




Quarter 2, FY2019
(Jan. to Jun. 2019)

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 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 SKU 18 million as of Jun. 2019)	
Number of Customers	<ul style="list-style-type: none">• More than 3.7 million	
Capital Stock	<ul style="list-style-type: none">• 1.98 billion JPY or 18.3 million USD (USD1=JPY107.79)	
Number of Employees	<ul style="list-style-type: none">• 2,163 including 534 regular employees (as of Jun. 30, 2019 consolidated)	
Head Office	<ul style="list-style-type: none">• Amagasaki-city, Hyogo Prefecture	
Major Distribution Centers	<ul style="list-style-type: none">• Amagasaki-city, Hyogo Prefecture• Kasama-city, Ibaraki Prefecture• Sapporo-city, Hokkaido Prefecture	

2. Product Category

- Office Supplies, OA / PC, Battery
- Cutting Tools, Abrasives
- Pneumatic / Hydraulic Equipment, Hose
- Automobile / Truck Supplies
- Construction Hardware / Material, Interior Painting
- Laboratory / Clean Room Supplies
- Safety Protection, Working Clothes, Safety Shoes
- Hand Tools, Power Tools, Pneumatics Tools
- Screws, Bolts, Nails, Materials
- Logistics, Packing / Safety Supplies, Safety Signs
- Motorcycle / Bicycle Supplies
- Control Equipment / Solder / Anti-static Goods
- Spray, Oil, Grease / Paint / Adhesion, Repair / Welding
- Air Conditioning, Electric Facilities, Piping, Plumbing
- Kitchen Equipment, Store Supplies
- Agricultural Materials, Gardening Supplies
- Bearings, Mechanical Parts, Casters
- Medical and Nursing Products
- Measuring and Surveying Products
- Office Furniture, Lighting, Cleaning Supplies



3. Strength

After (MonotaRO)



One-Price Policy

- 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.

Efficient Sales through Internet

- Sales through internet, realizing economies of scale.
- Efficient promotions leveraging IT.

Database Marketing

- Replace sales representatives by utilizing huge amount of data and with advanced database marketing.

Product Availability

- Selling more than 18 million items; 555 thousand items are available for same day shipment.
- 428 thousand items out of “same day shipment products” are in inventory.

Private Brand and Direct Import Products

- Importing competitive products directly from overseas.
- Providing optimal selection of products including private brand, so that customers can choose the best one out of huge variety to meet their needs.

Before (Conventional Suppliers)

- Different and unclear price to each customer

- Labor oriented, small and localized markets

- Sales based on experience of sales representatives

- Limited product availabilities

- Sell mainly expensive 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

- 20 separate volumes for better targeting

6. Data Mining and Campaign Management

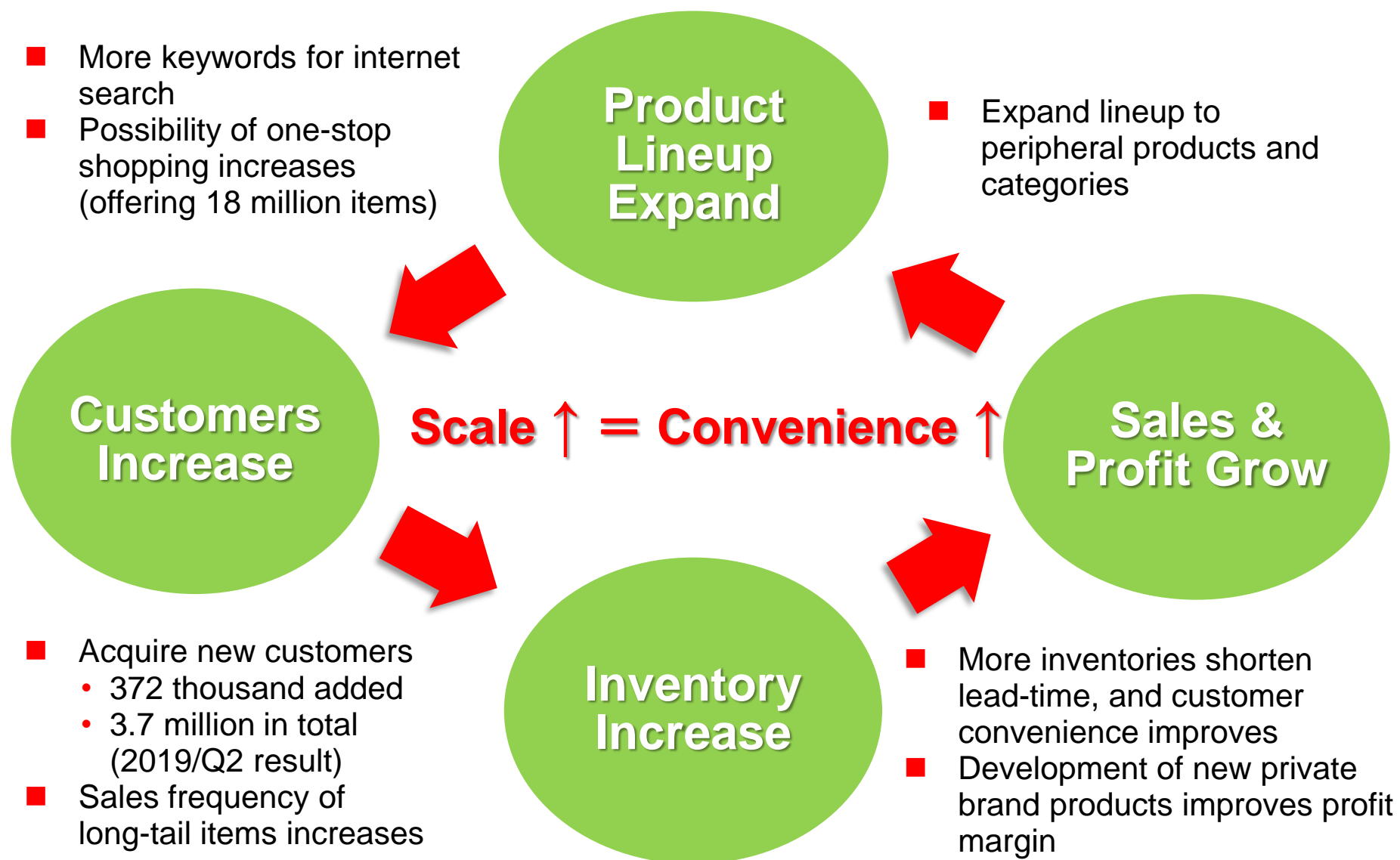
- Promotions optimized by industry categories for more effectiveness and efficiency



5. Procurement

- Enhancement of Product Sources
 - Developing new suppliers and new products through various channels
- Direct Import and Private Brand Product Development
 - 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 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">• Established real shop in Saga Prefecture for demonstration experiment• Launched business in Shanghai, China• Number of Accounts exceeded 3.3 million• Product lineup SKU exceeded 17 million
2019	<ul style="list-style-type: none">• Product lineup SKU exceeded 18 million• Completed 2nd phase expansion of facilities at Kasama Distribution Center

7-1. (Non-consolidated) 2019Q2 Financial Result P/L Outline 1/2

- Sales: 60,564 million JPY (YonY +21.8%, A/F Δ 1.0%)
 - Improving both internet search keywords ad. and product listing ad. (PLA), working on search engine optimization (SEO), expanding product lineup, increased traffic from smartphones, etc. contributed to acquiring new customers (372 thou.). Sales through monotaro.com exceeded last year result but slightly not achieved plan.
 - Number and usage of large corporation customers increased, and sales exceeded last year and plan.

Jan. – Jun. 2018 Result				Jan. – Jun. 2019 Plan			Jan. – Jun. 2019 Result				
No.Corp.	Million JPY	YonY	/Total Sales	Million JPY	YonY	/Total Sales	No.Corp.	Million JPY	YonY	vs Plan	/Total Sales
513	6,000	+52%	12.2%	8,800	+46%	14.5%	708	9,200	+53%	+5%	15.3%

- Gross Profit: 17,391 million JPY (YonY +16.2%, A/F Δ 1.7%)
 - Gross Profit Ratio (GP%) decreased from last year by 1.4 pt. due to higher delivery cost ratio (Δ 0.3 pt.) caused by delivery charge hike, etc., to change in product mix and increase in large corporation sales (Δ 0.2 pt.), and to decrease in consulting/royalty earnings from overseas, etc.
 - GP% decreased from plan by 0.2 pt. due to decrease in consulting/royalty earnings, etc.
- SG&A Expense: 9,480 million JPY (YonY +18.4%, A/F Δ 3.8%)
 - SG&A ratio (SG&A%) decreased from last year by 0.4 pt. Growth of Sales decreased TV ad. expense ratio, and higher efficiency in issuing catalog decreased expense concerned, which caused Advertising Expense ratio to decrease by 0.4 pt.
 - SG&A% decreased from plan by 0.4 pt. due to lower Labor Expense ratio caused by not achieved recruitment plan (Δ 0.2 pt.) and to increase in transfer of Labor Expense to asset resulting from increase in in-house software development, etc.
- Operating Income: 7,911 million JPY (YonY +13.7%, A/F +1.0%)
- Net Income: 5,490 million JPY (YonY +15.2%, A/F +1.3%)
 - Net Income (NI%) decreased from last year by 0.5 pt. Rate of corporate taxes, etc. decreased, which was not enough to cover decrease in Operating Income ratio (Δ 0.9pt.).
 - NI% increased from plan by 0.2 pt., due to improvement of SG&A% and Operating Income% (+0.3pt.).

7-2. (Non-consolidated) 2019Q2 Financial Result P/L Outline 2/2

	Jan. – Jun. 2018 Result		Jan. – Jun. 2019 Plan		Jan. – Jun. 2019 Result			
	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	YoY	vs Plan
Sales	49,707		61,193		60,564		+21.8%	△1.0%
Gross Profit	14,964	30.1%	17,691	28.9%	17,391	28.7%	+16.2%	△1.7%
SG&A Exp.	8,007	16.1%	9,856	16.1%	9,480	15.7%	+18.4%	△3.8%
Operating Income	6,956	14.0%	7,834	12.8%	7,911	13.1%	+13.7%	+1.0%
Current Income	6,919	13.9%	7,815	12.8%	7,907	13.1%	+14.3%	+1.2%
Net Income (Tax Rate)	4,765 (31.1%)	9.6%	5,421 (30.6%)	8.9%	5,490 (30.6%)	9.1%	+15.2%	+1.3%

7-3. (Non-consolidated) 2019Q2 Financial Result B/S Outline

	Jun. 2018	Dec. 2018	Jun. 2019	
	Million JPY	Million JPY	Million JPY	Ratio
Assets				
Cash	8,065	11,610	8,890	16.2%
Accounts Receivable	11,858	11,476	13,143	24.0%
Inventory	8,845	9,543	10,573	19.3%
Other	3,835	4,225	4,201	7.7%
Total Current Asset	32,604	36,856	36,808	67.2%
Tangible Fixed Asset	9,631	9,598	11,917	21.8%
Intangible Fixed Assets	1,274	1,316	1,863	3.4%
Other	3,506	3,815	4,165	7.6%
Total Fixed Asset	14,412	14,729	17,946	32.8%
Total Assets	47,017	51,585	54,754	

From 2019Q1, Deferred Tax Assets are all reported in Fixed Assets (Other). So adjusted are Jun. & Dec. 2018 balance sheets for comparison purpose. Amounts included in Current Assets (Others) under old accounting standard are as follows: 159 mil. in Jun. 2018, 195 mil. in Dec. 2018, and 172 mil. in Jun. 2019

	Jun. 2018	Dec. 2018	Jun. 2019	
	Million JPY	Million JPY	Million JPY	Ratio
Liabilities				
Accounts Payable	7,188	8,015	8,532	15.6%
Short-term Debt & etc.	2,063	2,000	2,000	3.7%
Others	6,419	7,523	6,517	11.9%
Total Current Liabilities	15,671	17,539	17,050	31.1%
Total Long term Liabilities	3,634	2,879	2,672	4.9%
Total Liabilities	19,305	20,419	19,722	36.0%
Net Assets				
Shareholder's Equity	27,668	31,130	34,986	63.9%
Others	43	35	46	0.1%
Total Net Assets	27,712	31,166	35,032	64.0%
Total Liabilities & Net Assets	47,017	51,585	54,754	

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

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

Op.Income
(Jan.-Jun.2018)

Sales
Increase



Decrease of GP Ratio



Improvement of SG&A
Expense Sales Ratio



• Increase of Facility
Rental Charge Sales Ratio



• Increase of Outsourcing
Exp. Sales Ratio



• Improvement of Ad. &
Promotion Exp. Sales Ratio



• Improvement of Depreciation
Exp. Sales Ratio



• Improvement of Labor Exp.
Sales Ratio



• Improvement of Other Exp.
Sales Ratio



Op. Income
(Jan.-Jun.2019)

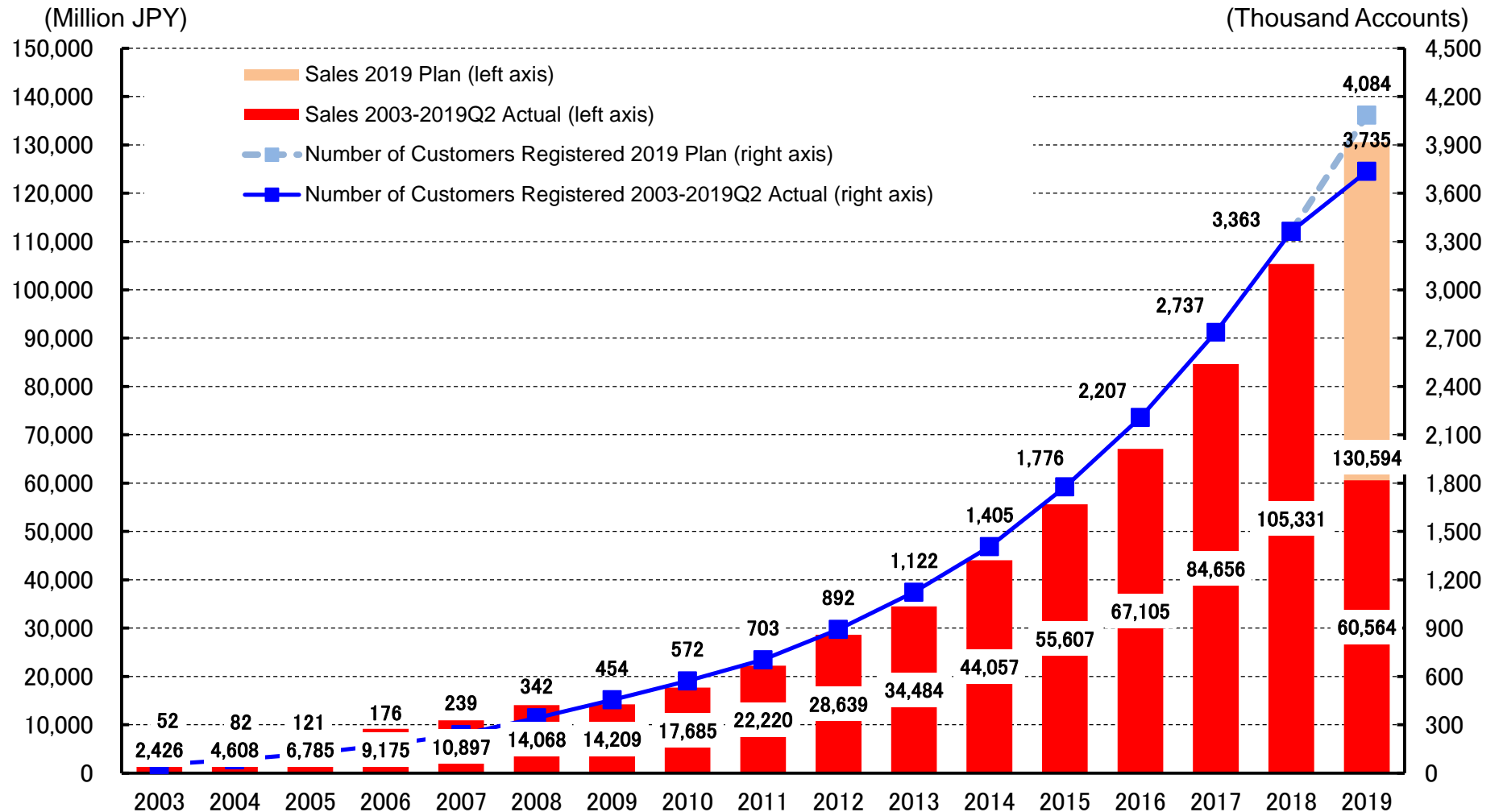
6,956 mil. JPY

+1,519 mil.JPY	<ul style="list-style-type: none"> Improving both internet search keywords ad. and product listing ad. (PLA), working on SEO, expanding product lineup contributed to acquiring new customers. Sales through monotaro.com exceeded last year result. Number and usage of large corporation customers increased, and sales exceeded last year.
△840 mil.JPY	<ul style="list-style-type: none"> Change in product mix, increase in large corp. sales, and decrease in consulting/royalty earnings from overseas, etc resulted in lower GP% from last year.
+276 mil.JPY	<ul style="list-style-type: none"> SG&A ratio improved due to following reasons.
△62 mil.JPY	<ul style="list-style-type: none"> Increase in facility rented (Tokyo & Osaka Offices, Amagasaki HQ expansion, Kasama Call Center, outsourcing warehouse, etc.).
△57 mil.JPY	<ul style="list-style-type: none"> Increase in number of temp-staffs through agents due to increase in operating capacity upon completion of Kasama DC 2nd phase facility expansion.
+268 mil.JPY	<ul style="list-style-type: none"> Growth of Sales decreased TV ad. expense ratio, and higher efficiency in issuing catalog decreased expense concerned, which improved Advertising Expense ratio.
+66 mil.JPY	<ul style="list-style-type: none"> Depreciation Expense ratio increased after completion of Kasama DC 2nd phase facility expansion; however, change of depreciation method (from declining-balance method to straight-line method) and increased sales improved Depreciation Exp. Sales ratio.
+43 mil.JPY	<ul style="list-style-type: none"> Labor Expense ratio decreased since its growth is lower than that of Sales (recruitment plan not achieved).
+17 mil.JPY	<ul style="list-style-type: none"> Mailing Expense ratio improved by change in channels of communications with customers for promotions.

7,911 mil. JPY (YonY: +954 mil. JPY, +13.7%)

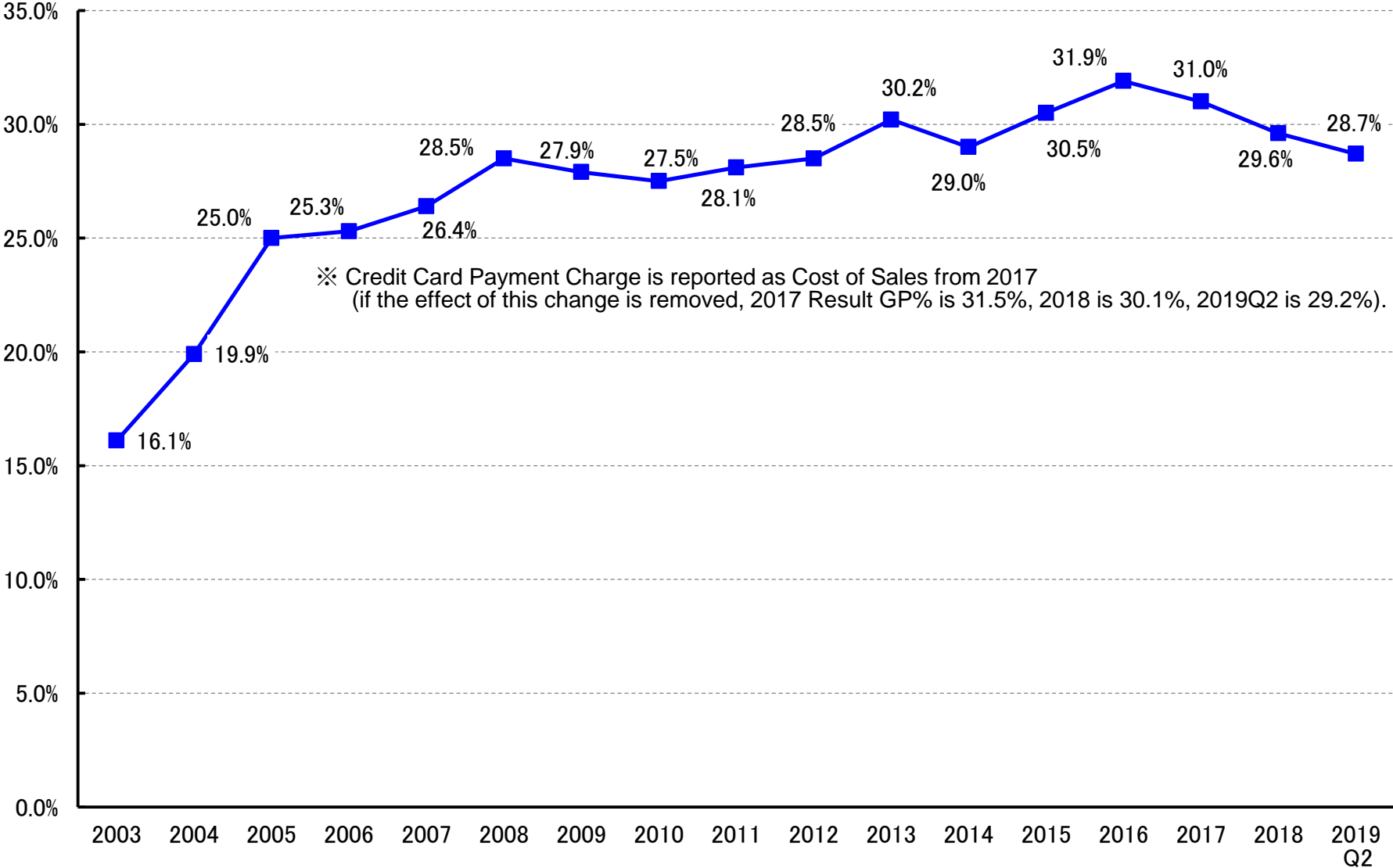
※ Amounts are effects on Operating Income by changes of rates, not actual amounts.

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

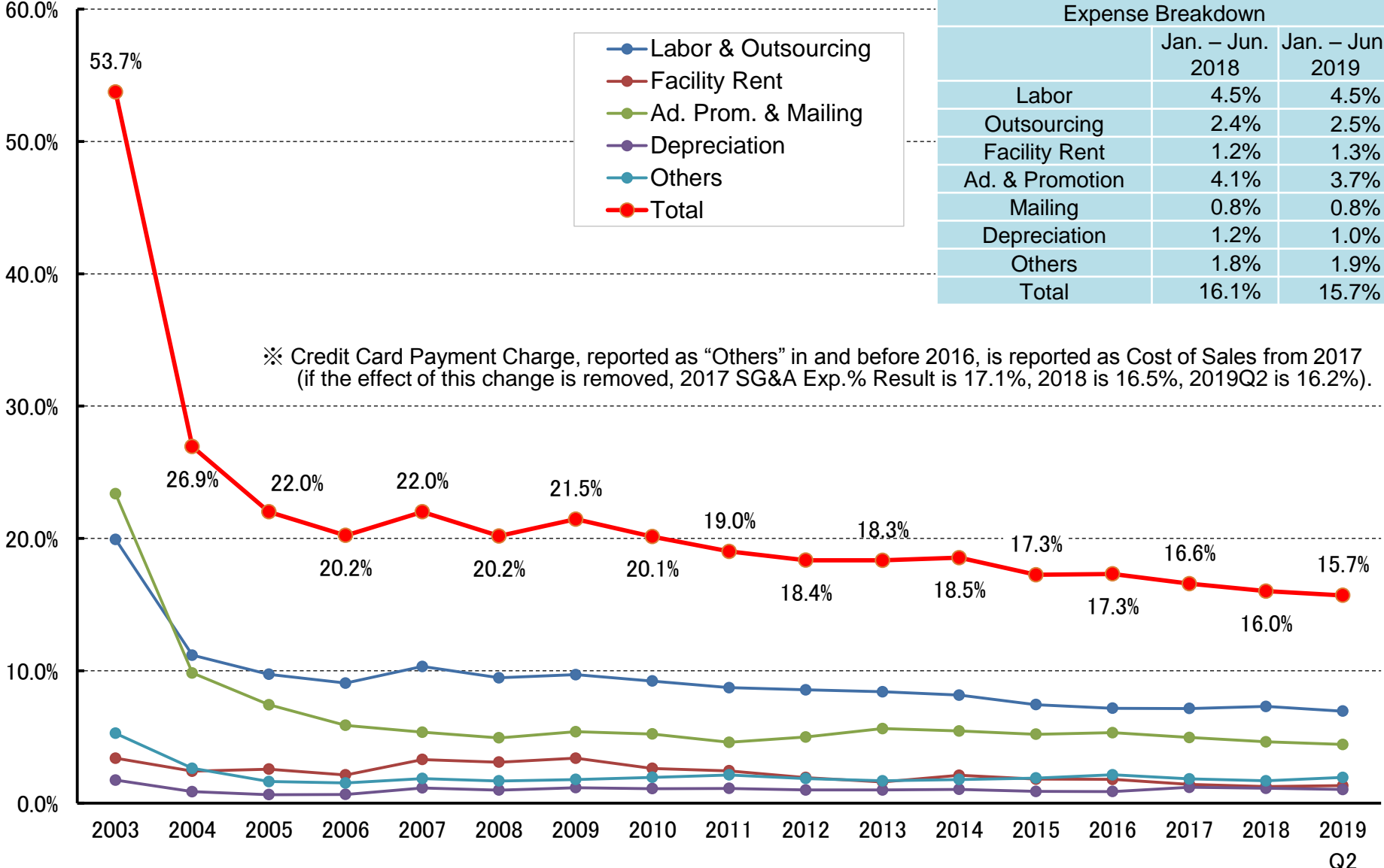


	Dec. 2018	Jun. 2019	Dec. 2019 (Plan)
Number of Customers (Registered Accounts)	3,363,711	3,735,780	4,084,711
		+372,069 (vs. Dec. 2018)	+721,000 (vs. Dec. 2018)

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



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



9-1. (Consolidated) 2019Q2 Financial Result P/L Outline 1/2

	Jan. – Jun. 2018 Result		Jan. – Jun. 2019 Plan		Jan. – Jun. 2019 Result			
	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	YoY	vs Plan
Sales	51,694		63,780		62,970		+21.8%	△1.3%
Gross Profit	15,386	29.8%	18,284	28.7%	17,867	28.4%	+16.1%	△2.3%
SG&A Exp.	8,676	16.8%	10,816	17.0%	10,270	16.3%	+18.4%	△5.1%
Operating Income	6,710	13.0%	7,468	11.7%	7,597	12.1%	+13.2%	+1.7%
Current Income	6,684	12.9%	7,462	11.7%	7,607	12.1%	+13.8%	+1.9%
Net Income (Tax Rate)	4,551 (31.9%)	8.8%	5,069 (32.1%)	7.9%	5,191 (31.8%)	8.2%	+14.1%	+2.4%
Net Income attributable to owners of the parent	4,605	8.9%	5,191	8.1%	5,302	8.4%	+15.1%	+2.1%

9-2. (Consolidated) 2019Q2 Financial Result P/L Outline 2/2

■ NAVIMRO (South Korea)

- Continued acquiring new customers, promoted adoption of new PB/NB products, and improved profit margins.
- Sales was slightly below plan (local currency basis) but Operating Loss was within plan.
- Planning to attain fiscal year break-even in 2019.

	Jan. – Jun. 2018 Result			Jan. – Jun. 2019 Plan			Jan. – Jun. 2019 Result				
	Amount (mil.JPY)	YonY	YonY (Local Currency)	Amount (mil.JPY)	YonY	YonY (Local Currency)	Amount (mil.JPY)	YonY	vs Plan	YonY (Local Currency)	vs Plan (Local Currency)
Sales	1,880	+15.5%	+12.2%	2,370	+26.2%	+27.7%	2,250	+19.7%	Δ5.1%	+25.9%	Δ1.4%
Op. Income	Δ30	–	–	Δ30	–	–	Δ20	–	–	–	–

■ MONOTARO INDONESIA (Indonesia)

- Sales grew from last year by 30% but was slightly below due to not achieving new customer acquisition target and first order rate.
- Though slightly higher than plan, Operating Loss was about in line with plan.

	Jan. – Jun. 2018 Result			Jan. – Jun. 2019 Plan			Jan. – Jun. 2019 Result				
	Amount (mil.JPY)	YonY	YonY (Local Currency)	Amount (mil.JPY)	YonY	YonY (Local Currency)	Amount (mil.JPY)	YonY	vs Plan	YonY (Local Currency)	vs Plan (Local Currency)
Sales	110	+34.1%	+43.9%	160	+34.3%	+36.1%	150	+31.7%	Δ1.9%	+33.4%	Δ1.9%
Op. Income	Δ100	–	–	Δ130	–	–	Δ140	–	–	–	–

■ ZORO SHANGHAI (China)

- Sales not achieved plan, since new customer acquisition and first order rate were lower than plan.
- Operating Loss was kept within plan.

	Jan. – Jun. 2018 Result			Jan. – Jun. 2019 Plan			Jan. – Jun. 2019 Result				
	Amount (mil.JPY)	YonY	YonY (Local Currency)	Amount (mil.JPY)	YonY	YonY (Local Currency)	Amount (mil.JPY)	YonY	vs Plan	YonY (Local Currency)	vs Plan (Local Currency)
Sales	※Note 0	–	–	50	–	–	10	–	Δ73.3%	–	Δ73.6%
Op. Income	Δ30	–	–	Δ190	–	–	Δ150	–	–	–	–

※Note: Operation started late June 2018. Although there were Sales in 2018Q2, Sales less than 10 million JPY were rounded down to “0” as shown in explanation material in Japanese language.

9-3. (Consolidated) 2019Q2 Financial Result B/S Outline

	Jun. 2018	Dec. 2018	Jun. 2019	
	Million JPY	Million JPY	Million JPY	Ratio
Assets				
Cash	9,112	12,381	9,834	18.3%
Accounts Receivable	11,937	11,546	13,247	24.6%
Inventory	9,246	9,987	11,000	20.5%
Other	3,831	4,269	4,266	7.9%
Total Current Asset	34,128	38,184	38,349	71.3%
Tangible Fixed Asset	9,655	9,620	11,944	22.2%
Intangible Fixed Assets	1,400	1,483	2,029	3.8%
Other	1,133	1,416	1,426	2.7%
Total Fixed Asset	12,189	12,521	15,401	28.7%
Total Assets	46,317	50,706	53,750	

From 2019Q1, Deferred Tax Assets are all reported in Fixed Assets (Other). So adjusted are Jun. & Dec. 2018 balance sheets for comparison purpose. Amounts included in Current Assets (Others) under old accounting standard are as follows:
159 mil. in Jun. 2018, 196 mil. in Dec. 2018, and 173 mil. in Jun. 2019

	Jun. 2018	Dec. 2018	Jun. 2019	
	Million JPY	Million JPY	Million JPY	Ratio
Liabilities				
Accounts Payable	7,453	8,318	8,827	16.4%
Short-term Debt & etc.	2,063	2,000	2,000	3.7%
Others	6,506	7,642	6,627	12.3%
Total Current Liabilities	16,023	17,961	17,455	32.5%
Total Long term Liabilities	3,671	2,906	2,712	5.0%
Total Liabilities	19,694	20,867	20,168	37.5%
Net Assets				
Shareholder's Equity	26,233	29,544	33,229	61.8%
Others	389	293	353	0.7%
Total Net Assets	26,623	29,838	33,582	62.5%
Total Liabilities & Net Assets	46,317	50,706	53,750	

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

9-4. (Consolidated) 2019Q2 Financial Result C/F Outline

	Jan. – Jun. 2018	Jan. – Jun. 2019
	Result	Result
	Million JPY	Million JPY
Cash Flow from Operating Activity		
Net Income before Tax	6,684	7,608
Increase or Decrease in Accounts Receivable (Δ = increase)	Δ 1,904	Δ 1,706
Increase or Decrease in Inventory (Δ = increase)	Δ 1,194	Δ 1,038
Increase or Decrease in Accounts Payable (Δ = decrease)	647	526
Tax payment	Δ 1,900	Δ 2,721
Others	1,527	612
Total	3,859	3,280
Cash Flow from Investing Activity		
Acquisition of Tangible Assets	Δ 70	Δ 466
Acquisition of Intangible Assets	Δ 270	Δ 754
Others	Δ 66	126
Total	Δ 407	Δ 1,094
Cash Flow from Financing Activity		
Repayments of Long-term Loans	Δ 1,062	Δ 1,000
Repayments of Lease Obligations	Δ 837	Δ 2,140
Cash Dividends Paid	Δ 1,364	Δ 1,613
Others	276	200
Total	Δ 2,988	Δ 4,553
Currency Exchange Adjustment	Δ 39	Δ 35
Net Increase or Decrease in Cash and Cash Equivalent (Δ = decrease)	424	Δ 2,402
Cash and Cash Equivalent at Beginning of Period	8,688	12,040
Cash and Cash Equivalent at End of Period	9,112	9,637

10-1. (Non-consolidated) 2019 Business Plan P/L Outline

	2018 Result		2019 Plan		
	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	YoY
Sales	105,331		130,594		+24.0%
Gross Profit	31,147	29.6%	37,748	28.9%	+21.2%
SG&A Exp.	16,868	16.0%	20,528	15.7%	+21.7%
Operating Income	14,278	13.6%	17,219	13.2%	+20.6%
Current Income	14,250	13.5%	17,189	13.2%	+20.6%
Net Income (Tax Rate)	9,825 (30.9%)	9.3%	12,116 (29.5%)	9.3%	+23.3%

10-2. (Consolidated) 2019 Business Plan P/L Outline

	2018 Result		2019 Plan		
	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	YoY
Sales	109,553		136,258		+24.4%
Gross Profit	32,027	29.2%	39,065	28.7%	+22.0%
SG&A Exp.	18,236	16.6%	22,529	16.5%	+23.5%
Operating Income	13,790	12.6%	16,536	12.1%	+19.9%
Current Income	13,788	12.6%	16,530	12.1%	+19.9%
Net Income (Tax Rate)	9,366 (32.0%)	8.6%	11,457 (30.7%)	8.4%	+22.3%
Net Income attributable to owners of the parent	9,515	8.7%	11,715	8.6%	+23.1%

10-3. (Consolidated) 2019 Business Plan (Overseas Subsidiaries)

■ NAVIMRO (South Korea)

- Expanding customer base and working on efficient product adoptions and optimizing prices for growth even in worsening macro economic environment. Planning to attain fiscal year break-even in 2019.

	2018 Result			2019 Plan		
	Amount (mil.JPY)	YoY	YoY (Local Currency)	Amount (mil.JPY)	YoY	YoY (Local Currency)
Sales	3,970	+13.2%	+12.0%	5,000	+25.9%	+26.5%
Op. Income	△60	—	—	7	—	—

■ MONOTARO INDONESIA (Indonesia)

- Continuing to work on optimizing supply chain and SEM with supports of MonotaRO (Japan) for expanding new and existing customer base and order rate.

	2018 Result			2019 Plan		
	Amount (mil.JPY)	YoY	YoY (Local Currency)	Amount (mil.JPY)	YoY	YoY (Local Currency)
Sales	260	+34.5%	+44.9%	430	+66.3%	+66.3%
Op. Income	△240	—	—	△250	—	—

■ ZORO SHANGHAI (China)

- Working on promotions including strengthening listing ad., search engine optimization, and communication with prospect customers for improving customer acquisition and first order & repeat rates.

	2018 Result			2019 Plan		
	Amount (mil.JPY)	YoY	YoY (Local Currency)	Amount (mil.JPY)	YoY	YoY (Local Currency)
Sales	10	—	—	220	※ —	※ —
Op. Income	△180	—	—	△420	—	—

※Business launched in June 2018.

11-1. 2019 Business Strategy 1/5 Domestic Business (1)

■ B2B Online E-commerce (monotaro.com)

- Expanding Customer Base
 - Increasing traffic to monotaro.com webpages by further utilization of marketing data, by continuously expanding product lineup, and by improving listing ads. of keywords, products, SEO, etc. Continuing to improve landing pages to enhance conversion rate for achieving 2019 plan of new customer acquisition (721 thou.).
 - Considering allocation of resources for customer acquisition based upon life time value.
- Expanding Sales to Existing Customers
 - Increasing sales per customer by optimizing product search results and promotions based upon customer attributes and by utilizing more logistic network through installing and developing systems for shortening time and efficiencies of deliveries.

■ System Connection with Large Corporations

- Progress of Contracted Corporations

	Dec. 2018 End Result	Jun. 2019 End Result		
	No. Corp.	No. Corp.	vs Dec. 2018 End	Remarks
Total number of corporations	604	708	+104	
One Source	12	14	+2	1 considering
One Source Lite	172	243	+71	305 considering

- Strengthening Structure of Team
 - Increasing number of corporate sales group members. Planning to open sales base in Chubu area (Central Japan) in fall 2019 in addition to existing Tokyo and Amagasaki sales bases.
 - Working for further business growth by expanding numbers of customers, of points in use, of accounts, and sales per account.

11-2. 2019 Business Strategy 2/5 Domestic Business (2)

■ Consulting/Royalty Business

- Grainger's Zoro business (US, Europe) is, for sustainable growth, continuing improving its business (incurring expenses with investment prospects for expanding product lineup to acquire new customers, for system developments, and for strengthening team staffs).
- Zoro's operating income declined from last year, and thus amount of Consulting/Royalty MonotaRO receives is decreasing (lower than plan).

■ Strengthening Marketing and System Development Skills based on Data Science

- Continuing expanding team of data-scientists and IT engineers.
- Continuing developing team at Tokyo office (around 30 people in 2 to 3 years).
- Data-scientists and IT engineers going to work on marketing and system development (Web site and backbone system).

■ New IT Platform for Advanced Supply Chain (installation project started)

- Improvement of Product Information Management
 - Enhancing management of product information becoming large in response to product SKU expansion and improving efficiency of obtaining such information from suppliers.
 - Considering managing product information in multi-languages for smooth rolling out to overseas subsidiaries.
- Introduction of Order Management System
 - Building structures for selecting optimal shipment solutions in future expansion of logistic network.
 - Expanding delivery capacity, lowering logistic-related costs, and shortening lead time by utilizing external logistic network including drop-shipment from suppliers. Optimizing process from order acceptance to shipment (selecting optimal supplier and delivery routes in timely manner, considering consolidating product packings, etc).

11-3. 2019 Business Strategy 3/5 Logistics (1)

■ Distribution-related Cost Ratio 2019Q2 Result: 6.0%

- Increased by 0.2 pt from last year due to increase of temp. staffs (Labor & Outsourcing ratio increased) and increased numbers of outsourced warehouses (Facility Rent ratio increased).
- Distribution-related Cost was in line with plan.

■ Inventory

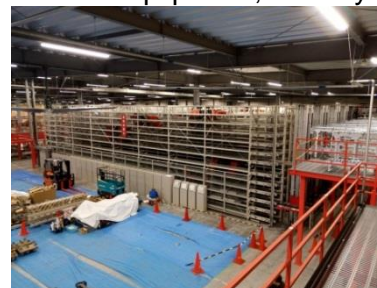
- As of Jun. 30, 2019: 428 thou.
(planning to increase up to 470 thou. in 2019).

■ Delivery Status

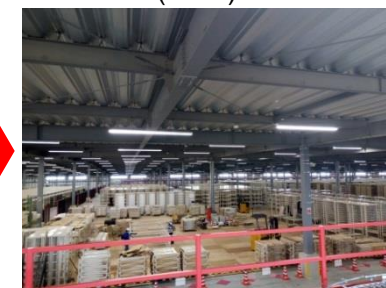
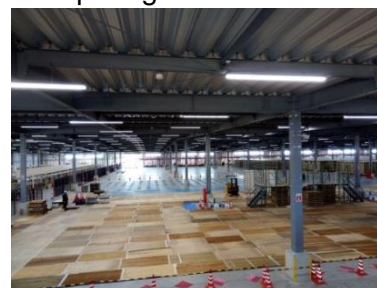
- Operation rate of expanded Kasama DC is rising.
- Shipment from Kasama DC exceeded that of Amagasaki DC in June, 2019.

Kasama DC 2nd Phase Expansion

Buffer equipment, Conveyer installation.



Preparing shelves for Auto Guided Vehicle (AGV).



	Jan. – Jun. 2018 Result		Jan. – Jun. 2019 Plan		Jan. – Jun. 2019 Result			
	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	YonY	vs Plan
Sales (Non Consolidated)	49,707		61,193		60,564		+21.8%	Δ1.0%
Depreciation	341	0.7%	423	0.7%	384	0.6%	+12.7%	Δ9.3%
Labor & Outsourcing	1,581	3.2%	2,044	3.3%	1,982	3.3%	+25.4%	Δ3.0%
Facility Rent	547	1.1%	705	1.2%	712	1.2%	+30.0%	+0.9%
Others	423	0.9%	563	0.9%	572	0.9%	+35.1%	+1.6%
Total	2,893	5.8%	3,737	6.1%	3,651	6.0%	+26.2%	Δ2.3%



11-4. 2019 Business Strategy 4/5 Logistics (2)

■ Delivery Capacity Expansion Measures

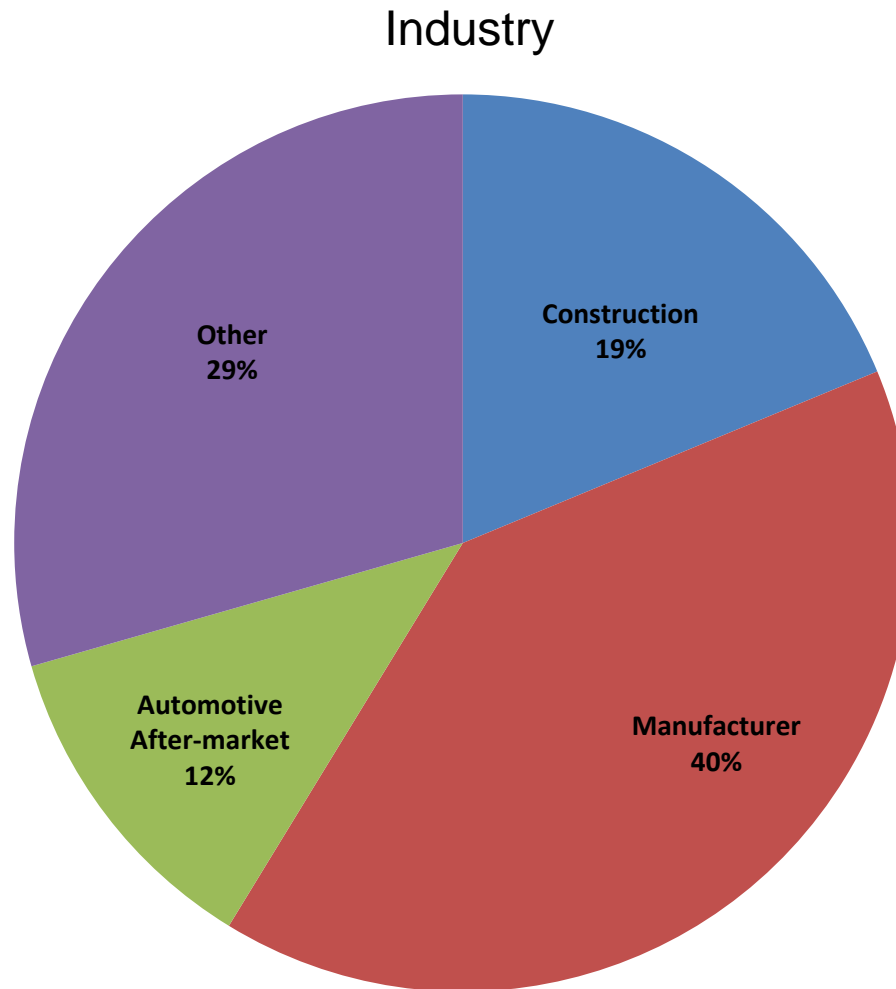
Year	Delivery Capacity Expansion Measures
2019	■ Completed Kasama DC's 2nd phase facility expansion (operate from Apr. 2019)
	■ Examining capacities of Amagasaki DC, Kasama DC <ul style="list-style-type: none">• Determining actual delivery capacity• Operation time extension, etc.
2020	■ Utilizing delivery network expansion by launching Order Management System <ul style="list-style-type: none">• Implementing drop-shipment by suppliers when efficiencies are recognized. (Install Order Management System in 2019 and start operation in 2020)
2021	■ Launching Ibaraki Chuo Satellite Center (SC) <ul style="list-style-type: none">• Adding shipping function of imported and high demand products
2022	■ Launching Inagawa DC
——	■ Launching next DC in Kanto area (under study)

11-5. 2019 Business Strategy 5/5 Logistics (3)

■ Delivery Capacity Expansion Measures

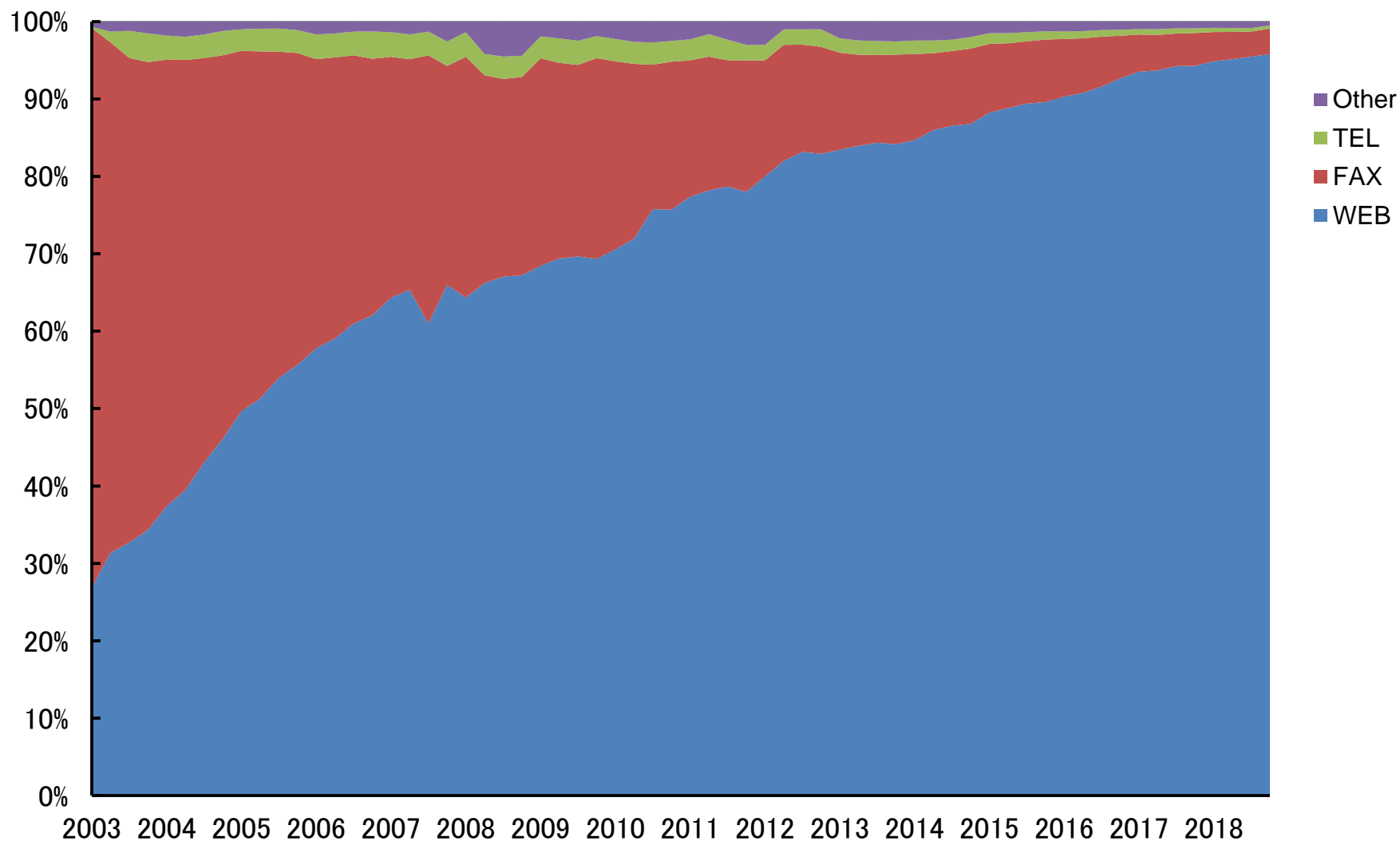
Name (tentative)		Ibaraki Chuo SC	Inagawa DC
Address		Ibaraki-machi, Higashi Ibaraki-gun, Ibaraki Pref.	Inagawa-cho, Kawabe-gun, Hyogo Pref.
Floor size		About 47,000m ² (Under examining)	About 130,000m ² (Expand floor size gradually)
Start Operation		Early 2021	Early to mid 2022
Delivery Capacity		About 30,000-50,000 lines / day	About 150,000 lines / day (Start with about 100,000 lines / day)
Inventory Capacity		20,000-30,000 SKU, high demand products (Main function is back yard)	500,000 SKU
Invest- Rental Amount	Land	About 1.3 billion JPY	Rent: About 17.1 billion JPY (Dec. 2021 – Nov. 2031 Total Rent in ten-year-contract term)
	Building	About 6.0 billion JPY (Under examining)	
	Equipment		Under examining
Remark		Main function is back yard for Kasama DC. Having also function of shipping high-demand products. Storing imported products landed at Hitachinaka Port.	Renting 3 floors of 4 in first year. Renting another floor as shipping level goes up.
Picture			

Reference 1. Customer Demographics



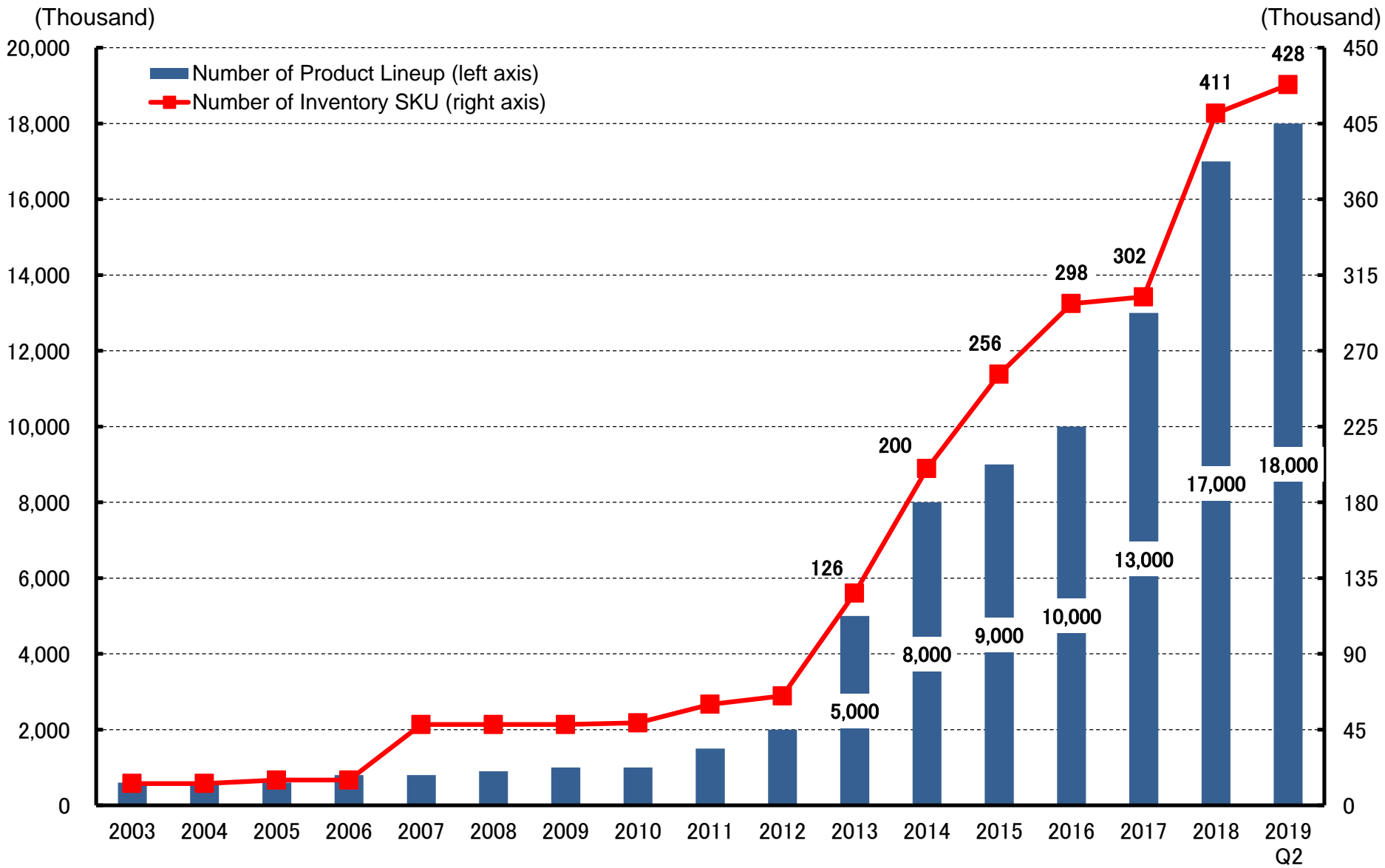
Ratio by sales amount in 2018
(Sales through Shopping website-excluding sales through API connection)

Reference 2. Internet PO Ratio

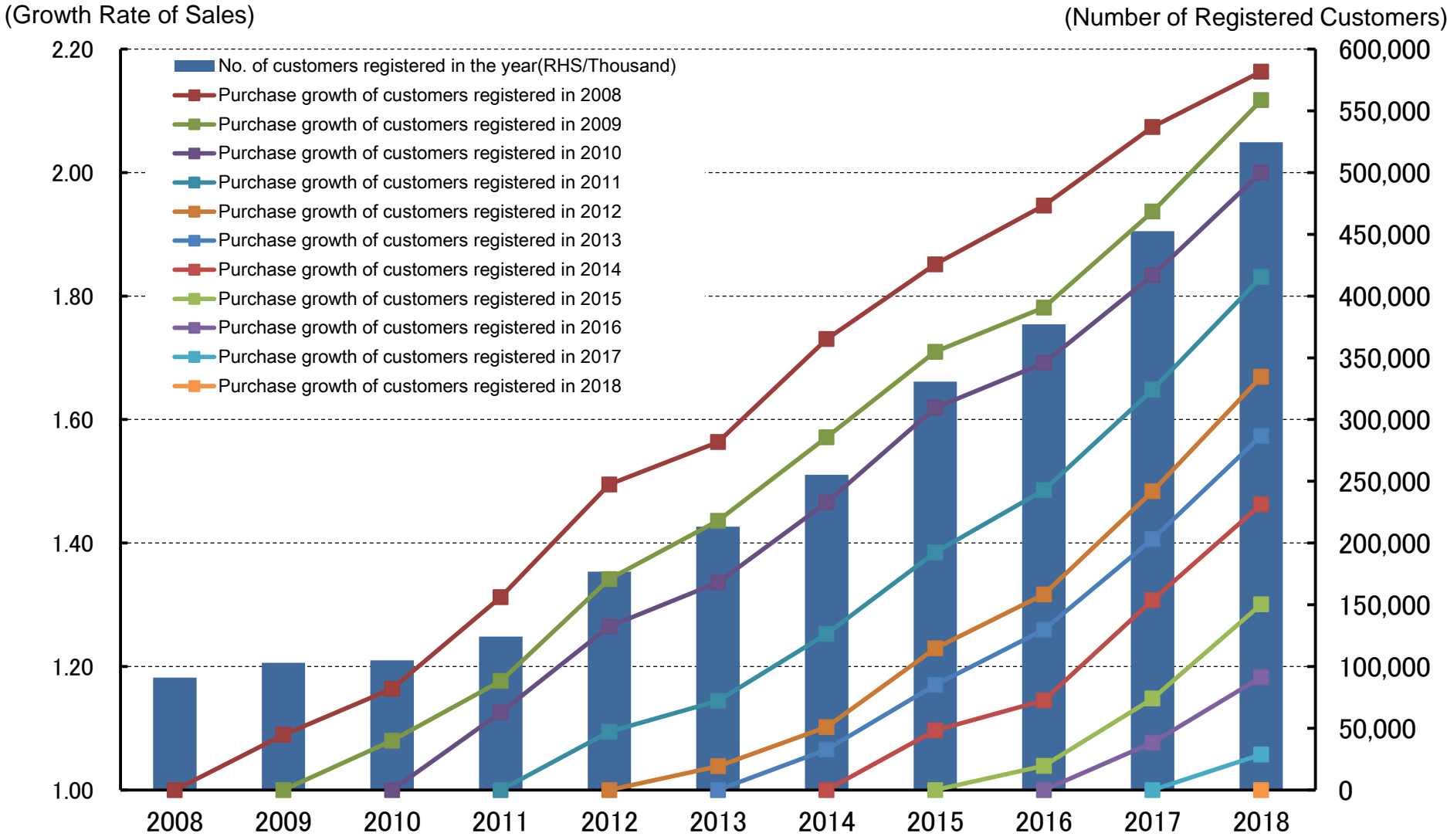


Based on Sales in each FY

Reference 3. Product Lineup & Inventory



Reference 4. Customers' Purchase Growth History

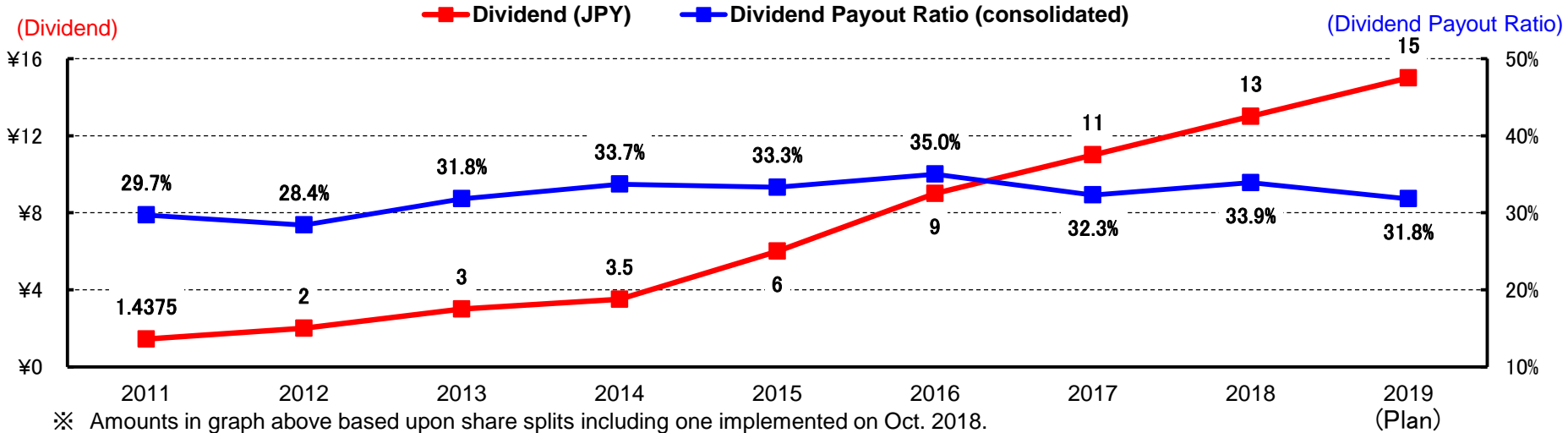


The history of the total purchase amounts of customers who registered in a year, setting total purchase amount in the first year as 1.

Reference 5. Dividend & Shareholder Benefit

■ Dividend

- Dividend Policy: Distributing dividend consistent with stable and ongoing growth.
- 2018 Dividend: 13 JPY/share (interim dividend 6.5 JPY and year-end dividend 6.5 JPY).
- 2019 Dividend Plan: 15 JPY/share.



■ Shareholders' Benefit

- Shareholders having held one or more unit (100 shares) of MonotaRO share for 6 months or longer on continuous basis as of Dec. 31 are eligible for benefit.
- Eligible shareholders can choose products from MonotaRO's private brand as benefit, and amount of benefit varies in accordance with holding period (as in right chart).

Holding Period	Amount Benefit
6 months or more	3,000 JPY (excl. tax)
3 years or more	5,000 JPY (excl. tax)
5 years or more	7,000 JPY (excl. tax)

Reference 6. Other MRO Market Players

Upper: Sales Lower: Operating Income		Fiscal Year					Change
		2007	2016	2017	2018	2019 (Forecast)	2007 to 2019
Yuasa (8074) - (M)	Wholesaler	468,476	446,335	461,749	493,627	500,000	+6.7%
		8,254	10,923	11,402	12,517	14,000	+69.6%
Yamazen (8051) - (M)	Wholesaler	376,852	447,698	497,963	526,364	530,000	+40.6%
		11,518	13,113	15,383	17,997	16,000	+38.9%
Trusco (9830) - (D)	Wholesaler	134,430	177,053	195,096	214,297	233,294	+73.5%
		9,120	14,163	14,276	14,364	14,929	+63.7%
Misumi (9962) - (M)	Retailer	126,668	259,015	312,969	331,936	355,000	+180.3%
		16,317	27,127	34,848	31,874	35,400	+117.0%
Nichiden (9902) - (M)	Wholesaler	92,745	103,736	119,712	124,604	129,000	+39.1%
		5,533	5,037	6,051	6,595	6,600	+19.3%
NaiTO (7624) - (F)	Wholesaler	51,479	43,473	46,587	50,014	50,800	△1.3%
		1,343	496	728	928	1,000	△25.5%
Sugimoto (9932) - (M)	Wholesaler Retailer	41,461	41,597	44,315	45,417	50,800	+22.5%
		2,292	1,950	2,461	2,870	3,050	+33.1%
Toba (7472) - (M)	Retailer	25,800	22,185	28,500	29,066	29,500	+14.3%
		2,115	1,050	1,774	1,895	1,920	△9.2%
Uematsu (9914) - (M)	Retailer	7,647	6,217	7,125	7,157	7,150	△6.5%
		190	40	92	80	67	△64.7%
MonotaRO (3064) - (D)	Retailer	10,897	69,647	88,347	109,553	136,258	+1,150.4%
		480	9,493	11,837	13,790	16,536	+3,345.0%

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

As of Jul. 25, 2019



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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