0.6%	+168.3%	△3.5%
Labor & Outsourcing	989	3.1%	1,215	3.1%	1,395	3.5%	+41.1%	+14.9%
Facility Rent	560	1.7%	563	1.5%	566	1.4%	+1.1%	+0.6%
Others	255	0.8%	434	1.1%	402	1.0%	+57.4%	△7.2%
Total	1,888	5.9%	2,445	6.3%	2,589	6.5%	+37.1%	+5.9%

11. MonotaRO's Policy for Revised Financial Forecast

- From fiscal year of 2017 onward, if latest consolidated financial forecast is expected to exceed by one of the following fluctuation ranges from disclosed consolidated financial forecast, revised forecast is disclosed and announced.
 - Sales (consolidated): $\pm 5\%$
 - Operating Income (consolidated): $\pm 10\%$
 - Current Income (consolidated): $\pm 10\%$
 - Net Income Attributable to Owners of Parent: $\pm 10\%$
- While Sales and Incomes are anticipated to exceed Plan in 2017LH as they exceed Plan 2017FH, range of changes is not expected to exceed ranges above, and hence revised forecast is not disclosed at this time.

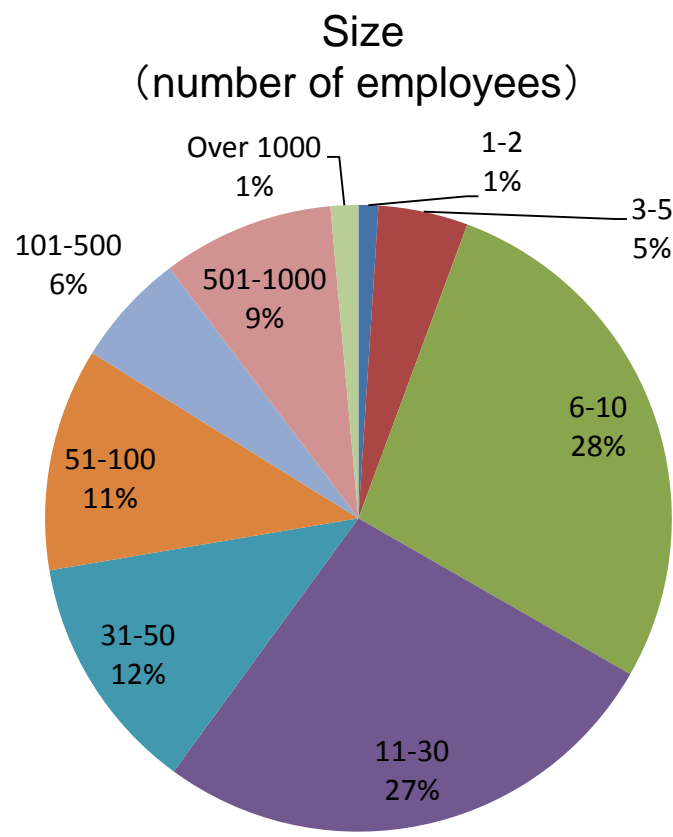
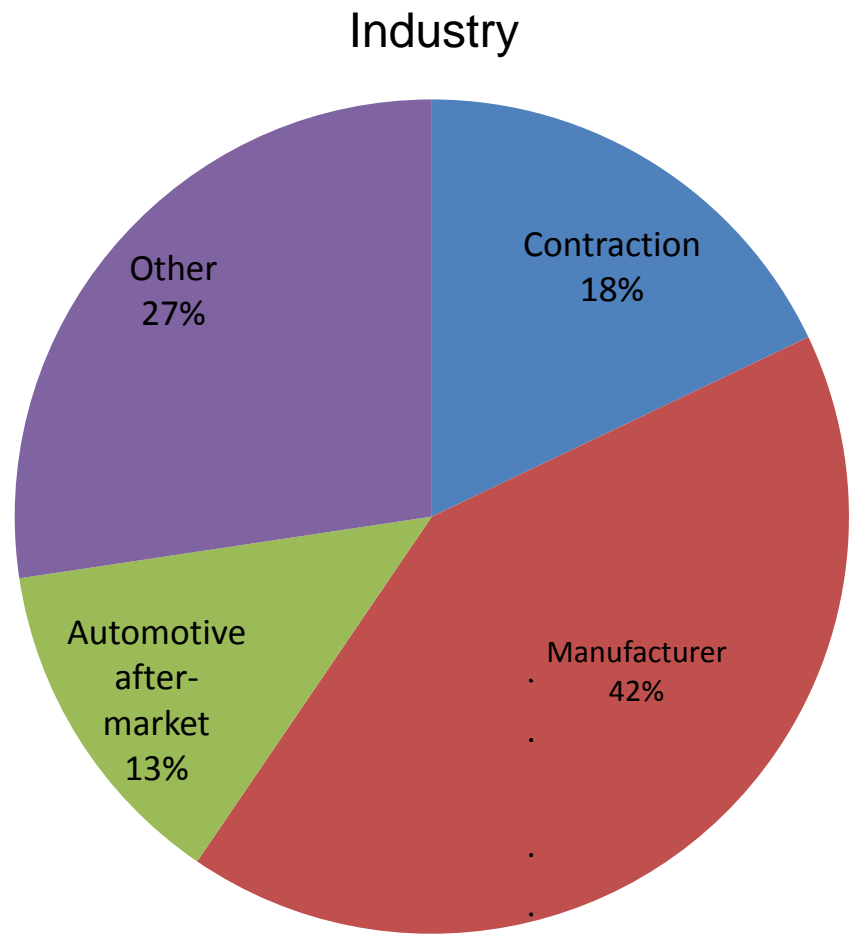
12-1. (Consolidated) FY2017 Plan – P/L

	FY2016 Result		FY2017 Plan		
	Million JPY	Ratio to Sales	Million JPY	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%

12-2. (Non-consolidated) FY2017 Plan – P/L

	FY2016 Result		FY2017 Plan		
	Million JPY	Ratio to Sales	Million JPY	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%

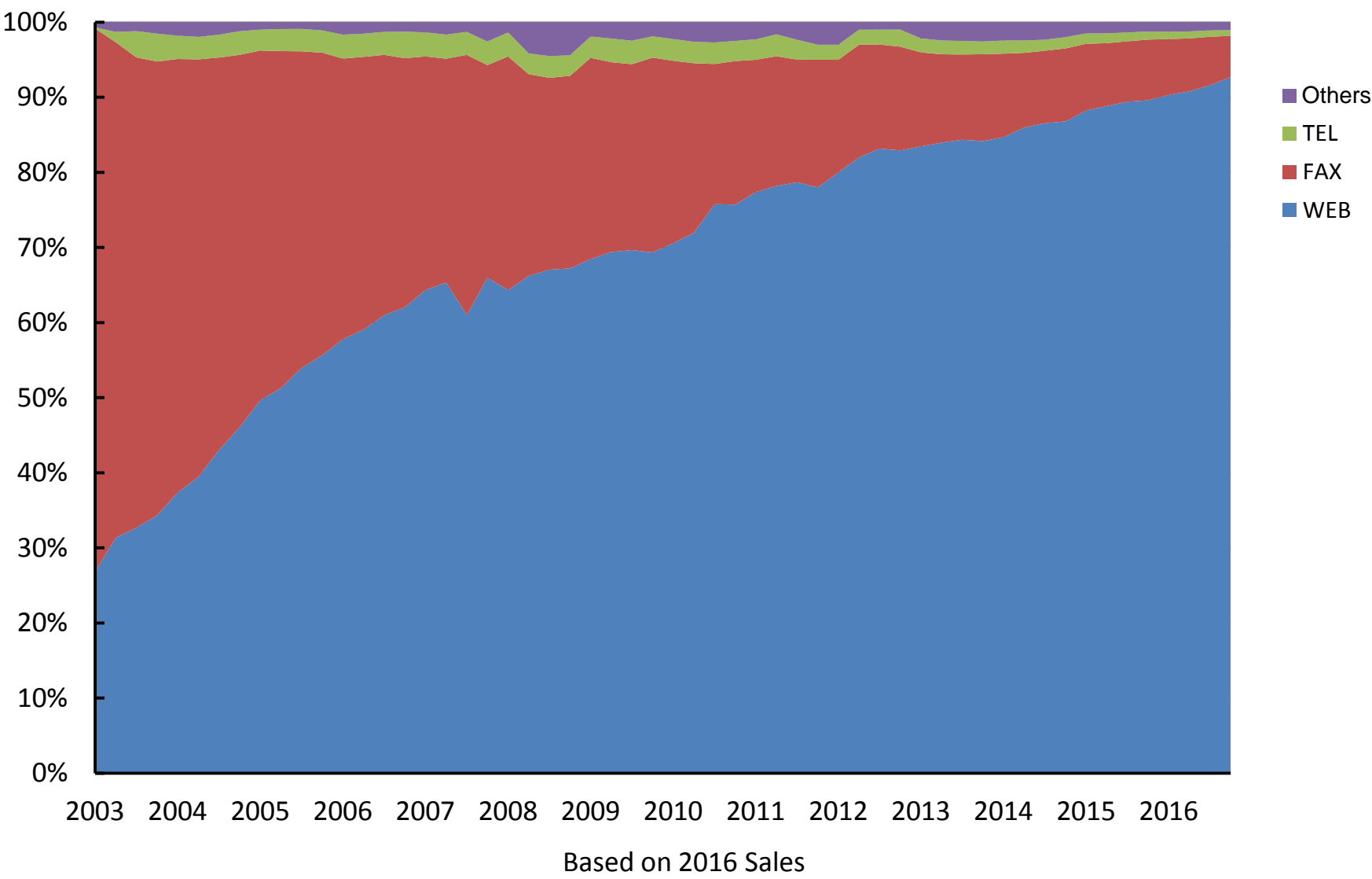
Reference 1. Customer Demographics



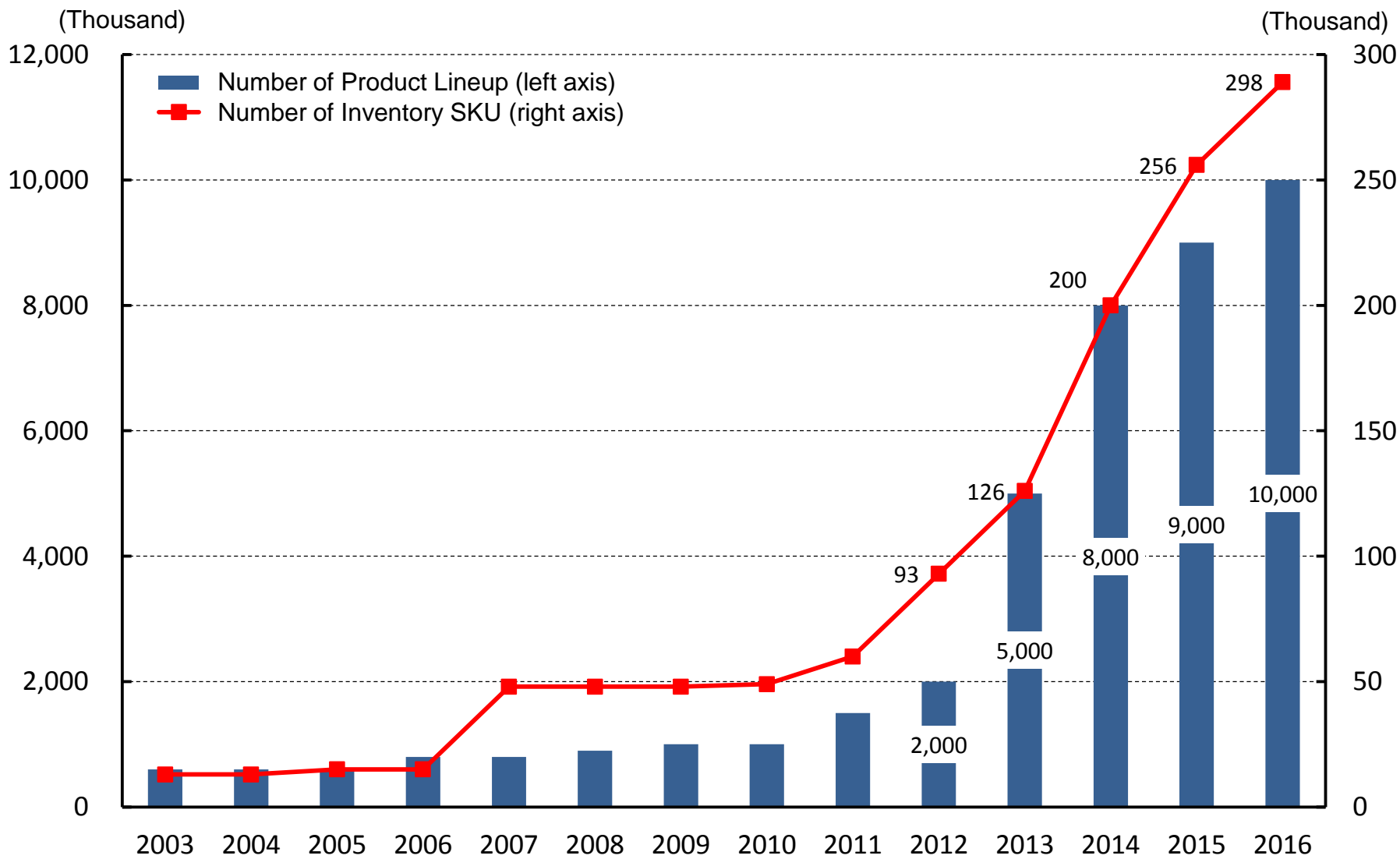
※ Circular chart shown above is based upon partial data since numbers of employees are optionally provided by customers in registration.

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

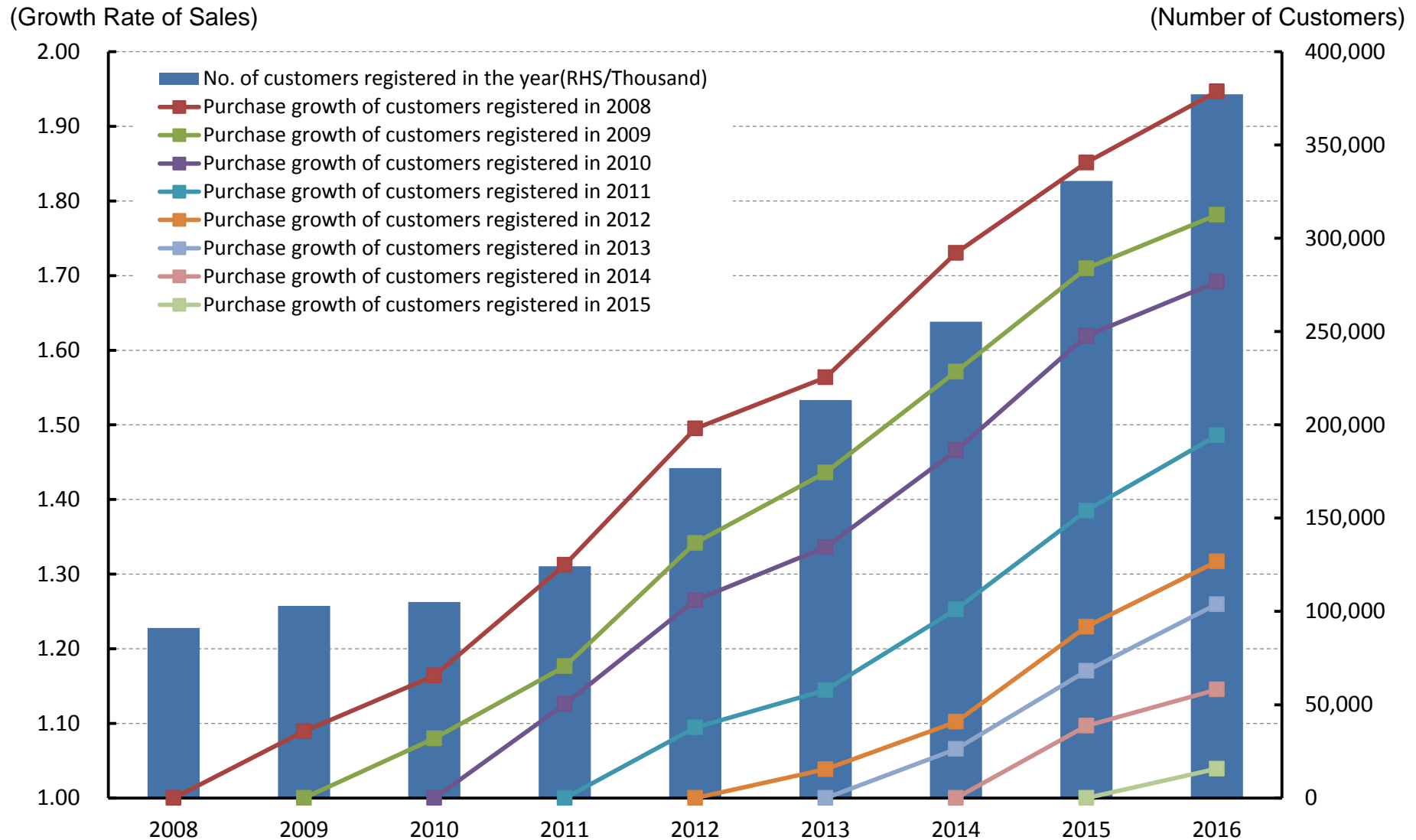
Reference 2. Internet PO Ratio



Reference 3. Product Lineup & Inventory



Reference 4. Customers' Purchase 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 5. Other MRO Market Players

Upper: Sales Lower: Operating Profit						Change
		2007	2009	2015	2016	2007 to 2016
Yuasa (8074) - (M)	Wholesaler	468,476	309,196	442,042	446,335	△4.7%
		8,254	204	10,357	10,923	+32.3%
Yamazen (8051) - (M)	Wholesaler	376,852	241,410	447,774	447,698	+18.8%
		11,518	836	13,258	13,113	+13.8%
Trusco (9830) - (D)	Wholesaler	134,430	99,201	166,565	177,053	+31.7%
		9,120	3,745	12,976	14,163	+55.3%
Misumi (9962) - (M)	Retailer	126,668	89,180	240,139	259,015	+104.5%
		16,317	8,408	25,690	27,127	+66.2%
Nichiden (9902) - (M)	Wholesaler	92,745	58,639	101,508	103,736	+11.9%
		5,533	1,283	5,066	5,037	△9.0%
NaI TO (7624) - (F)	Wholesaler	51,479	26,256	43,483	43,473	△15.6%
		1,343	-668	585	496	△63.1%
Sugimoto (9932) - (M)	Wholesaler Retailer	41,461	24,724	41,361	41,597	+0.3%
		2,292	-84	1,843	1,950	△14.9%
Toba (7472) - (M)	Retailer	25,800	11,438	22,881	22,185	△14.0%
		2,115	-28	1,279	1,050	△50.4%
Uematsu (9914) - (M)	Retailer	7,647	4,428	5,755	6,212	△18.8%
		190	-161	0	40	△78.9%
MonotaRO (3064) - (D)	Retailer	10,897	14,209	57,563	69,647	+539.1%
		480	910	7,087	9,493	+1877.7%

(M):Apr.[Year] to Mar.[Year+1], (F):Mar.[Year] to Feb.[Year+1], (D) Jan.[Year] to Dec.[Year]

As of July 27, 2017



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

TEL: 81-6-4869-7190

FAX: 81-6-4869-7178

E-mail: pr@monotaro.com

IR information: www.monotaro.com/main/ir/english/