




Fiscal Year of FY2019

(Jan. to Dec. 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 Dec. 2019)	
Number of Customers	<ul style="list-style-type: none">• More than 4.1 million	
Capital Stock	<ul style="list-style-type: none">• 1.98 billion JPY or 18.1 million USD (USD1=JPY109.56)	
Number of Employees	<ul style="list-style-type: none">• 2,245 including 572 regular employees (as of Dec. 31, 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
- Piping, Pumps, 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, Storage / Packing Supplies / Tapes
- 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
- Safety Supplies, Safety Signs



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; 590 thousand items are available for same day shipment.
- 461 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

- 21 separate volumes for better targeting

6. Data Mining and Campaign Management

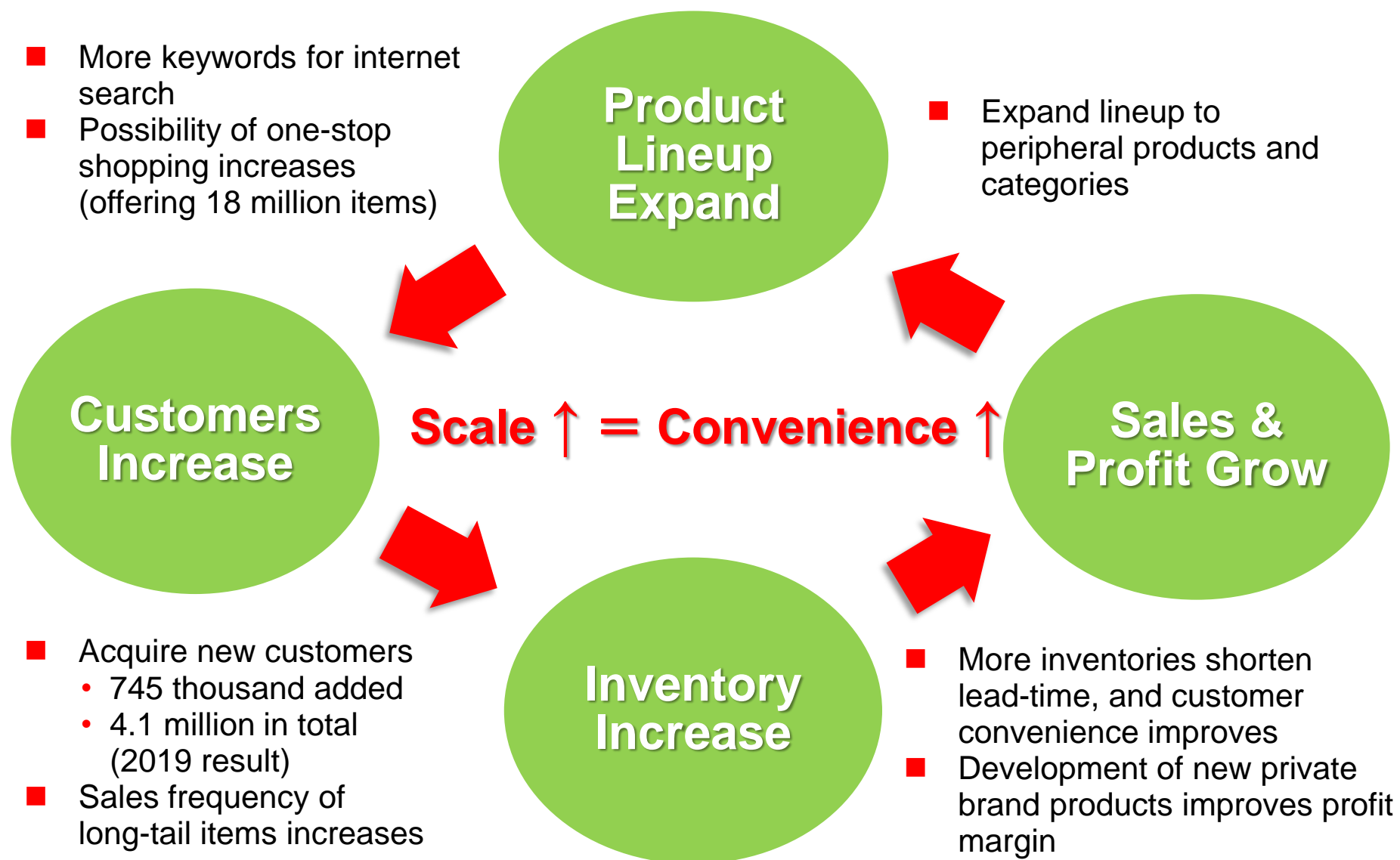
- Promotions optimized by industry categories for more effectiveness and efficiency



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) 2019 Financial Result P/L Outline 1/2

- Sales: 126,543 million JPY (YonY +20.1%, A/F Δ 3.1%)
 - Improving both search keywords ad. and product listing ad. (PLA), working on search engine optimization (SEO), expanding product lineup, etc. increased traffics through both smartphones and PC contributing to new customer acquisition (745 thou.). Sales through monotaro.com exceeded last year but not achieved plan due to rushed and additional demand ahead of consumption tax rate raise lower than expected, to new customers' order amount per person not achieved plan, and to deceleration of manufactures' demands caused by change in macro economic conditions.
 - Number and usage of large corporation customers increased, and sales exceeded last year and plan.

Jan. – Dec. 2018 Result				Jan. – Dec. 2019 Plan			Jan. – Dec. 2019 Result				
No.Corp.	Million JPY	YonY	/Total Sales	Million JPY	YonY	/Total Sales	No.Corp.	Million JPY	YonY	vs Plan	/Total Sales
604	13,500	+54%	12.9%	19,500	+44%	15.0%	817	20,100	+48%	+3%	15.9%

- Gross Profit: 36,111 million JPY (YonY +15.9%, A/F Δ 4.3%)
 - Gross Profit Ratio (GP%) decreased from last year by 1.1 pt. due to higher delivery cost ratio (Δ 0.4 pt.) caused by delivery charge hike, etc., to change in product mix and increase in large corporation sales (Δ 0.1 pt.), and to decrease in consulting/royalty earnings from overseas, etc.
 - GP% decreased from plan by 0.4 pt. Product GP ratio increased (+0.2 pt.) due to increase in sales ratio of imported products, etc., but cost ratio of product transfers between DCs increased (Δ 0.1 pt.), higher delivery cost ratio (Δ 0.1 pt.) caused by delivery charge hike, etc., and consulting/royalty earnings decreased, etc., which resulted in lower GP% than plan.
- SG&A Expense: 19,681 million JPY (YonY +16.7%, A/F Δ 4.1%)
 - SG&A ratio (SG&A%) decreased from last year by 0.4 pt. due to decrease in Advertising Expense ratio (cost reduction of catalogs, less broadcasting of TV ad.) and to Sales growth.
 - SG&A% decreased from plan by 0.1 pt. Temp-staffs at Amagasaki DC increased due to not achieved Kasama DC's shipment ratio plan, but lower Labor Expense ratio caused by not achieved recruitment plan, increase in transfer of Labor Expense to asset resulted from increase in in-house software development, etc. resulted in lower SG&A%.
- Operating Income: 16,430 million JPY (YonY +15.1%, A/F Δ 4.6%)
- Net Income: 11,309 million JPY (YonY +15.1%, A/F Δ 6.7%)
 - Tax benefits for salary growth decreased rate of corporate taxes, etc., but lower Operating Income ratio (Δ 0.6pt.) and Extraordinary Loss (EL) of 320 mil. JPY including restoration of residents/ businesses in area of Takatsuki-city explosion accident decreased Net Income ratio (NI%) from last year by 0.4 pt.
 - NI% decreased from plan by 0.4 pt., due to decrease in Op. Income ratio by 0.2 pt. and to EL incurred.

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

	2018 Result		2019 Plan		2019 Result			
	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	YoY	vs Plan
Sales	105,331		130,594		126,543		+20.1%	△3.1%
Gross Profit	31,147	29.6%	37,748	28.9%	36,111	28.5%	+15.9%	△4.3%
SG&A Exp.	16,868	16.0%	20,528	15.7%	19,681	15.6%	+16.7%	△4.1%
Operating Income	14,278	13.6%	17,219	13.2%	16,430	13.0%	+15.1%	△4.6%
Current Income	14,250	13.5%	17,189	13.2%	16,444	13.0%	+15.4%	△4.3%
Net Income (Tax Rate)	9,825 (30.9%)	9.3%	12,116 (29.5%)	9.3%	11,309 (29.9%)	8.9%	+15.1%	△6.7%

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

	Dec. 2018	Dec. 2019	
	Million JPY	Million JPY	Ratio
Assets			
Cash	11,610	9,958	16.4%
Accounts Receivable	11,476	14,376	23.7%
Inventory	9,543	11,094	18.3%
Other	4,225	4,485	7.4%
Total Current Asset	36,856	39,914	65.9%
Tangible Fixed Asset	9,598	12,023	19.8%
Intangible Fixed Assets	1,316	2,919	4.8%
Other	3,815	5,748	9.5%
Total Fixed Asset	14,729	20,691	34.1%
Total Assets	51,585	60,605	

	Dec. 2018	Dec. 2019	
	Million JPY	Million JPY	Ratio
Liabilities			
Accounts Payable	8,015	9,446	15.6%
Short-term Debt & etc.	2,000	2,498	4.1%
Others	7,523	7,479	12.3%
Total Current Liabilities	17,539	19,424	32.1%
Total Long term Liabilities	2,879	2,180	3.6%
Total Liabilities	20,419	21,604	35.6%
Net Assets			
Shareholder's Equity	31,130	38,955	64.3%
Others	35	44	0.1%
Total Net Assets	31,166	39,000	64.4%
Total Liabilities & Net Assets	51,585	60,605	

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

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

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

14,278 mil. JPY

Op. Income
FY2018

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



• Increase of Other Exp.
Sales Ratio



• Improvement of Ad. &
Prom. Exp. Sales Ratio



• Improvement of Labor Exp.
Sales Ratio



• Improvement of Mailing Exp.
Sales Ratio



• Improvement of Depreciation
Exp. Sales Ratio



Op. Income
FY2019

+2,875mil. JPY	<ul style="list-style-type: none"> Improving both 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.
Δ1,308mil. 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.
+585mil. JPY	<ul style="list-style-type: none"> SG&A ratio improved due to following reasons.
Δ78mil. JPY	<ul style="list-style-type: none"> Increase in facility rented (Tokyo, Osaka, Nagoya Offices, Amagasaki HQ expansion, Kasama Call Cent., outsourcing warehouse, etc.).
Δ28mil. 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.
Δ294mil. JPY	<ul style="list-style-type: none"> Negative expense of 270 mil. JPY incurred en bloc last year in applying retirement benefit accounting to recognize asset for benefit, which resulted in higher Other Ex. Sales Ratio this year.
+475mil. 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.
+357mil. JPY	<ul style="list-style-type: none"> Labor Expense Sales Ratio improved since recruitment plan not achieved and recognition of liability 237mil. JPY by incurring expense en bloc in applying retirement benefit accounting last year.
+95mil. JPY	<ul style="list-style-type: none"> Mailing Expense ratio improved by change in channels of communications with customers for promotions.
+57mil. JPY	<ul style="list-style-type: none"> Depreciation Expense 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.

16,430 mil. JPY (YonY: +2,152 mil. JPY, +15.1%)

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

8-1. (Consolidated) 2019 Financial Result P/L Outline 1/2

	2018 Result		2019 Plan		2019 Result			
	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	YonY	vs Plan
Sales	109,553		136,258		131,463		+20.0%	△3.5%
Gross Profit	32,027	29.2%	39,065	28.7%	37,095	28.2%	+15.8%	△5.0%
SG&A Exp.	18,236	16.6%	22,529	16.5%	21,256	16.2%	+16.6%	△5.6%
Operating Income	13,790	12.6%	16,536	12.1%	15,839	12.0%	+14.9%	△4.2%
Current Income	13,788	12.6%	16,530	12.1%	15,887	12.1%	+15.2%	△3.9%
Net Income (Tax Rate)	9,366 (32.0%)	8.6%	11,457 (30.7%)	8.4%	10,751 (30.9%)	8.2%	+14.8%	△6.2%
Net Income attributable to owners of the parent	9,515	8.7%	11,715	8.6%	10,984	8.4%	+15.4%	△6.2%

8-2. (Consolidated) 2019 Financial Result P/L Outline 2/2

■ NAVIMRO (South Korea)

- Customer acquisition achieved monthly plans in latter half year, but sales below plan due to macro economic deterioration.
- Sales below plan, but fiscal year break-even achieved in 2019.

	2018 Result			2019 Plan			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	3,970	+13.2%	+12.0%	5,000	+25.9%	+26.5%	4,510	+13.5%	△9.8%	+21.8%	△3.7%
Op.Income	△60	—	—	7	—	—	10	—	+115.0%	—	+129.4%
Net Income x Share(*1)	△50	—	—	7	—	—	20	—	+223.3%	—	+245.1%

■ MONOTARO INDONESIA (Indonesia)

- Sales grew from last year by 40% but did not attain plan. Op. loss exceeded plan slightly.
- Customer acquisition, first order rate improved, and trying to increase local brand sourcing.

	2018 Result			2019 Plan			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	260	+34.5%	+44.9%	430	+66.3%	+66.3%	380	+46.8%	△11.7%	+48.7%	△10.6%
Op.Income	△240	—	—	△250	—	—	△290	—	—	—	—
Net Income x Share(*1)	△100	—	—	△110	—	—	△130	—	—	—	—

■ ZORO SHANGHAI (China)

- Customer acquisition, first order rate not improved and sales plan not achieved.
- Operation Loss kept within plan.

	2018 Result			2019 Plan			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	10	(*2) —	(*2) —	220	(*2) —	(*2) —	60	(*2) —	△72.2%	(*2) —	△71.8%
Op.Income	△180	—	—	△420	—	—	△320	—	—	—	—
Net Income x Share(*1)	△130	—	—	△270	—	—	△210	—	—	—	—

*1: Calculated by multiplying Net Income by Share Ratio at the end of each fiscal year for reference.

*2: Business launched in June 2018.

8-3. (Consolidated) 2019 Financial Result B/S Outline

	Dec. 2018	Dec. 2019	
	Million JPY	Million JPY	Ratio
Assets			
Cash	12,381	11,155	18.7%
Accounts Receivable	11,546	14,472	24.2%
Inventory	9,987	11,563	19.4%
Other	4,269	4,581	7.7%
Total Current Asset	38,184	41,771	70.0%
Tangible Fixed Asset	9,620	12,048	20.2%
Intangible Fixed Assets	1,483	3,084	5.2%
Other	1,416	2,787	4.7%
Total Fixed Asset	12,521	17,920	30.0%
Total Assets	50,706	59,691	

From 2019Q1, Deferred Tax Assets are all reported in Fixed Assets (Other). So adjusted is Dec. 2018 balance sheets for comparison purpose. Amount included in Current Assets (Others) under old accounting standard: 196 mil. in Dec. 2018.

	Dec. 2018	Dec. 2019	
	Million JPY	Million JPY	Ratio
Liabilities			
Accounts Payable	8,318	9,829	16.5%
Short-term Debt & etc.	2,000	2,498	4.2%
Others	7,642	7,644	12.8%
Total Current Liabilities	17,961	19,973	33.5%
Total Long term Liabilities	2,906	2,205	3.7%
Total Liabilities	20,867	22,179	37.2%
Net Assets			
Shareholder's Equity	29,544	37,062	62.1%
Others	293	450	0.8%
Total Net Assets	29,838	37,512	62.8%
Total Liabilities & Net Assets	50,706	59,691	

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

8-4. (Consolidated) 2019 Financial Result C/F Outline

	2018 Result	2019 Result
	Million JPY	Million JPY
Cash Flow from Operating Activity		
Net Income before Tax	13,767	15,568
Increase or Decrease in Accounts Receivable (Δ = increase)	Δ 1,513	Δ 2,927
Increase or Decrease in Inventory (Δ = increase)	Δ 1,932	Δ 1,593
Increase or Decrease in Accounts Payable (Δ = decrease)	1,511	1,523
Tax payment	Δ 3,630	Δ 4,948
Other	2,334	1,441
Total	10,537	9,064
Cash Flow from Investing Activity		
Acquisition of Tangible Assets	Δ 423	Δ 1,055
Acquisition of Intangible Assets	Δ 629	Δ 1,361
Guarantee Deposits	Δ 60	Δ 663
Other	Δ 353	Δ 686
Total	Δ 1,467	Δ 3,765
Cash Flow from Financing Activity		
Repayments of Long-term Loans	Δ 2,125	Δ 2,000
Repayments of Lease Obligations	Δ 845	Δ 1,499
Cash Dividends Paid	Δ 2,978	Δ 3,478
Other	275	415
Total	Δ 5,673	Δ 6,562
Currency Exchange Adjustment	Δ 44	Δ 29
Net Increase or Decrease in Cash and Cash Equivalent (Δ = decrease)	3,352	Δ 1,293
Cash and Cash Equivalent at Beginning of Period	8,688	12,040
Cash and Cash Equivalent at End of Period	12,040	10,746

9-1. (Non-consolidated) 2020 Business Plan Outline

- Sales: 150,049 million JPY (YonY +18.6%)
 - Acquiring customers (918 thousand) and expanding sales of existing customers.
 - Increasing large corporate customers, number of their branches & accounts, and sales of each account.
 - Consulting/Royalty earnings from overseas planned to decrease further because Grainger will prioritize growth of Zoro business (US & Europe), and thus Zoro's Operating Profit decreases further in 2020. This then decreases amount of royalty.
- Gross Profit: 43,168 million JPY (YonY +19.5%, GP% 28.8%, YonY% +0.3 pt.)
 - Despite increase in large corporate sales ratio, product GP% to improve by 0.4 pt. due to optimization of sourcing, strong exchange rate of yen for cost of sales, etc. Decrease in amount of consulting/royalty earning from overseas somewhat negatively affects GP%. GP% planned to increase in 2020.
- SG&A Expense: 23,917 million JPY (YonY +21.5%, SG&A% 15.9%, YonY% +0.3pt.)
 - Ad. & Promotion Expense sales ratio to decrease due mainly to increase in Sales; however, increases in sales ratios of System Usage Expense and of Depreciation as uses of Product Information Management System (PIM) and Order Management System (OMS) launch, of Labor Expense due to increase in number of new employees, and of Outsourcing Expense for IT projects increase SG&A Expense ratio.
- Operating Income: 19,250 million JPY (YonY +17.2%, OI% 12.8%, YonY% Δ 0.2pt.)
- Net Income: 13,339 million JPY (YonY +18.0%, NI% 8.9%, YonY% \pm 0.0pt.)
 - Since tax benefit for salary growth not applied this year, the corporate tax rate expected to increase from last year, but Extraordinary Loss (restoration of residents/business in Takatsuki-city explosion accident) not to be incurred this year. NI% this year, therefore, equal to NI% last year.

9-2. (Non-consolidated) 2020 Business Plan – P/L

	2019 Result		2020 Plan		
	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	YonY
Sales	126,543		150,049		+18.6%
Gross Profit	36,111	28.5%	43,168	28.8%	+19.5%
SG&A Exp.	19,681	15.6%	23,917	15.9%	+21.5%
Operating Income	16,430	13.0%	19,250	12.8%	+17.2%
Current Income	16,444	13.0%	19,220	12.8%	+16.9%
Net Income (Tax Rate)	11,309 (29.9%)	8.9%	13,339 (30.6%)	8.9%	+18.0%

	2020 Q1-2 Plan (Jan. - Jun.)			2020 Q3-4 Plan (Jul. - Dec.)		
	Amount (mil.JPY)	Ratio to Sales	YonY	Amount (mil.JPY)	Ratio to Sales	YonY
Sales	71,819		+18.6%	78,230		+18.6%
Gross Profit	20,632	28.7%	+18.6%	22,535	28.8%	+20.4%
SG&A Exp.	11,349	15.8%	+19.7%	12,567	16.1%	+23.2%
Operating Income	9,282	12.9%	+17.3%	9,967	12.7%	+17.0%
Current Income	9,265	12.9%	+17.2%	9,954	12.7%	+16.6%
Net Income (Tax Rate)	6,430 (30.6%)	9.0%	+17.1%	6,908 (30.6%)	8.8%	+18.7%

9-3. 2020 Strategy & Plan 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 obtained from over 4 mil. accounts, by expanding product lineup, and by improving listing ads. of keywords and of products, SEO, etc. Working to improve conversion rate as well to acquire customers (achieving plan 918 thou.) for expanding customer base.
- Improving Customer Life Time Value
 - Improving customer life time value by effective allocation of acquisition resources based upon product search trends (searched product category, searched timing, etc.).
- Expanding Sales to Existing Customers
 - Increasing sales per existing customer by optimizing and personalizing product search results and promotions based upon customer attributes and by installing and developing systems (including Order Management System) to shorten time and to improve delivery efficiency.

■ System Connection with Large Corporations

• Sales Result & Plan

	2019 Result			2020 Plan		
	Mil.JPY	YoY	/Total Sales	Mil.JPY	YoY	/Total Sales
Sales	20,100	+48%	15.9%	27,200	+35%	18.2%

• Contract Result

	Dec.2018 End Result		Dec.2019 End Result		Remarks
	No. Corp.	No. Corp.	vs Dec.2018 End		
Total number of corp.	604	817	+213		-----
One Source	12	14	+2		1
One Source Lite	172	363	+191		252

• Strengthening Team Structure

- Established sales base in Nagoya and started sales activities in September 2019. Activities in Chubu area/ Central Japan to be fully operated in 2020.
- Working for further growth by expanding numbers of customers, of points in use, of accounts , and sales per account for attaining 2020 sales target (27,200 mil. JPY).

9-4. 2020 Strategy & Plan 2/5 Domestic Business (2)

■ Consulting/Royalty Business

- Grainger's Zoro business (US & Europe), for sustainable growth, continuing increasing corporate customers by expanding product lineup and by strengthening system developments and team staffs (hence incurring expenses with investment prospects).
- Zoro's operating income planned to decline from last year, and thus amount of consulting/royalty MonotaRO to receive planned to decrease.

■ Strengthening Marketing and System Development Skills based on Data Science

- Expanding team of data-scientists and IT engineers after establishing Tokyo office (about 30 people in 2018 to 2020) is about in plan.
- Data-scientists and IT engineers are recruited at Amagasaki HQ office, too. Newly joined members work on more advanced digital marketing and system development (Web site and backbone system).

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

- Improvement of Product Information Management (PIM)
 - Phase 1 planned to launch in 1st half (about as planned) followed by Phase 2 later.
 - Developing master data infrastructure (products, suppliers, etc.) to handle more product information in response to expansion of products number.
 - Establishing suppliers' portal sites and preparing work flows for improving operation and cost efficiencies of product info. acquisitions and for shortening time of releasing products.
 - For mid-term, organizing information in multi-languages for overseas subsidiaries.
- Introduction of Order Management System (OMS)
 - Phase 1 planned to launch in 1st half (about as planned) followed by Phase 2 later.
 - Selecting optimal shipment methods based upon various rules for level shipment operations, for reducing splits of shipments, for optimizing shipment network further, for minimizing distribution related costs and for shortening delivery lead time, which lead to increase in customers' convenience and hence to increase in orders.

9-5. 2020 Strategy & Plan 3/5 Logistics (1)

■ Distribution-related Cost Ratio FY2019 Result: 6.1%

- Total amount of Distribution-related Cost kept within plan; however, Sales not attained plan, and sales ratio of Distribution-related Cost ratio went above both last year and plan by 0.1 pt.
- Despite shipments shifted from Amagasaki DC to Kasama DC with more automated facilities, Labor & Outsourcing Cost ratio stayed at last year's level due to salary increased for part-time workers for securing personnel at both DCs.

■ Inventory

- As of Dec. 31, 2019: 461 thou. items
- Plan at Dec. 31, 2020: 500 thou. items.

■ Delivery Status

- Shipment ratio of Kasama DC with expanded facilities increased but below plan in 2019.
- More shipments to be shifted from Amagasaki DC to Kasama DC in 2020.

	2018 Result		2019 Plan		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)	105,331		130,594		126,543		+20.1%	△3.1%
Depreciation	691	0.7%	958	0.7%	837	0.7%	+21.1%	△12.7%
Labor & Outsourcing	3,496	3.3%	4,183	3.2%	4,150	3.3%	+18.7%	△0.8%
Facility Rent	1,179	1.1%	1,497	1.1%	1,487	1.2%	+26.1%	△0.7%
Others	941	0.9%	1,138	0.9%	1,216	1.0%	+29.2%	+6.9%
Total	6,309	6.0%	7,778	6.0%	7,692	6.1%	+21.9%	△1.1%

9-6. 2020 Strategy & Plan 4/5 Logistics (2)

■ Distribution-related Cost Plan for 2020



- Due to expansion of Kasama DC facilities, more shipments to be shifted this year to Kasama DC with high-productivity, and therefore Labor & Outsourcing Expense ratio to be lowered (by $\Delta 0.1$ pt.).
- There were no new distribution facilities launched this year, and ratios of fixed expenses including Depreciation decreases as sales grows.
- Distribution-related costs ratio this year planned to be 5.8%, decreasing by 0.3 pt. from last year.

	2019 Result		2020 Plan		
	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	YonY
Sales (non-consolidated)	126,543		150,049		+18.6%
Depreciation	837	0.7%	939	0.6%	+12.2%
Labor & Outsourcing	4,150	3.3%	4,800	3.2%	+15.7%
Facility Rent	1,487	1.2%	1,649	1.1%	+10.9%
Others	1,216	1.0%	1,385	0.9%	+13.9%
Total	7,692	6.1%	8,775	5.8%	+14.1%

	2020 Q1-2 Plan (Jan. - Jun.)			2020 Q3-4 Plan (Jul. - Dec.)		
	Amount (mil.JPY)	Ratio to Sales	YonY	Amount (mil.JPY)	Ratio to Sales	YonY
Sales (non-consolidated)	71,819		+18.6%	78,230		+18.6%
Depreciation	458	0.6%	+19.4%	480	0.6%	+6.0%
Labor & Outsourcing	2,297	3.2%	+15.9%	2,503	3.2%	+15.5%
Facility Rent	812	1.1%	+14.0%	837	1.1%	+8.0%
Others	688	1.0%	+20.4%	696	0.9%	+8.1%
Total	4,257	5.9%	+16.6%	4,517	5.8%	+11.8%

9-7. 2020 Strategy & Plan 5/5 Logistics (3)

■ Delivery Capacity Expansion Measures/ updates

Name (tentative)		Ibaraki Chuo SC	Inagawa DC
Address		Ibaraki-machi, Higashi Ibaraki-gun, Ibaraki Pref.	Inagawa-cho, Kawabe-gun, Hyogo Pref.
Floor size		About 49,000m ²	About 130,000m ² (Expand floor size gradually)
Start Operation		About April 2021	About April 2022
Delivery Capacity		About 30,000 lines / day	About 180,000 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	
	Equipment	(Under examining)	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.
Construction Status		Development and preparation of site	Development and preparation of site
Picture			

10-1. (Consolidated) 2020 Business Plan (Overseas Subsidiaries)

■ NAVIMRO (South Korea)

- Expanding customer base by utilizing supports of MonotaRO Japan. Improving distribution function for increasing sales.
- Attained fiscal year break-even first time in 2019 and plan to grow profit in 2020.

	2019 Result			2020 Plan		
	Amount (mil.JPY)	YoY	YoY (local Currency)	Amount (mil.JPY)	YoY	YoY (local Currency)
Sales	4,510	+13.5%	+21.8%	5,400	+19.7%	+20.5%
Op.Income	10	—	—	80	+412.6%	+415.9%
Net Income x Share (*1)	20	—	—	90	+285.3%	+287.8%

■ MONOTARO INDONESIA (Indonesia)

- Continuing to work on optimizing supply chain, on acquiring customers with continued use, and on expanding inventory. Improving distribution as well for business expansion.

	2019 Result			2020 Plan		
	Amount (mil.JPY)	YoY	YoY (local Currency)	Amount (mil.JPY)	YoY	YoY (local Currency)
Sales	380	+46.8%	+48.7%	750	+96.6%	+94.1%
Op.Income	△290	—	—	△310	—	—
Net Income x Share (*1)	△130	—	—	△140	—	—

■ ZORO SHANGHAI (China)

- Continuing to focus on acquiring customers by expanding product lineup and SEM. Implementing effective measures to expand customer base for attaining sales plan.

	2019 Result			2020 Plan		
	Amount (mil.JPY)	YoY	YoY (local Currency)	Amount (mil.JPY)	YoY	YoY (local Currency)
Sales	60	(*2) —	(*2) —	250	+317.5%	+322.8%
Op.Income	△320	—	—	△450	—	—
Net Income x Share (*1)	△210	—	—	△300	—	—

*1: Calculated by multiplying Net Income by Share Ratio at the end of each fiscal year for reference.

*2: Business launched in June 2018.

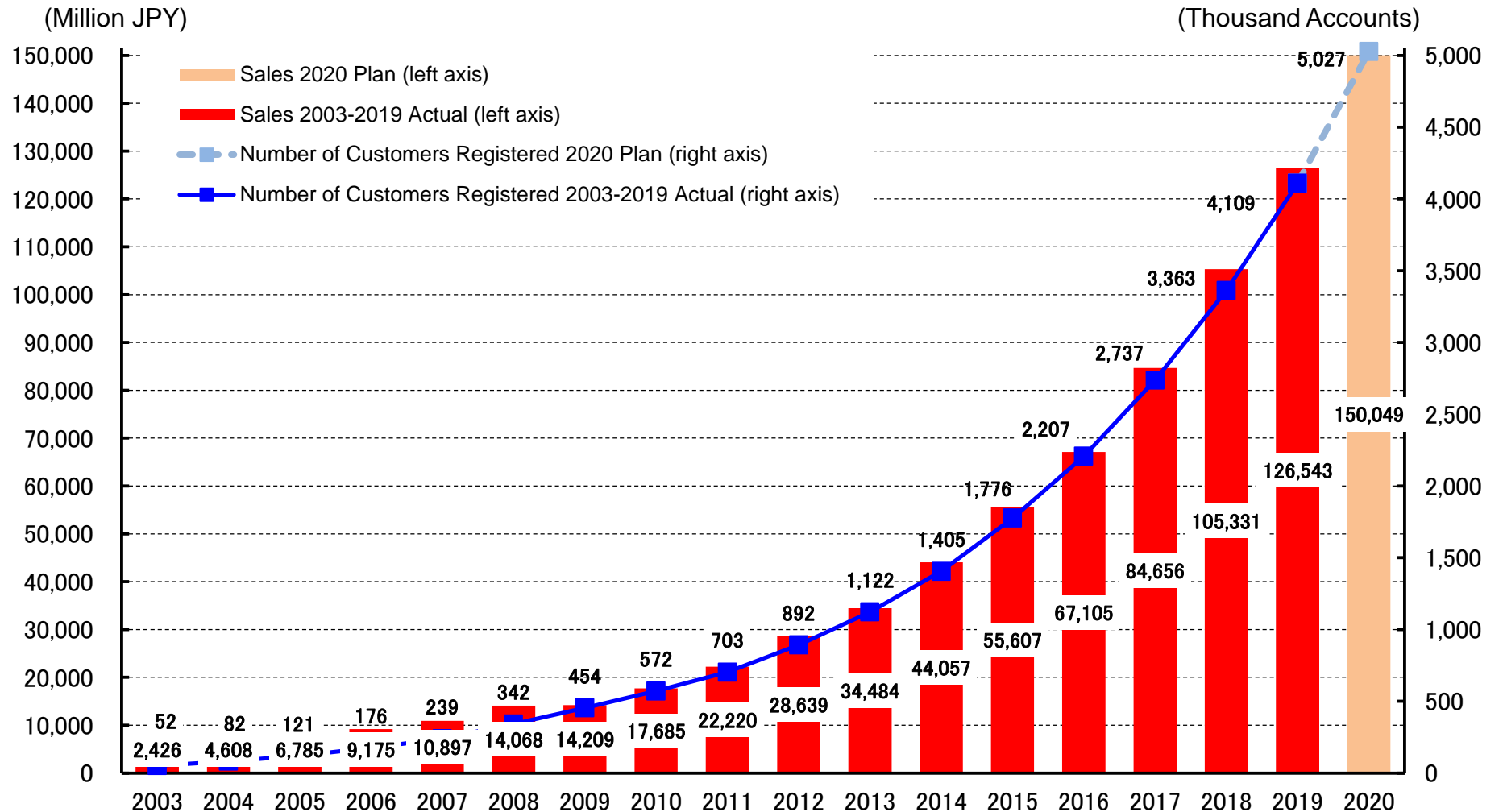
10-2. (Consolidated) 2020 Business Plan – P/L

	2019 Result		2020 Plan		
	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	YonY
Sales	131,463		156,468		+19.0%
Gross Profit	37,095	28.2%	44,653	28.5%	+20.4%
SG&A Exp.	21,256	16.2%	26,084	16.7%	+22.7%
Operating Income	15,839	12.0%	18,569	11.9%	+17.2%
Current Income	15,887	12.1%	18,584	11.9%	+17.0%
Net Income (Tax Rate)	10,751 (30.9%)	8.2%	12,703 (31.6%)	8.1%	+18.2%
Net Income attributable to owners of the parent	10,984	8.4%	12,997	8.3%	+18.3%

	2020 Q1-2 (Jan. - Jun.)			2020 Q3-4 (Jul. - Dec.)		
	Amount (mil.JPY)	Ratio to Sales	YonY	Amount (mil.JPY)	Ratio to Sales	YonY
Sales	74,744		+18.7%	81,723		+19.3%
Gross Profit	21,310	28.5%	+19.3%	23,342	28.6%	+21.4%
SG&A Exp.	12,384	16.6%	+20.6%	13,699	16.8%	+24.7%
Operating Income	8,925	11.9%	+17.5%	9,643	11.8%	+17.0%
Current Income	8,934	12.0%	+17.4%	9,650	11.8%	+16.6%
Net Income (Tax Rate)	6,099 (31.7%)	8.2%	+17.5%	6,604 (31.5%)	8.1%	+18.8%
Net Income attributable to owners of the parent	6,239	8.3%	+17.7%	6,758	8.3%	+18.9%

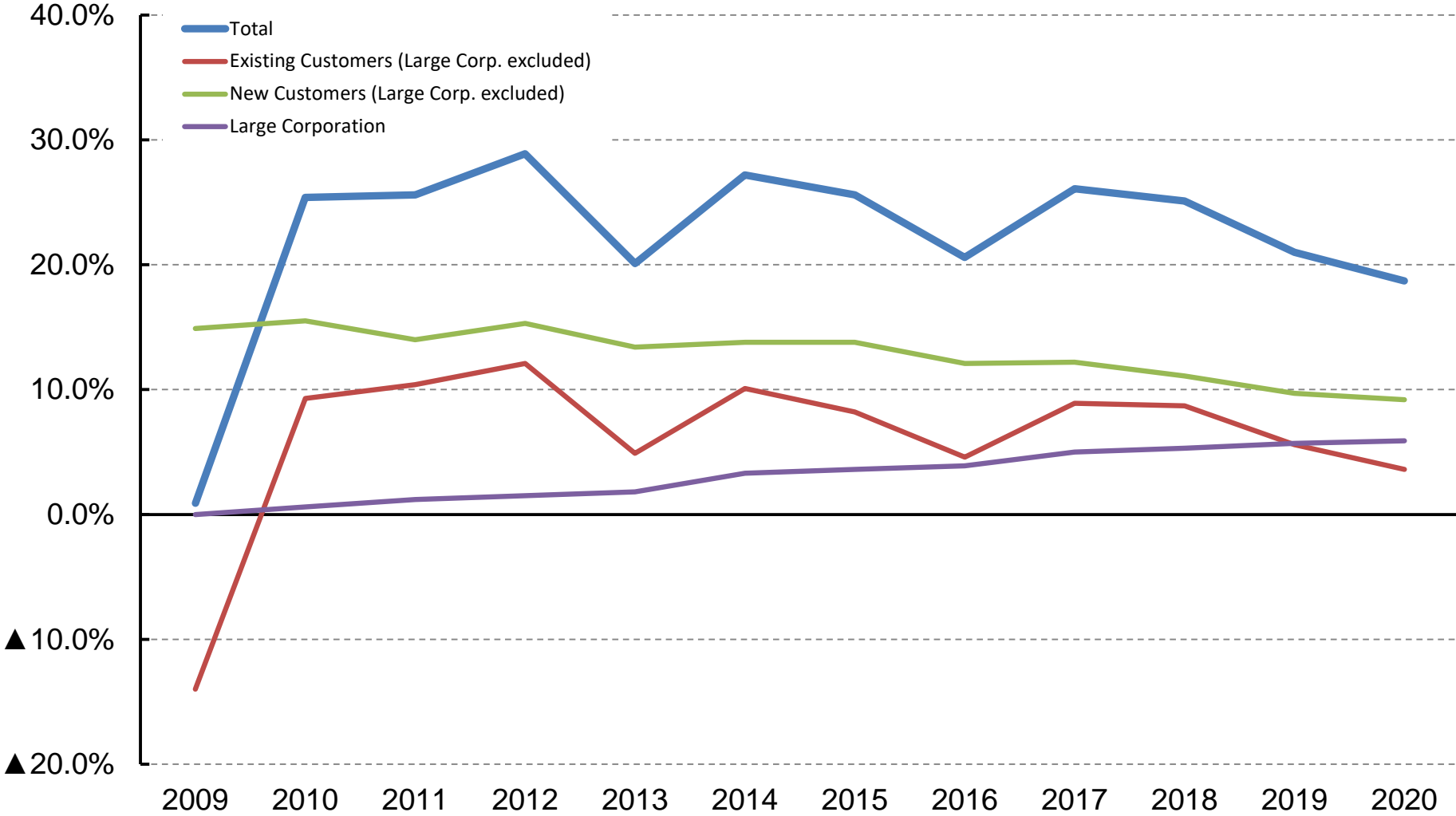
If consolidated financial forecast is expected to exceed by one of the following ranges from disclosed consolidated financial forecast, revised forecast is disclosed.
 • Sales (consolidated): ±5% • Operating Income (consolidated): ±10% • Current Income (consolidated): ±10% • Net Income Attributable to Owners of Parent: ±10%

11-1. (Non-consolidated) Progress - Sales & Customer



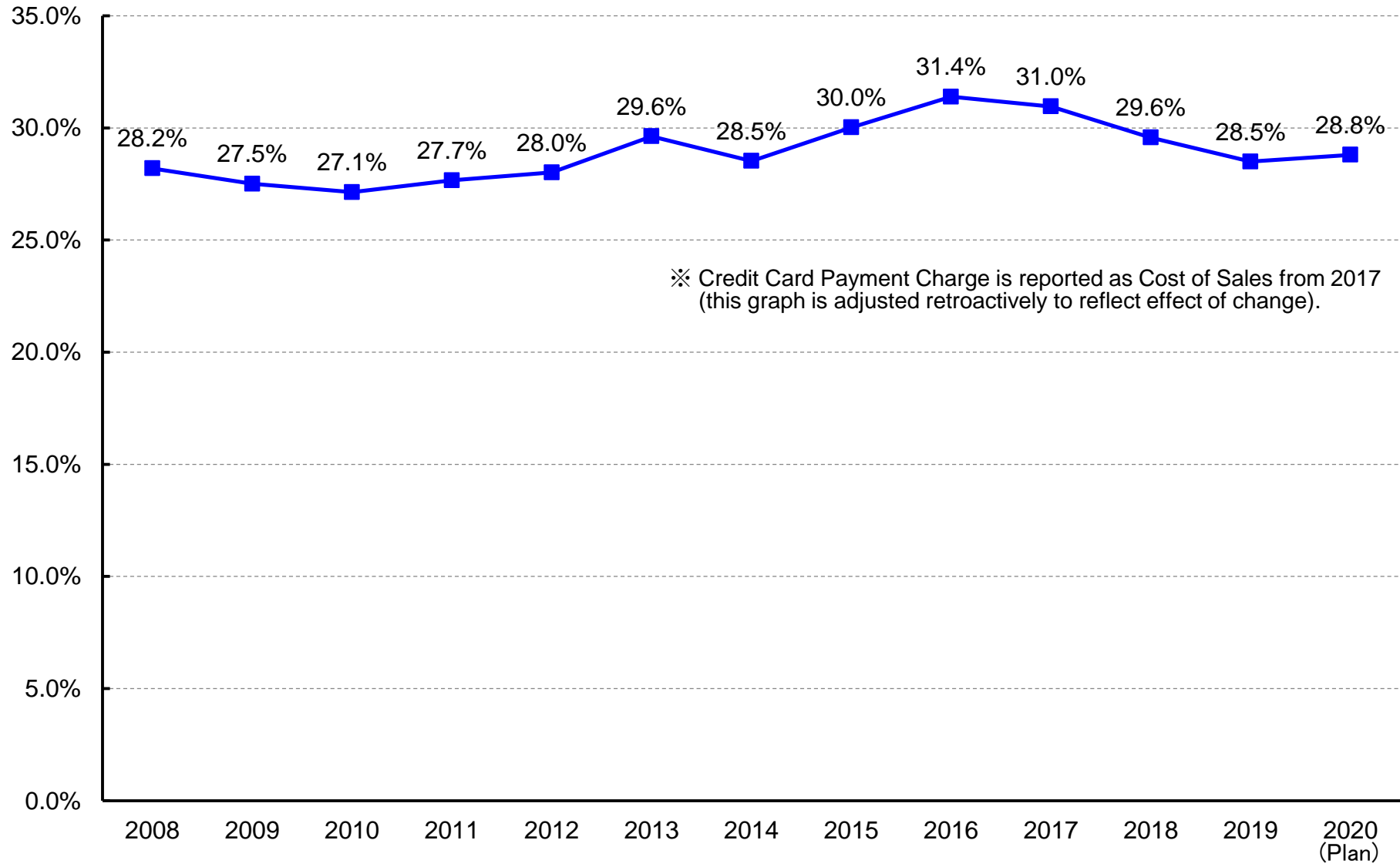
	Dec. 2018	Dec. 2019		Dec. 2020 (Plan)	
Number of Customers (Registered Accounts)	3,363,711	4,109,701	+745,990 (vs. Dec. 2018)	5,027,701	+918,000 (vs. Dec. 2019)

11-2. Sales Growth (Service Channel Contribution)

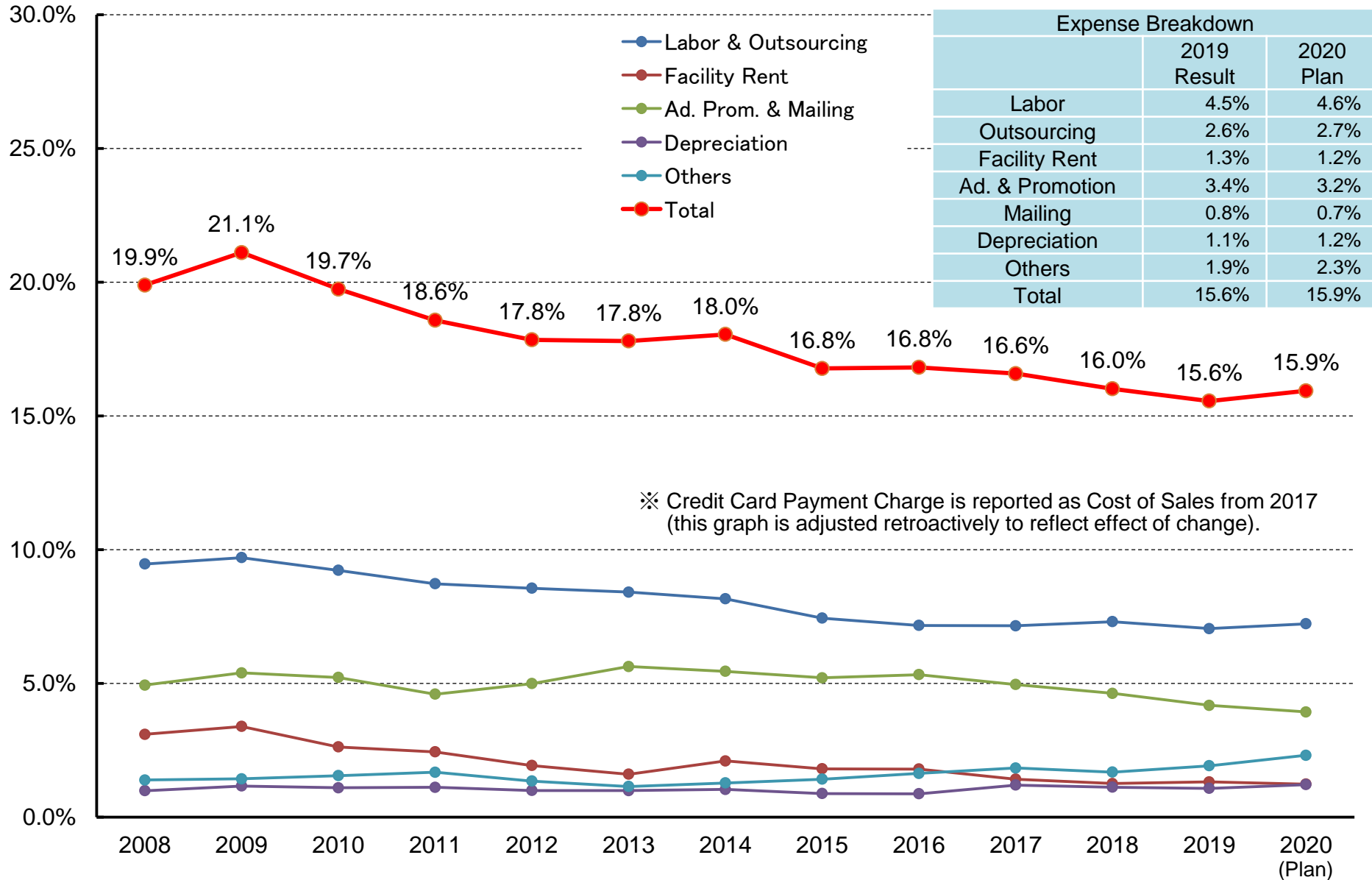


* 1: Contribution of each channel to growth of sales total in years above.
 * 2: Large Corporation includes both new and existing customers.

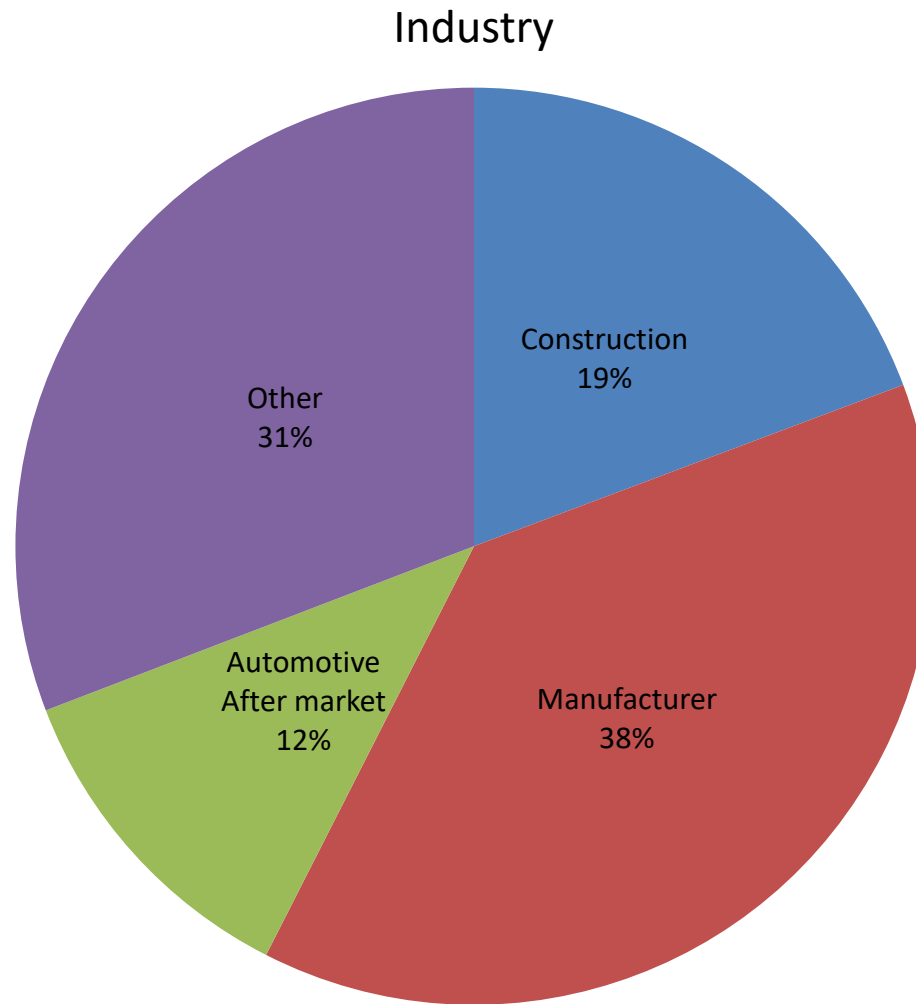
11-3. (Non-consolidated) Progress - Gross Profit



11-4. (Non-consolidated) Progress - SG&A Expense

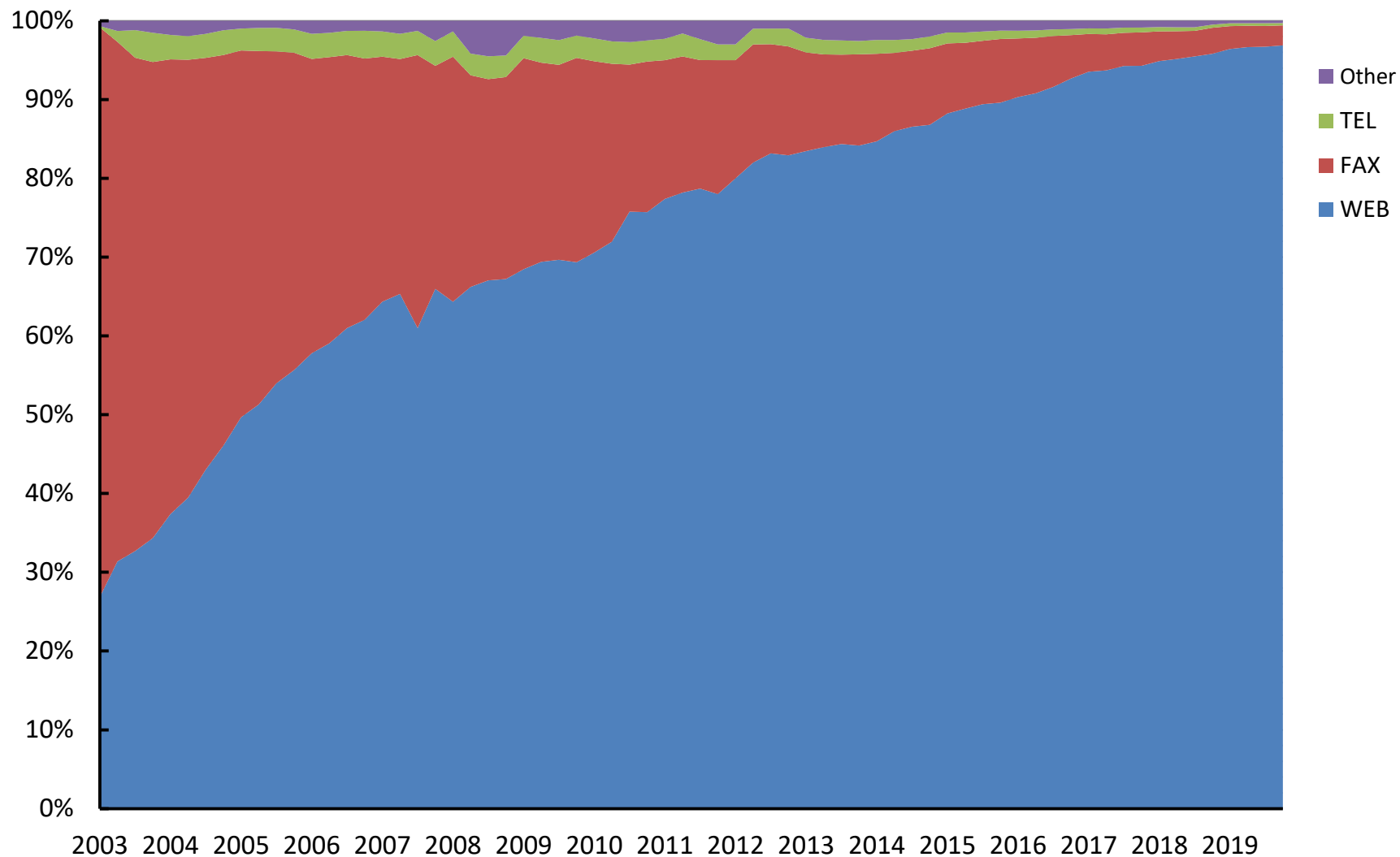


Ref.1. Customer Demographics

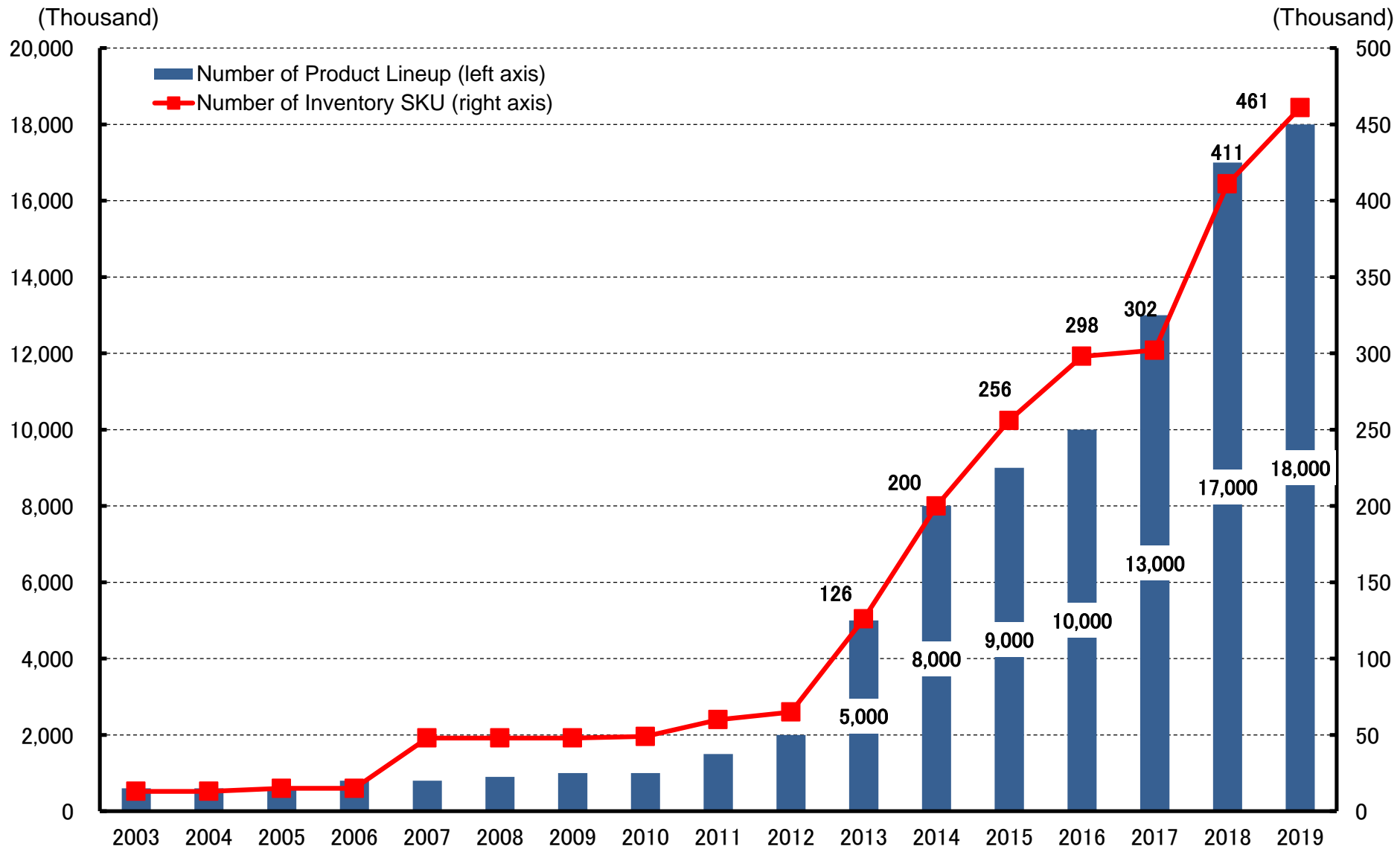


Ratio by sales amount in 2019
(Sales through Shopping website-excluding sales through API connection)

Ref.2. Internet PO Ratio



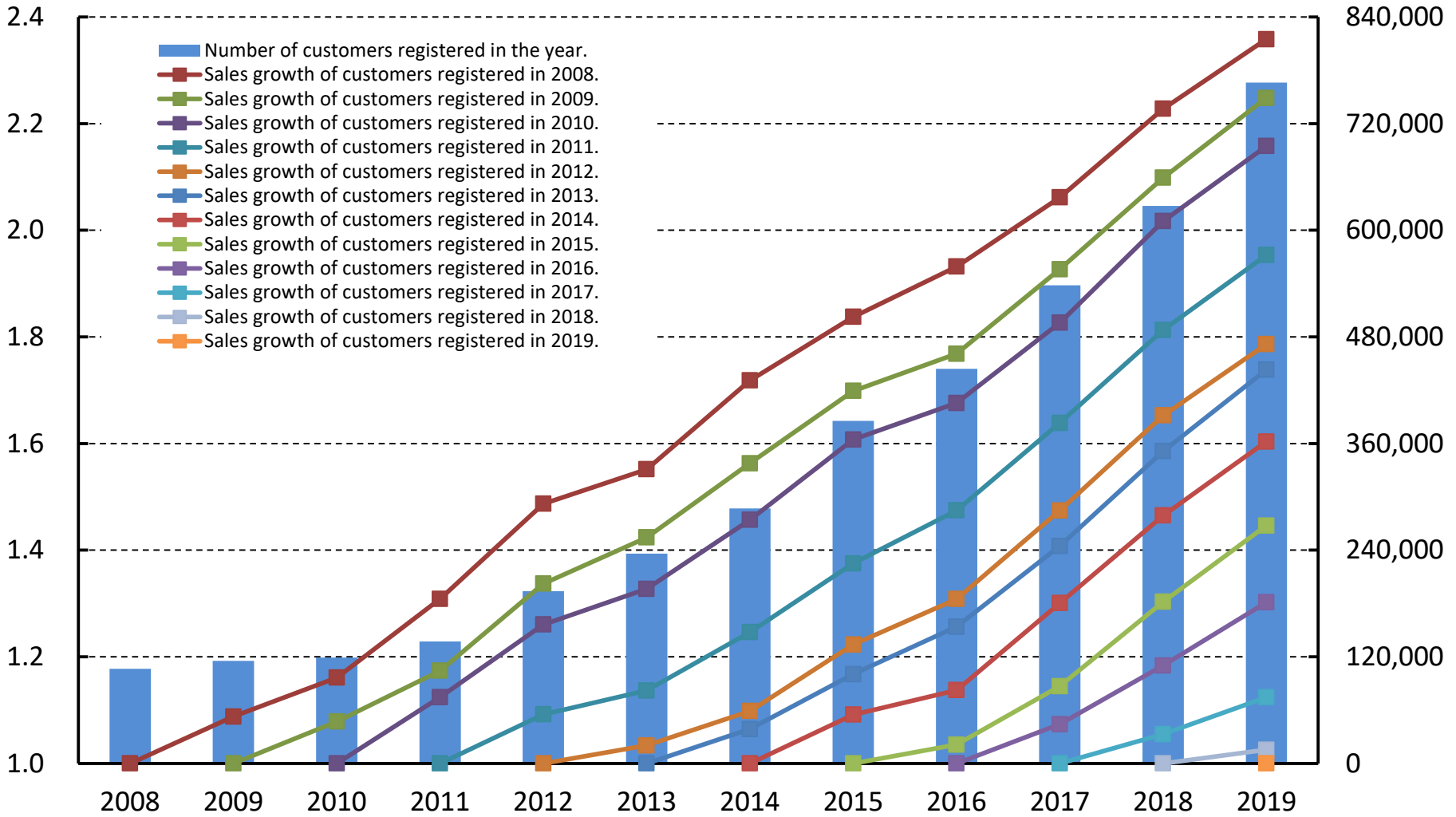
Ref.3. Product Lineup & Inventory



Ref.4. Registered Customers & Sales Growth by Registered Year

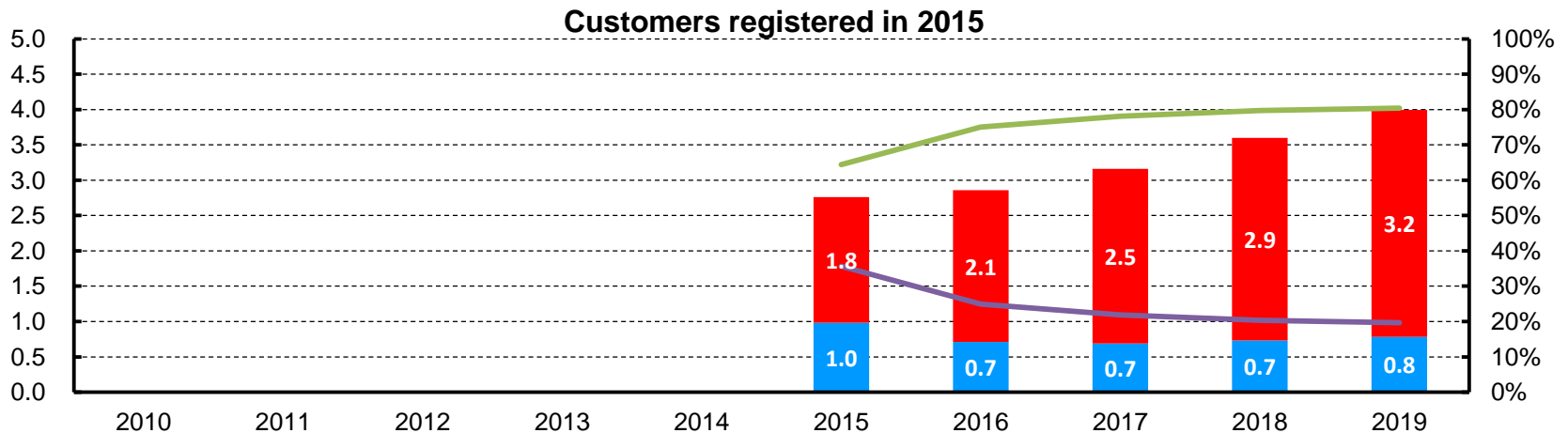
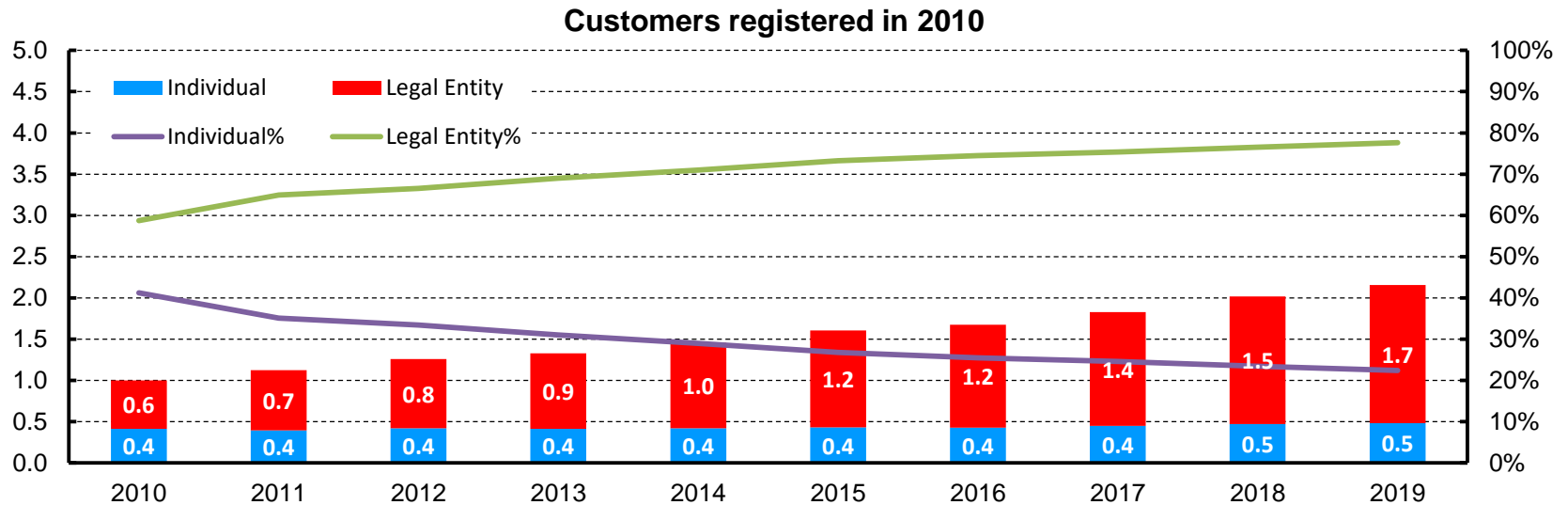
(Growth Rate of Sales)

(Number of Registered Customers)



* 1: Bar chart (right axis) shows number of 'monotaro.com' customers registered in each year based on status at end of 2019.
 * 2: Line chart (left axis) shows sales growth ratio of customers registered each year by setting sales in registered year as '1'.
 * 3: Above number of 'monotaro.com' registered customers and sales growth are updated retroactively at the end of 2019 (large corporate sales not included).

Ref.5. Sales Growth by Customer & Reg. Year (comparison after 5, 10 years)

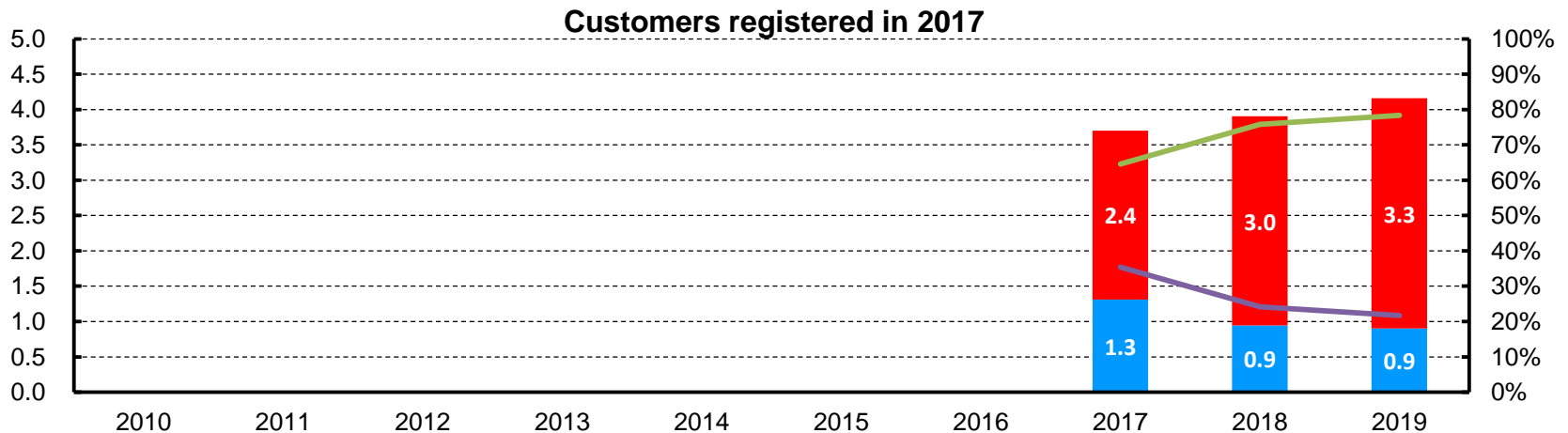
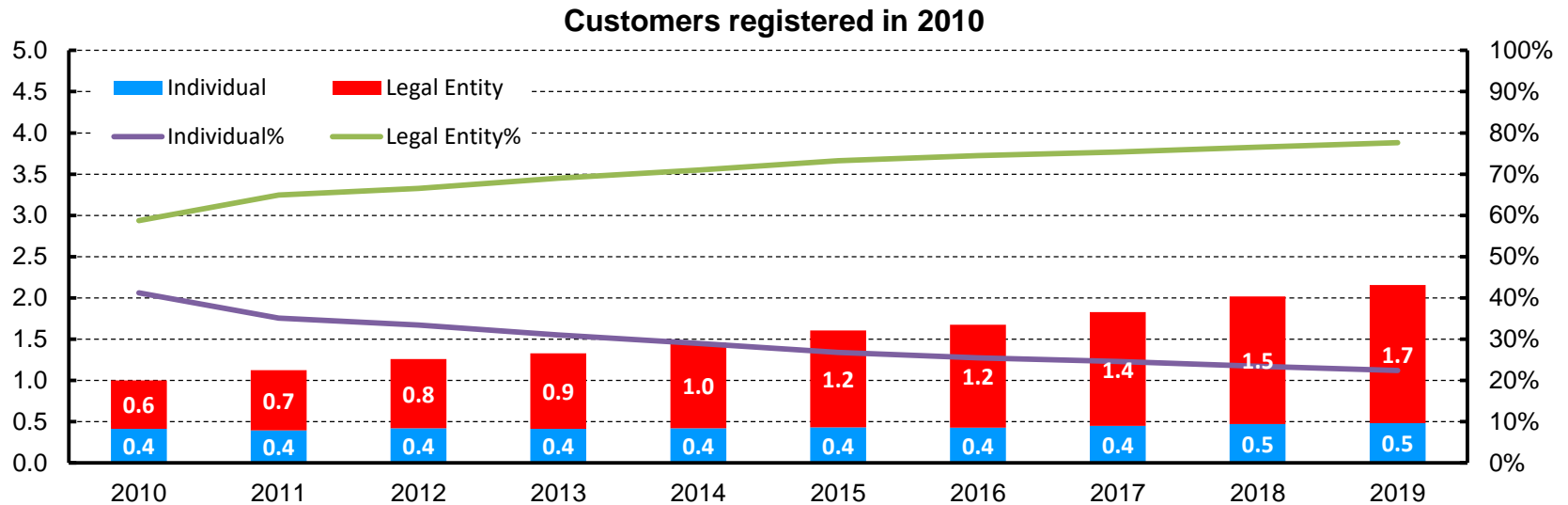


* 1: Bar chart (left axis) shows sales growth of customers registered in 2010 (10 years passed) and in 2015 (5 years passed) comparing with sales of customers registered in 2010 by setting registered year sales as '1'. Bar chart consists of legal entity and individual customers.

* 2: Line chart (right axis) shows sales ratio of legal entity and individual customers in each year.

* 3: Above history of sales through 'monotaro.com' is updated retroactively at the end of 2019 (large corporate sales not included).

Ref.6. Sales Growth by Customer & Reg. Year (comparison after 3, 10 years)



* 1: Bar chart (left axis) shows sales growth of customers registered in 2010 (10 years passed) and in 2017 (3 years passed) comparing with sales of customers registered in 2010 by setting registered year sales as '1'. Bar chart consists of legal entity and individual customers.

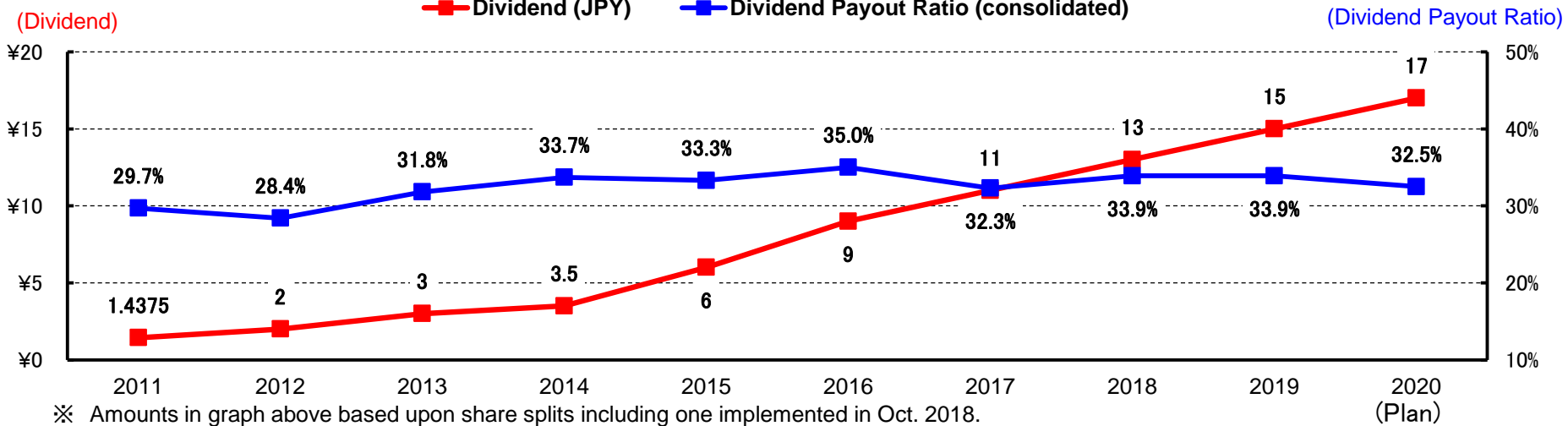
* 2: Line chart (right axis) shows sales ratio of legal entity and individual customers in each year.

* 3: Above history of sales through 'monotaro.com' is updated retroactively at the end of 2019 (large corporate sales not included).

Dividend & Shareholder Benefit

■ Dividend

- Dividend Policy: Distributing dividend consistent with stable and ongoing growth.
- 2019 Dividend: 15 JPY/share (interim dividend 7.5 JPY and year-end dividend 7.5 JPY to be proposed in annual shareholders meeting).
- 2020 Dividend Plan: 17 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)

Other MRO Market Players

Upper: Sales Lower: Operating Income		Fiscal Year					Change
		2007	2016	2017	2018	2019	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	500,000	+32.7%
		11,518	13,113	15,383	17,997	14,000	+21.5%
Trusco (9830) - (D)	Wholesaler	134,430	177,053	195,096	214,297	225,894	+68.0%
		9,120	14,163	14,276	14,364	14,178	+55.5%
Misumi (9962) - (M)	Retailer	126,668	259,015	312,969	331,936	326,500	+157.8%
		16,317	27,127	34,848	31,874	27,700	+69.8%
Nichiden (9902) - (M)	Wholesaler	92,745	103,736	119,712	124,604	117,000	+26.2%
		5,533	5,037	6,051	6,595	5,550	+0.3%
NalTO (7624) - (F)	Wholesaler	51,479	43,473	46,587	50,014	46,300	△10.1%
		1,343	496	728	928	800	△40.4%
Sugimoto (9932) - (M)	Wholesaler Retailer	41,461	41,597	44,315	45,417	43,950	+6.0%
		2,292	1,950	2,461	2,870	2,300	+0.3%
Toba (7472) - (M)	Retailer	25,800	22,185	28,500	29,066	26,000	+0.8%
		2,115	1,050	1,774	1,895	1,400	△33.8%
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	131,463	+1,106.4%
		480	9,493	11,837	13,790	15,839	+3,199.8%

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

As of Jan. 31, 2020



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/