




Quarter 1, FY2018
(Jan. to Mar. 2018)

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 catalogs, targeting small to mid-sized domestic entities 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 SKU exceeds 15 million)	
Number of Customers	<ul style="list-style-type: none">• More than 2.8 million	
Capital Stock	<ul style="list-style-type: none">• 1.97 billion JPY or 18.5 million USD (USD1=JPY106.24)	
Number of Employees	<ul style="list-style-type: none">• 1,699 including 389 regular employees (as of Mar. 31, 2018 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• Sapporo-city, Hokkaido Prefecture	

2. Product Category

- Safety Protection, Wear, Shoes
- Logistic, Packing & Handling Material, Safety Signs
- Office, Tape, Cleaning
- Cutting Tools, Abrasives
- Measuring & Surveying Tools
- Hand Tools, Power Tools, Pneumatics Tools
- Chemicals, Adhesive, Welding
- Hydraulics, Pneumatics, Hose
- Bearing, Mechanical Parts, Caster
- Electrical Parts, Control Equipment, Solder, Anti-static Elec.
- Construction, Painting, Interior
- Air Conditioning, Electric Facilities, Piping, Plumbing
- Screws, Bolts, Nails, Material
- Auto, Cargo Truck Maintenance & Parts (May 2008-)
- Motor Bike, Bicycle Maintenance & Parts
- Laboratory (Oct. 2010-)
- Kitchen Equipment & Supplies (May 2014-)
- Agricultural Equipment & Supplies (May 2014-)
- Medical & Nursing care Equipment & Supplies (May 2015-)



3. Strength

After (MonotaRO)

Efficient Sales through Internet

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

One-Price Policy

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

Product Availability

- Selling more than 15 million items; 500 thousand items are available for same day shipment.
- 318 thousand items out of the same day shipment products are in inventory.

Private Label Brand and Direct Import Products

- Introducing private label brand and direct import products, so that customers can choose the best one to meet their needs among quite a few options.

Before (Conventional Suppliers)

- Labor Intensive and localized & small sized

- Individual and unclear price

- Limited product availability and small selection

- Sell mainly National 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 flyers with DTP

5. Catalog

- 19 separate volumes for better targeting

6. Data Mining and Campaign Management

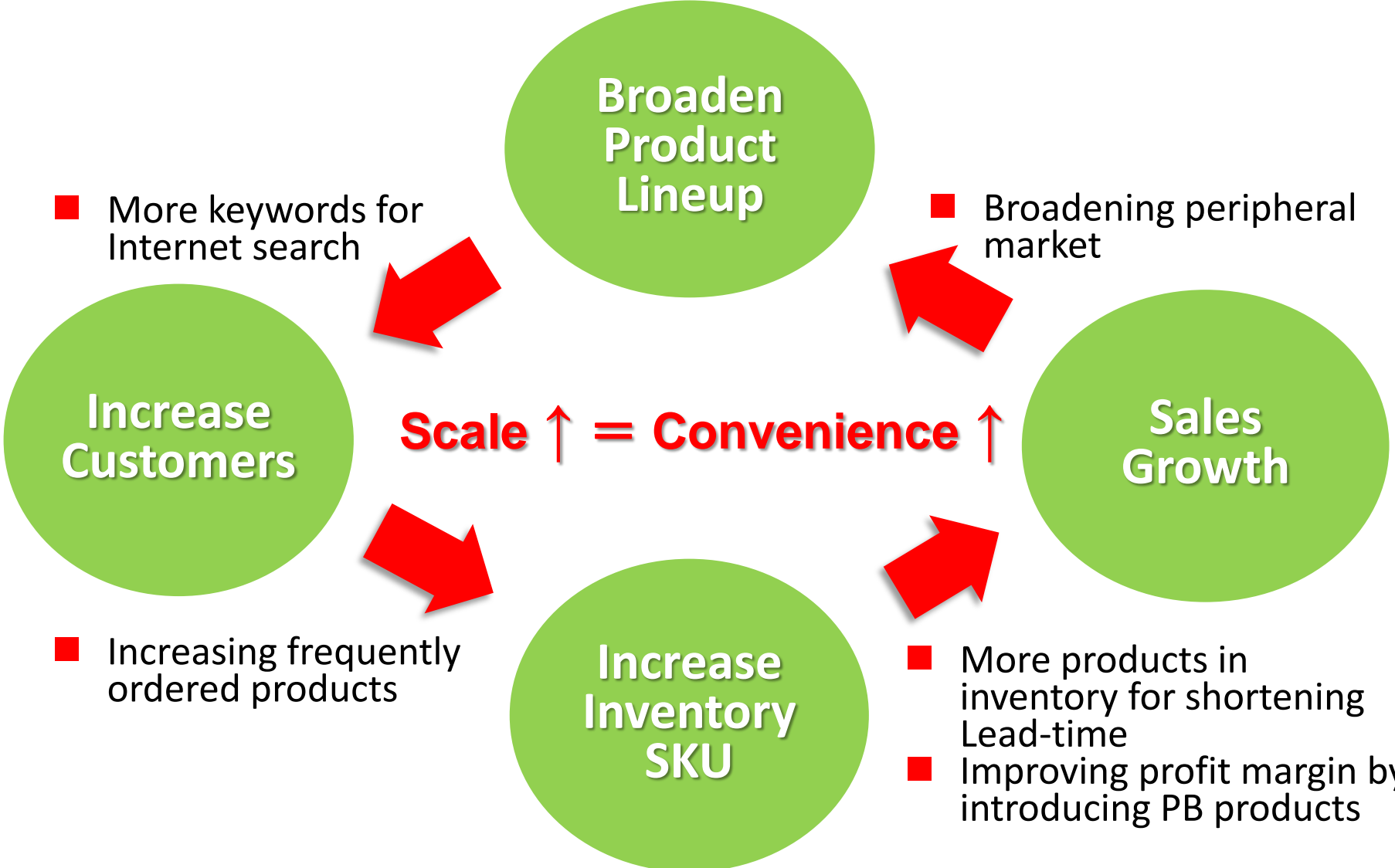
- Personalized promotion for more effectiveness and efficiency



5. Procurement

- Enhancement of Product Sources
 - Developing new suppliers and new products through various channels
- Direct Import and Private Brand Products
 - Higher Margin with National Brand Quality Maintained
 - Unique-competitive advantage

6-1. Growth – Development Cycle



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• Established Hokkaido Distribution Center |
| 2018 | <ul style="list-style-type: none">• Product lineup SKU exceeded 1.5 million• Established a real shop in Saga Prefecture for demonstration experiment |

7-1. (Non-consolidated) 2018Q1 Financial Result Outline P/L 1/2

- Sales: 24,048 million JPY (YonY +21.9%, A/R to 1st Half Plan 49.1%)
 - Improving listing ad., working on search engine optimization including improvement of smartphone site, broadcasting new version of TVCM, etc. contributed to acquiring new customers (136 thou. in 2018Q1 and 53.1 thou. in Mar. is highest ever). Campaign for raising usage frequencies, which started in Mar. 2017, favorable economic condition, etc. resulted in increase in sales to existing customers. As a result, sales through monotaro.com increased.
 - Number of new customers and sales increased in business with large corporations.

2017Q1 Result				2018Q1 Result			
No. Corp.	Million JPY	YonY	Ratio to Total Sales	No. Corp.	Million JPY	YonY	Ratio to Total Sales
334	1,960	+57%	10.0%	459	2,910	+48%	12.1%

- Gross Profit: 7,271 million JPY (YonY +16.5%, A/R to 1st Half Plan 49.2%)
 - Gross Profit (GP) % decreased from last year by 1.4 pt. Increase in purchase costs, increase in NB/domestic goods sales ratio, etc. resulted in lower product GP% by 0.8 pt., and improvement of delivery services, campaign for raising usage frequencies, delivery charge hike, etc. resulted in higher delivery cost ratio by 0.6 pt.
- SG&A Expense: 4,086 million JPY (YonY +18.0%, A/R to 1st Half Plan 50.6%)
 - SG&A Expense % decreased by 0.6 pt. Depreciation increased due to launch of Kasama DC (own facilities) in Apr. last year; however, costs for launching new DC were not incurred this year.
- Operating Income: 3,185 million JPY (YonY +14.6%, A/R to 1st Half Plan 47.5%)
- Net Income: 2,166 million JPY (YonY +6.7%, A/R to 1st Half Plan 46.3%)
 - Tax benefit granted last year for investment in Kasama DC for realizing high-productivity is not applicable this year, which resulted in higher tax % and in lower Net Income % than last year.
- Progress of FY2018 is in line with Plan so far.

7-1. (Non-consolidated) 2018Q1 Financial Result Outline P/L 2/2

	2017Q1 Result		2018Q1 Result		
	Million JPY	Ratio to Sales	Million JPY	Ratio to Sales	YoY
Sales	19,723		24,048		+21.9%
Gross Profit	6,240	31.6%	7,271	30.2%	+16.5%
SG&A Expense	3,462	17.6%	4,086	17.0%	+18.0%
Operating Income	2,778	14.1%	3,185	13.2%	+14.6%
Current Income	2,795	14.2%	3,147	13.1%	+12.6%
Net Income (Tax Rate)	2,030 (27.3%)	10.3%	2,166 (31.2%)	9.0%	+6.7%

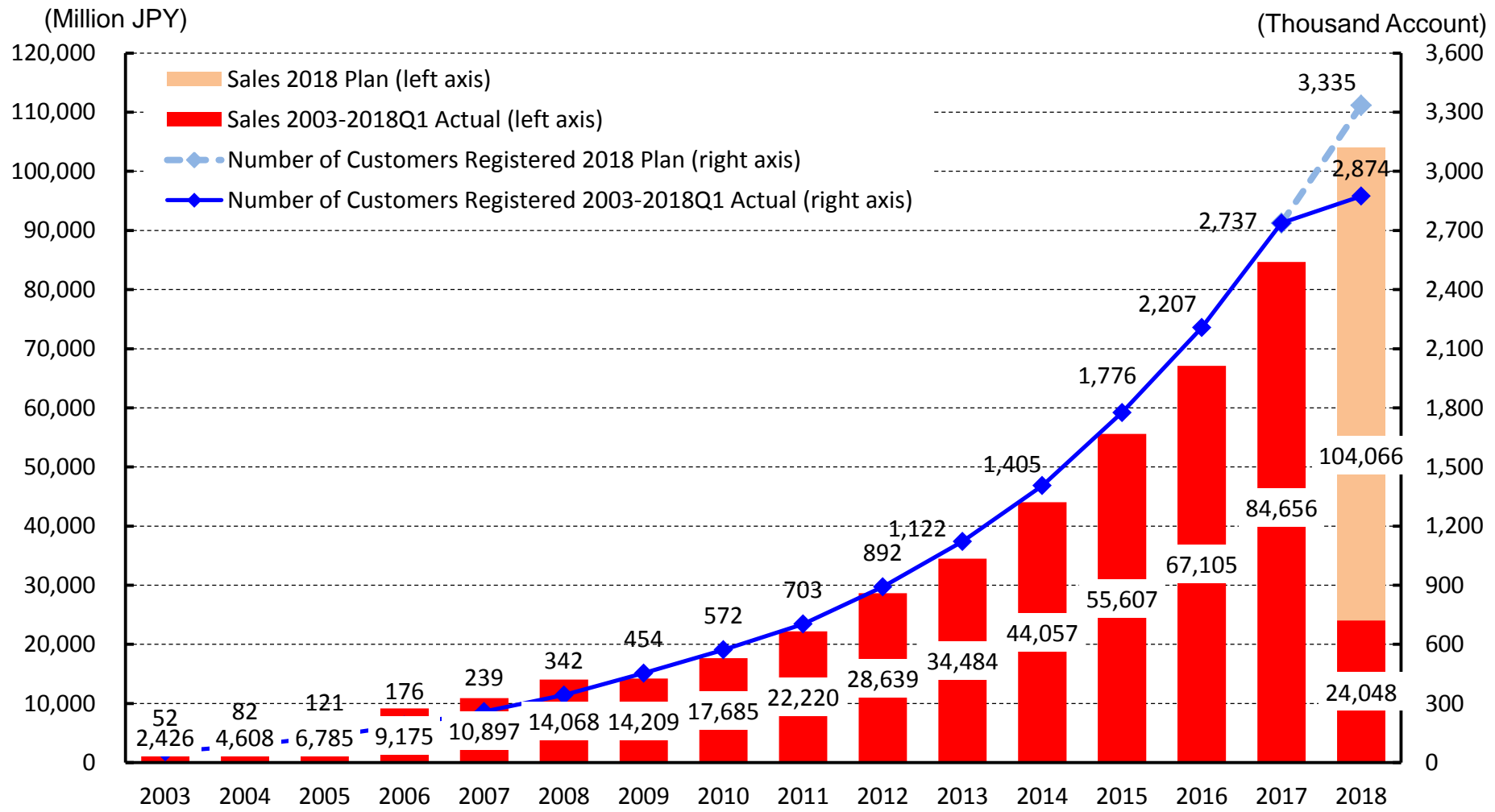
7-2. (Non-consolidated) 2018Q1 Financial Result Outline B/S

	Mar. 2017	Dec. 2017	Mar. 2018	
	Million JPY	Million JPY	Million JPY	Ratio
Assets				
Cash	5,145	8,097	6,194	14.1%
Accounts Receivable	8,703	9,977	11,419	26.1%
Inventory	6,164	7,689	8,255	18.8%
Other	5,800	3,861	3,675	8.4%
Total Current Asset	25,813	29,626	29,546	67.4%
Tangible Fixed Asset	11,277	9,852	9,698	22.1%
Intangible Fixed Assets	1,084	1,218	1,239	2.8%
Other	2,675	2,827	3,327	7.6%
Total Fixed Asset	15,038	13,898	14,265	32.6%
Total Assets	40,851	43,525	43,811	

	Mar. 2017	Dec. 2017	Mar. 2018	
	Million JPY	Million JPY	Million JPY	Ratio
Liabilities				
Accounts Payable	6,279	6,510	7,302	16.7%
Short-term Debt & etc.	3,200	2,125	2,094	4.8%
Others	5,109	5,150	4,869	11.1%
Total Current Liabilities	14,589	13,786	14,266	32.6%
Total Long term Liabilities	7,248	5,418	4,418	10.1%
Total Liabilities	21,837	19,205	18,684	42.6%
Net Assets				
Shareholder's Equity	18,964	24,281	25,088	57.3%
Others	49	38	38	0.1%
Total Net Assets	19,013	24,320	25,127	57.4%
Total Liabilities & Net Assets	40,851	43,525	43,811	

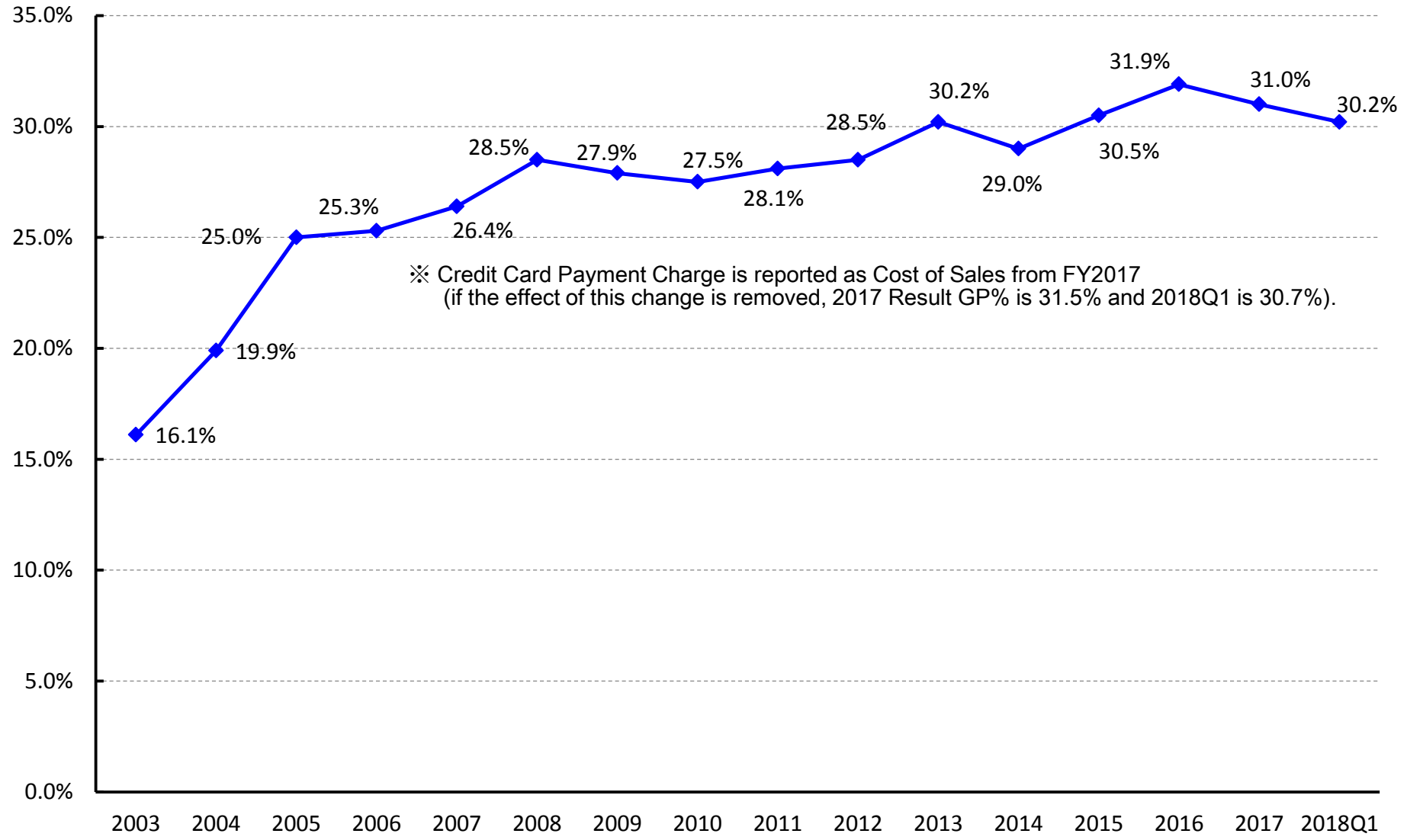
Short-term Debt & etc. includes short-term debt & current portion of long-term debt.

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

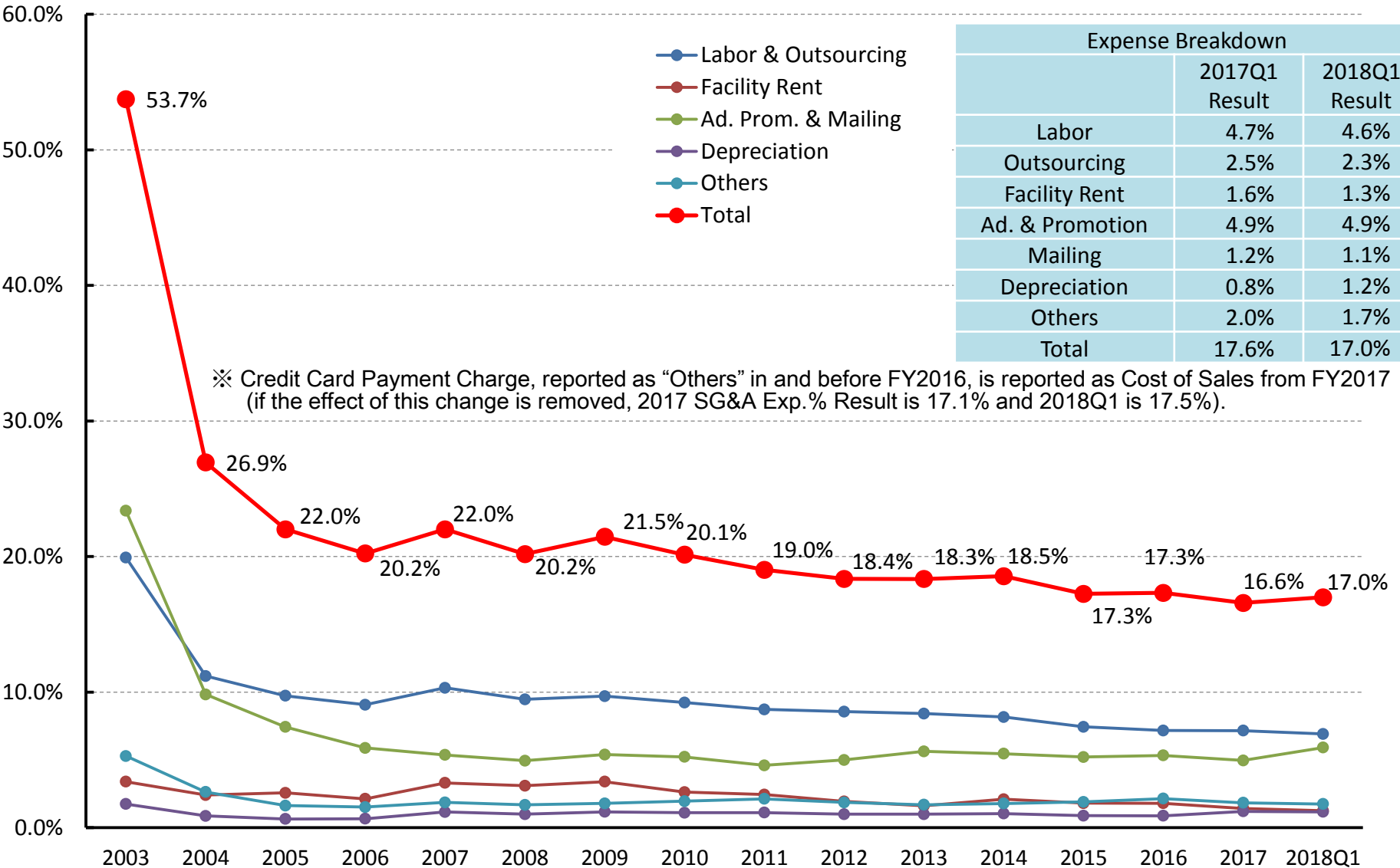


	Dec. 2017	Mar. 2018		Dec. 2018 (Plan)	
Number of Customers (Registered Accounts)	2,737,820	2,874,595	+136,775 (vs. Dec. 2017)	3,335,820	+598,000 (vs. Dec. 2017)

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



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



9-1. (Consolidated) 2018Q1 Financial Result Outline P/L 1/2

	2017Q1 Result		2018Q1 Result		
	Million JPY	Ratio to Sales	Million JPY	Ratio to Sales	YoY
Sales	20,554		25,026		+21.8%
Gross Profit	6,395	31.1%	7,479	29.9%	+17.0%
SG&A Expense	3,717	18.1%	4,376	17.5%	+17.7%
Operating Income	2,677	13.0%	3,103	12.4%	+15.9%
Current Income	2,698	13.1%	3,068	12.3%	+13.7%
Net Income (Tax Rate)	1,933 (28.3%)	9.4%	2,089 (31.9%)	8.3%	+8.0%
Net Income attributable to owners of the parent	1,950	9.5%	2,112	8.4%	+8.3%

9-1. (Consolidated) 2018Q1 Financial Result Outline P/L 2/2

■ NAVIMRO (South Korea)

- Effects of HP renewal, etc. caused lower sales growth rate.
- Anticipating to attain fiscal year profit.

	2017Q1 Result			2018Q1 Result		
	Million JPY	YonY	YonY in Local Currency	Million JPY	YonY	YonY in Local Currency
Sales	790	+30.6%	+40.4%	920	15.5%	14.0%
Op. Income	△50	—	—	△20	—	—

■ MONOTARO INDONESIA (Indonesia)

- Started BtoB business in October 2016.
- Growth rate in Sales maintained over 50%.

	2017Q1 Result			2018Q1 Result		
	Million JPY	YonY	YonY in Local Currency	Million JPY	YonY	YonY in Local Currency
Sales	40	—	—	60	48.8%	58.6%
Op. Income	△40	—	—	△50	—	—

■ ZORO SHANGHAI (China)

- Established in February 2018. Starting preparation in Q2 for beginning business in Q3.

	2017Q1 Result			2018Q1 Result		
	Million JPY	YonY	YonY in Local Currency	Million JPY	YonY	YonY in Local Currency
Sales	—	—	—	0	—	—
Op. Income	—	—	—	0	—	—

9-2. (Consolidated) 2018Q1 Financial Result Outline B/S

	Mar. 2017	Dec. 2017	Mar. 2018	
	Million JPY	Million JPY	Million JPY	Ratio
Assets				
Cash	5,723	8,688	7,270	16.8%
Accounts Receivable	8,772	10,039	11,489	26.6%
Inventory	6,469	8,081	8,648	20.0%
Other	5,880	3,926	3,735	8.7%
Total Current Asset	26,846	30,736	31,143	72.2%
Tangible Fixed Asset	11,309	9,881	9,722	22.5%
Intangible Fixed Assets	1,226	1,347	1,352	3.1%
Other	930	896	929	2.2%
Total Fixed Asset	13,466	12,125	12,004	27.8%
Total Assets	40,312	42,861	43,147	

	Mar. 2017	Dec. 2017	Mar. 2018	
	Million JPY	Million JPY	Million JPY	Ratio
Liabilities				
Accounts Payable	6,529	6,829	7,554	17.5%
Short-term Debt & etc.	3,200	2,125	2,094	4.9%
Others	5,217	5,249	4,942	11.5%
Total Current Liabilities	14,947	14,203	14,591	33.8%
Total Long term Liabilities	7,266	5,441	4,448	10.3%
Total Liabilities	22,214	19,644	19,039	44.1%
Net Assets				
Shareholder's Equity	17,841	23,004	23,756	55.1%
Others	256	212	351	0.8%
Total Net Assets	18,097	23,216	24,107	55.9%
Total Liabilities & Net Assets	40,312	42,861	43,147	

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

9-3. (Consolidated) 2018Q1 Financial Result Outline C/F

	2017Q1 Result	2018Q1 Result
	Million JPY	Million JPY
Cash Flow from Operating Activity		
Net Income before Tax	2,698	3,068
Increase or Decrease in Accounts Receivable	△1,202	△1,455
Increase or Decrease in Inventory	△466	△591
Increase or Decrease in Accounts Payable ((△) decrease)	1,218	745
Tax payment	△1,783	△1,890
Others	△305	1,075
Total	159	951
Cash Flow from Investing Activity		
Acquisition of Tangible Assets	△2,412	△17
Acquisition of Intangible Assets	△111	△114
Others	0	△37
Total	△2,523	△169
Cash Flow from Financing Activity		
Increase or Decrease in Short-term Loan	2,000	—
Dividend	△1,091	△1,345
Others	△50	△824
Total	857	△2,169
Currency Exchange Adjustment	0	△30
Net Increase or Decrease in Cash and Cash Equivalent	△1,505	△1,417
Cash and Cash Equivalent at Beginning of Period	7,229	8,688
Cash and Cash Equivalent at End of Period	5,723	7,270

10-1. (Non-consolidated) FY2018 Plan – P/L

	FY2017 Result		FY2018 Plan		
	Million JPY	Ratio to Sales	Million JPY	Ratio to Sales	YoY
Sales	84,656		104,066		+22.9%
Gross Profit	26,204	31.0%	31,405	30.2%	+19.8%
SG&A Expense	14,035	16.6%	16,736	16.1%	+19.2%
Operating Income	12,168	14.4%	14,668	14.1%	+20.5%
Current Income	12,177	14.4%	14,590	14.0%	+19.8%
Net Income (Tax Rate)	8,699 (28.5%)	10.3%	10,292 (29.4%)	9.9%	+18.3%

	2018 1 st Half (Jan. to Jun.) Plan			2018 2 nd Half (Jul. to Dec.) Plan		
	Million JPY	Ratio to Sales	YoY	Million JPY	Ratio to Sales	YoY
Sales	48,989		+22.3%	55,076		+23.5%
Gross Profit	14,776	30.2%	+17.2%	16,628	30.2%	+22.3%
SG&A Expense	8,070	16.5%	+18.3%	8,666	15.7%	+20.2%
Operating Income	6,706	13.7%	+15.9%	7,961	14.5%	+24.7%
Current Income	6,660	13.6%	+14.4%	7,929	14.4%	+24.8%
Net Income (Tax Rate)	4,685 (29.6%)	9.6%	+13.2%	5,607 (29.2%)	10.2%	+23.0%

10-2. (Consolidated) FY2018 Plan – P/L

	FY2017 Result		FY2018 Plan		
	Million JPY	Ratio to Sales	Million JPY	Ratio to Sales	YonY
Sales	88,347		109,469		+23.9%
Gross Profit	26,929	30.5%	32,604	29.8%	+21.1%
SG&A Expense	15,091	17.1%	18,355	16.8%	+21.6%
Operating Income	11,837	13.4%	14,249	13.0%	+20.4%
Current Income	11,858	13.4%	14,191	13.0%	+19.7%
Net Income (Tax Rate)	8,378 (29.3%)	9.5%	9,894 (30.2%)	9.0%	+18.1%
Net Income attributable to owners of the parent	8,464	9.6%	10,044	9.2%	+18.7%

	2018 1 st Half (Jan. to Jun.) Plan			2018 2 nd Half (Jul. to Dec.) Plan		
	Million JPY	Ratio to Sales	YonY	Million JPY	Ratio to Sales	YonY
Sales	51,311		+22.8%	58,158		+24.9%
Gross Profit	15,284	29.8%	+18.2%	17,319	29.8%	+23.8%
SG&A Expense	8,808	17.2%	+19.6%	9,547	16.4%	+23.6%
Operating Income	6,476	12.6%	+16.3%	7,772	13.4%	+24.0%
Current Income	6,441	12.6%	+14.8%	7,750	13.3%	+24.1%
Net Income (Tax Rate)	4,465 (30.7%)	8.7%	+13.7%	5,428 (29.9%)	9.3%	+22.0%
Net Income attributable to owners of the parent	4,522	8.8%	+14.0%	5,522	9.5%	+22.7%

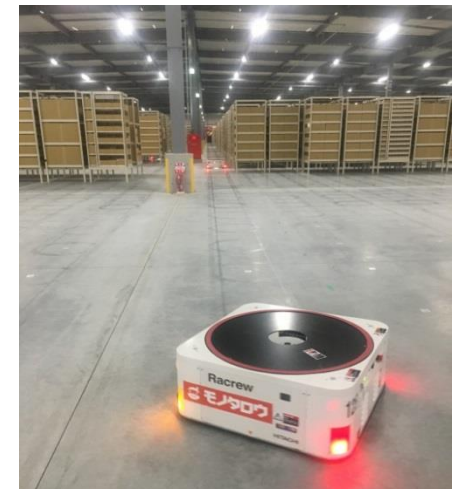
10-3. 2018 Business Strategy – 1/2

- Domestic Direct Marketing Business (monotaro.com)
 - Expanding Customer Base
 - Continuing to improve listing ad. & search engine optimization and to broadcast TVCM for acquiring 598 thou. new customers by the end of 2018.
 - Expanding Sales to Existing Customers
 - Increasing sales per customer by expanding product lineup (widened to 15 million SKU in Mar. 2018) & stock to 400 thou. SKU and by improving distribution network / strengthening supply-chain for shortening lead time.
- Procurement Management Solution Business (Business with Large Corporations)
 - Number of all corporations linked
 - 459 as of Mar. 31, 2018 (+30 since Dec. 31, 2017)
 - Number of corp. having introduced MonotaRO One Source
 - 12 as of Mar. 31, 2018 (+0 since Dec. 31, 2017) and 2 considering
 - Number of corp. having introduced MonotaRO One Source Lite
 - 90 as of Mar. 31, 2018 (+27 since Dec. 31, 2017) and 50 considering
- Overseas Business
 - Consulting / Royalty Business
 - Sales growth rate of Grainger's ZORO business in US and Europe is in line with Plan.
 - NAVIMRO (South Korea)
 - HP renewal resulted in fewer new customers acquired and in lower sales than Plan.
 - Operating loss is lower than Plan, and fiscal year profit in 2018 is anticipated to attain.
 - MONOTARO INDONESIA (Indonesia)
 - Lower sales in 2018Q1 than Plan; however, operating loss is lower than Plan.
 - ZORO SHANGHAI (China)
 - Established in last Feb. Starting preparation in Q2 for beginning business in Jul.

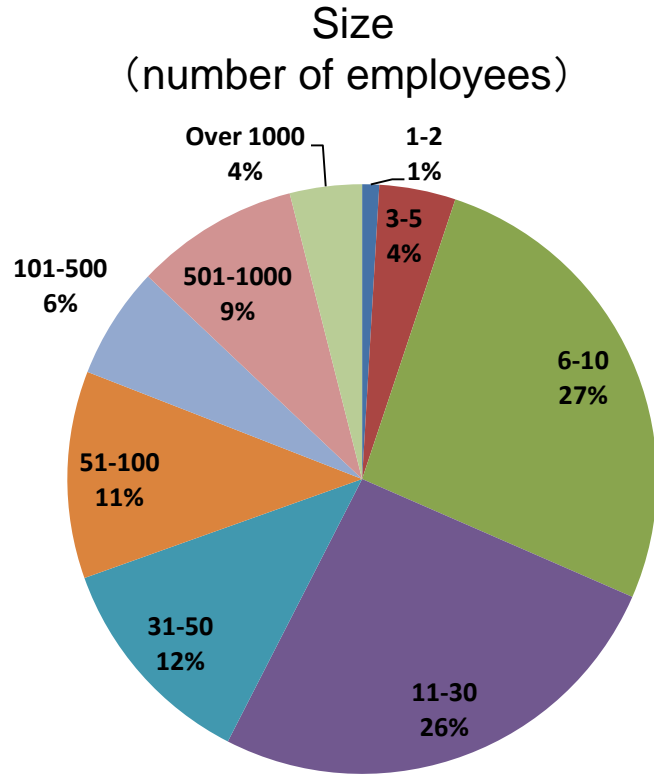
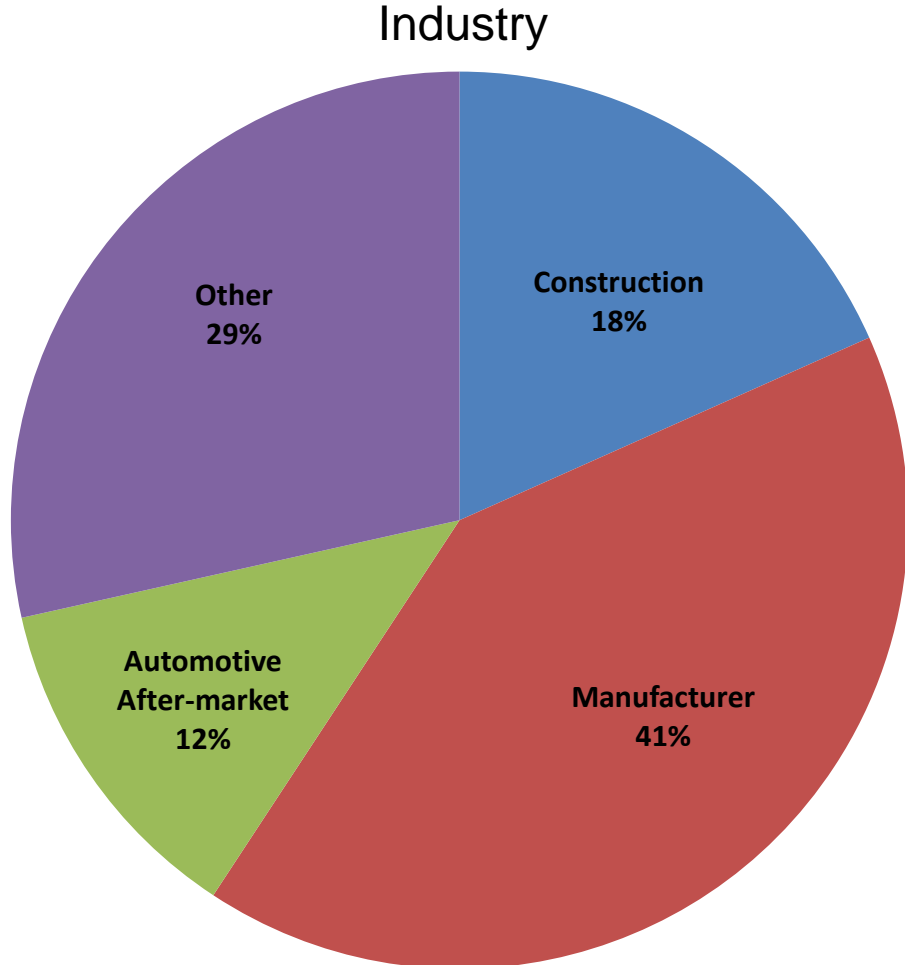
10-3. 2018 Business Strategy – 2/2

- **Strengthening Marketing and System Development Skills based on Data Science**
 - For high-level developments in marketing strength and in system (monotaro.com), hiring about 30 data scientists in 2 to 3 years.
 - Offices to be located in Tokyo (Akasaka) and in Osaka (Umeda). Preparing offices including interior renovations for data scientists to work.
- **Distribution/Logistics**
 - Lowering Distribution-related Cost ratio by shifting shipments from Amagasaki DC to Kasama DC, whose productivity is comparatively higher.
 - Working on Kasama DC's inventory structures.
 - As of Mar. 31, 2018, Kasama DC's stock: 180 thou. SKU.
 - Sales Ratio of Distribution-related Cost (included in SG&A Expense) lowered by 0.3%.
 - Mainly lowered by decrease in Facility Rent as Kasama DC, own facilities, launched and by lower sales ratio this year of Labor & Outsourcing Expenses, which was incurred higher last year for launching Kasama DC.

	2017Q1 Result		2018Q1 Result		
	Million JPY	Ratio to Sales	Million JPY	Ratio to Sales	YoY
Sales (Non Consolidated)	19,723		24,048		+21.9%
Depreciation	56	0.3%	169	0.7%	+200.1%
Labor & Outsourcing	651	3.3%	756	3.1%	+16.2%
Facility Rent	287	1.5%	274	1.1%	△4.5%
Others	208	1.1%	192	0.8%	△7.6%
Total	1,203	6.1%	1,392	5.8%	+15.8%



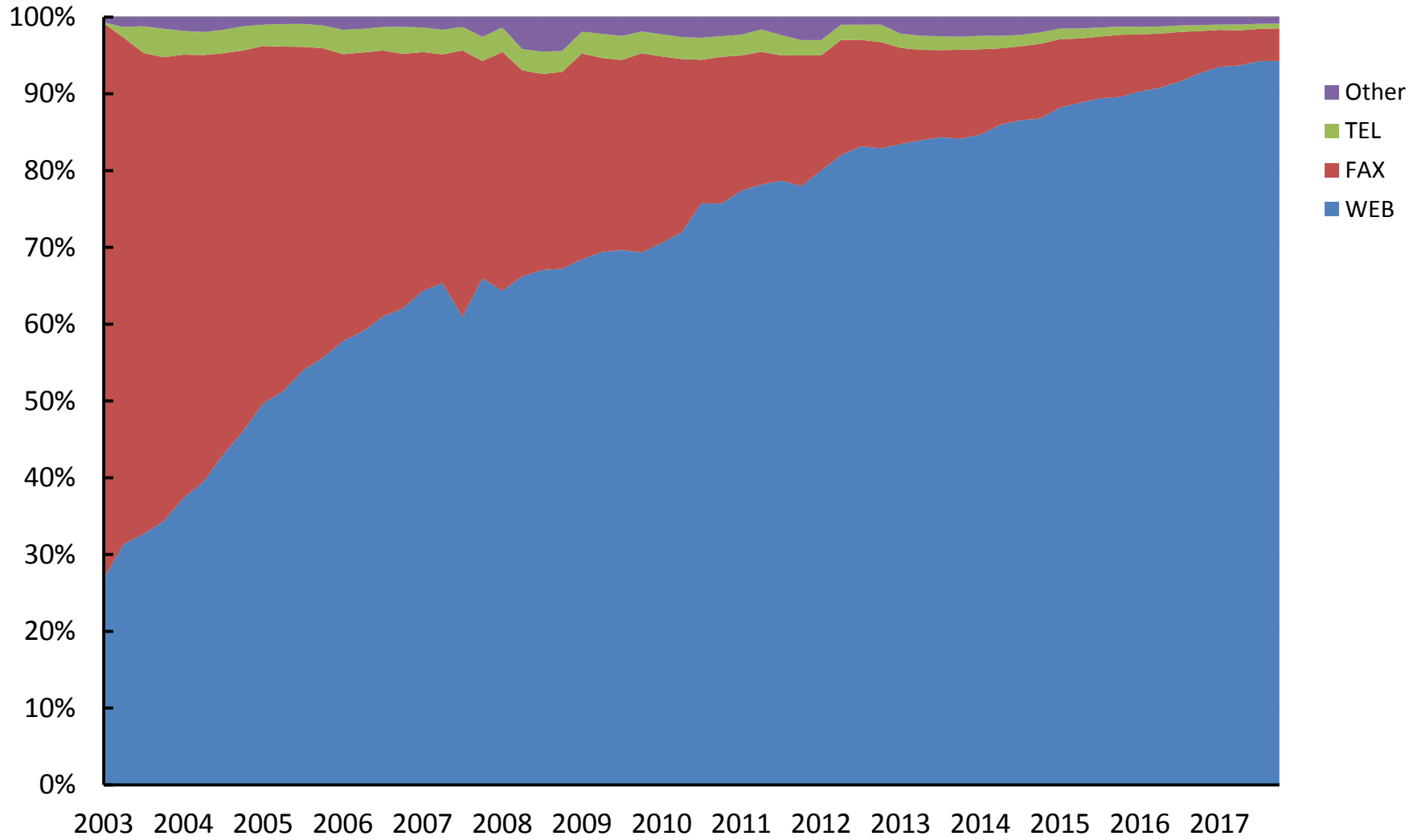
Reference 1. Customer Demographics



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

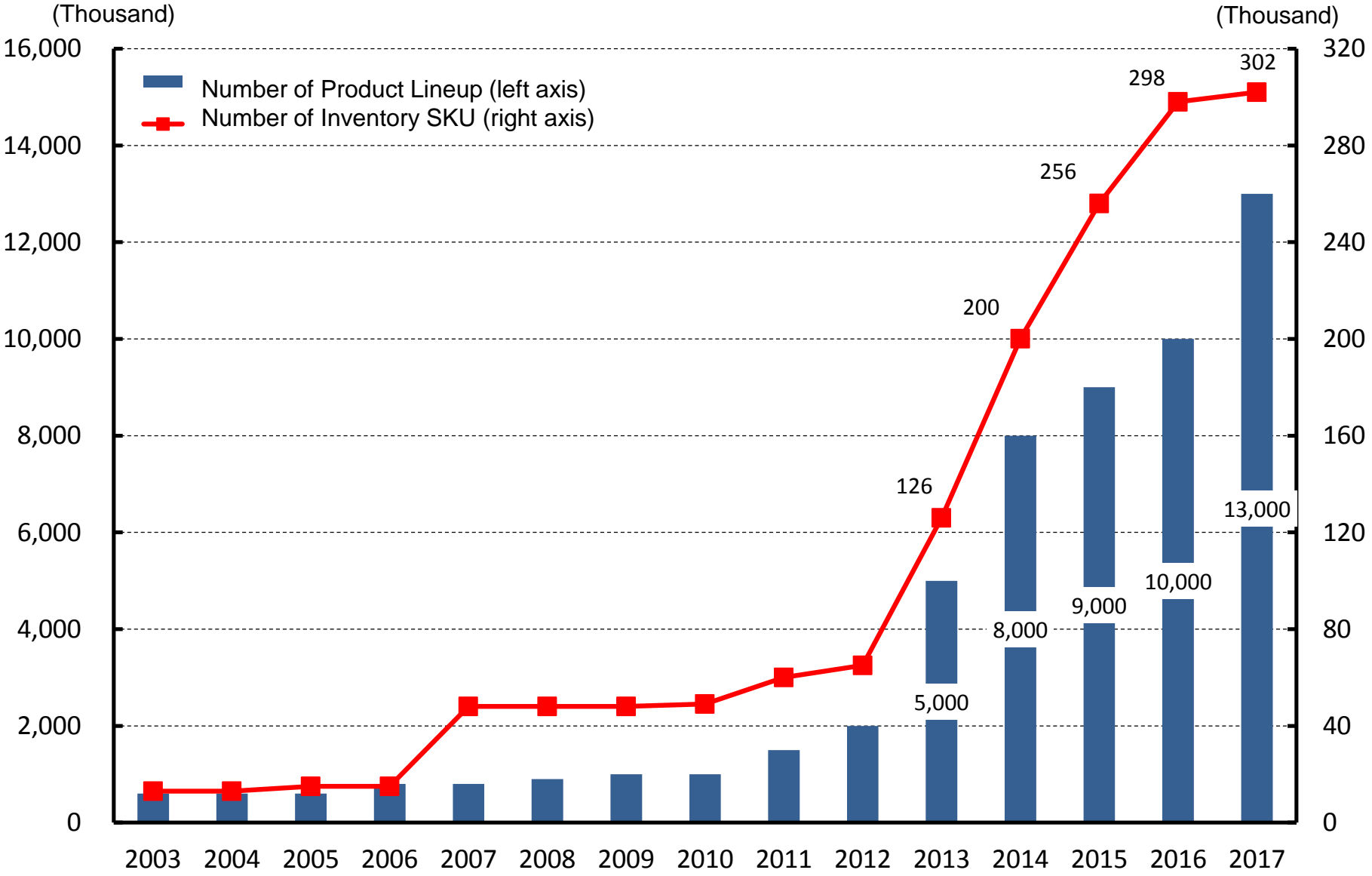
Ratio by sales amount in 2017
(Sales through monotaro.com - excluding sales through API connection)

Reference 2. Internet PO Ratio

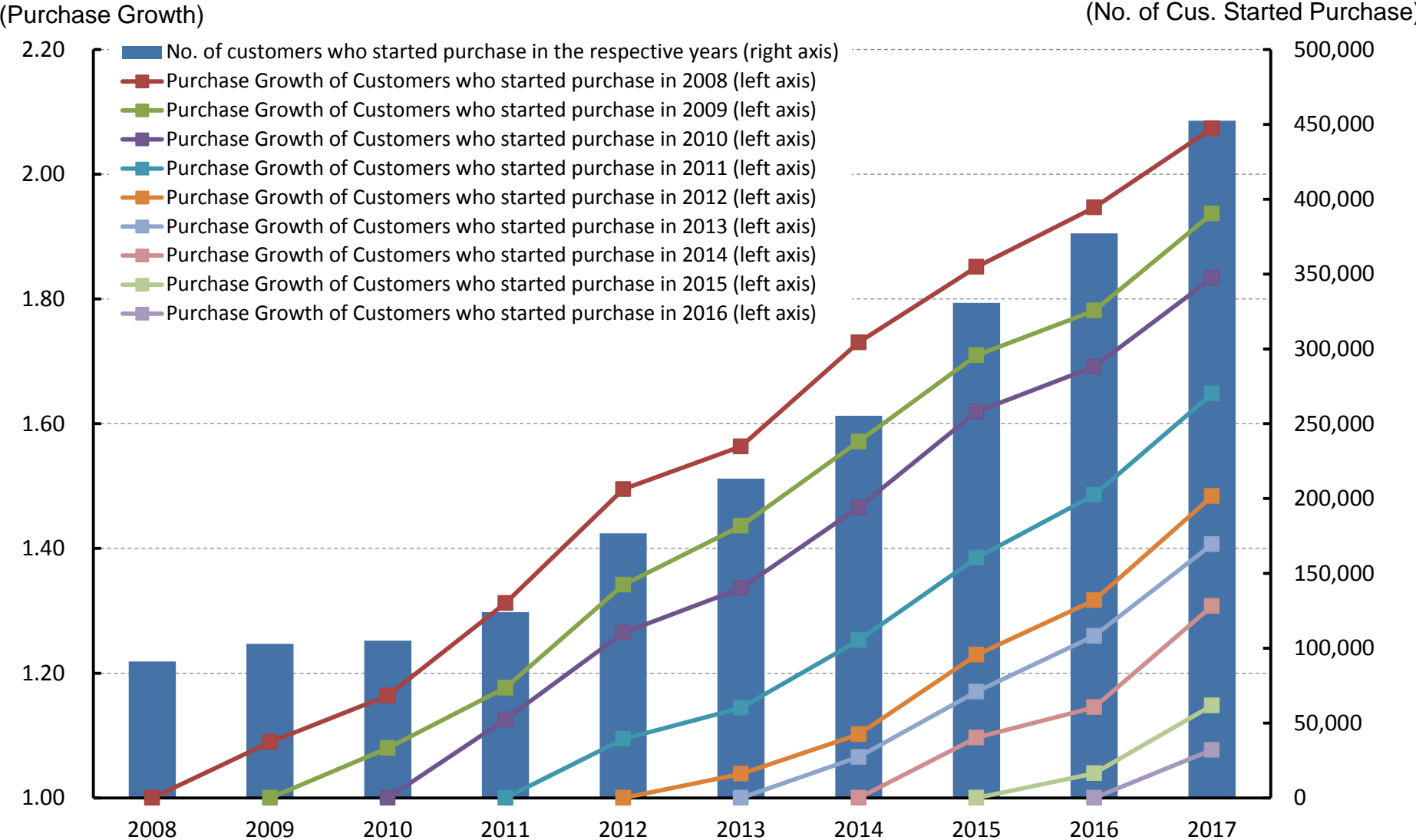


Based on Sales in each FY

Reference 3. Product Lineup & Inventory



Reference 4. Customers' Purchase Growth History



History of the sales growth of customers who started purchase at monotaro.com in respective fiscal years. Purchase amounts in the first years are set as 1.

Reference 5. Other MRO Market Players

Upper: Sales Lower: Operating Profit		Fiscal Year				Change
		2007	2015	2016	2017	2007 to 2017
Yuasa (8074) - (M)	Wholesaler	468,476	442,042	446,335	465,000	△0.7%
		8,254	10,357	10,923	11,330	+37.3%
Yamazen (8051) - (M)	Wholesaler	376,852	447,774	447,698	480,000	+27.4%
		11,518	13,258	13,113	14,000	+21.5%
Trusco (9830) - (D)	Wholesaler	134,430	166,565	177,053	195,096	+45.1%
		9,120	12,976	14,163	14,276	+56.5%
Misumi (9962) - (M)	Retailer	126,668	240,139	259,015	314,000	+147.9%
		16,317	25,690	27,127	36,350	+122.8%
Nichiden (9902) - (M)	Wholesaler	92,745	101,508	103,736	118,000	+27.2%
		5,533	5,066	5,037	6,100	+10.2%
NaI TO (7624) - (F)	Wholesaler	51,479	43,483	43,473	46,587	△9.5%
		1,343	585	496	728	△45.8%
Sugimoto (9932) - (M)	Wholesaler Retailer	41,461	41,361	41,597	44,315	+6.9%
		2,292	1,843	1,950	2,461	+7.4%
Toba (7472) - (M)	Retailer	25,800	22,881	22,185	27,500	+6.6%
		2,115	1,279	1,050	1,700	△19.6%
Uematsu (9914) - (M)	Retailer	7,647	5,755	6,217	7,125	△6.8%
		190	0	40	92	△51.6%
MonotaRO (3064) - (D)	Retailer	10,897	57,563	69,647	88,347	+710.7%
		480	7,087	9,493	11,837	+2366.0%

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

As of Apr. 27, 2018



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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