




Quarter 2, FY2020
(Jan. to Jun. 2020)

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. 2020)	
Number of Customers	<ul style="list-style-type: none">• More than 4.8 million	
Capital Stock	<ul style="list-style-type: none">• 1.99 billion JPY or 18.4 million USD (USD1=JPY107.74)	
Number of Employees	<ul style="list-style-type: none">• 2,415 including 645 regular employees (as of Jun. 30, 2020 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 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

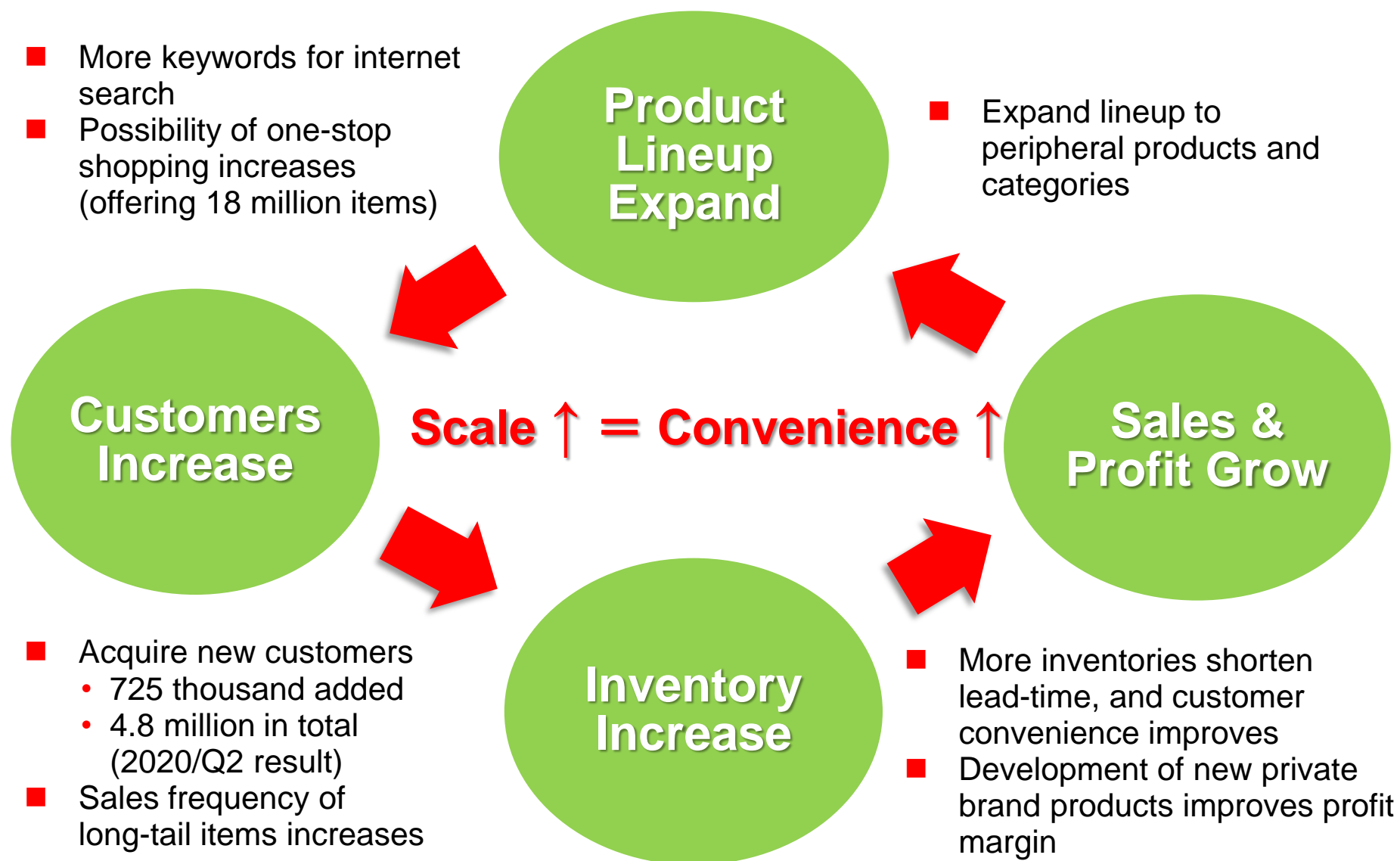
- Promotions optimized by industry categories for more effectiveness and efficiency



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 China by establishing subsidiary ZORO SHANGHAI• 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) 2020Q2 Financial Result P/L Outline

■ Sales: 72,651 million JPY (YoY +20.0%, A/F +1.2%)

- Number of accounts acquired increased (725 thou.) due to success of new customer acquisition measures (listing advertisement, search engine optimization/SEO, etc.) and to increase in general individual customers searching for COVID-19 related products. Amount per order of three main industries (manufacturing, construction, automotive maintenance) slowed down; however, sales of COVID-19 related products purchased mainly by general individual customers increased. This resulted in increase in monotaro.com sales from last year.
- COVID-19 negatively affected business activities and caused sales of large corporate customers to go below plan; however, number and usage of large corporation customers increased, and hence sales exceeded last year.

Jan. – Jun. 2019 Result				Jan. – Jun. 2020 Plan			Jan. – Jun. 2020 Result				
No.Corp.	Million JPY	YoY	/Total Sales	Million JPY	YoY	/Total Sales	No.Corp.	Million JPY	YoY	vs Plan	/Total Sales
708	9,200	+53%	15.3%	12,800	+38%	17.9%	958	12,100	+31%	△5%	16.8%

■ Gross Profit: 20,661 million JPY (Sales Ratio 28.4%, YoY +18.8%, A/F +0.1%)

- Sales ratio (GP%) decreased from last year by 0.3 pt. Though sales ratio of large corporation business increased, product GP% increased due to product mix and strong JPY (+0.4 pt.). However, higher delivery cost ratio (△0.7 pt.) caused by delivery charge hike in July last year, etc., resulted in lower GP% than last year.

■ SG&A Expense: 11,089 million JPY (Sales Ratio 15.3%, YoY +17.0%, A/F △2.3%)

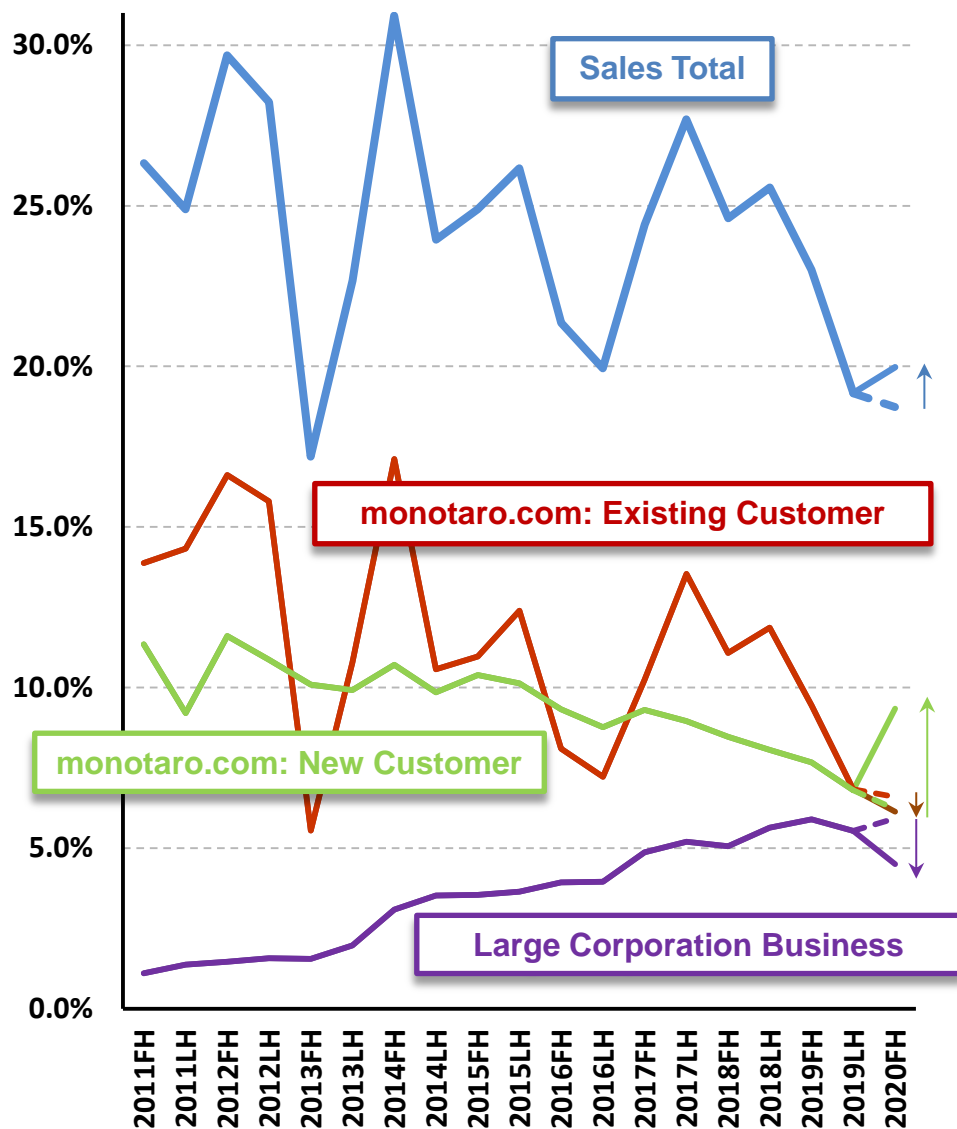
- Sales ratio (SG&A%) decreased from last year by 0.4 pt. Despite increase in Outsourcing Expense ratio (+0.4 pt.) due to projects of Order Management System (OMS) and of Product Information Management System (PIM) and to increase in temp-staff related cost ratio for handling increased number of items per order, decrease in Advertising Expense ratio (△0.6 pt.) due mainly to suspension of broadcasting of TV ad., etc. resulted in lower SG&A% from last year.

■ Operating Income: 9,572 million JPY (Sales Ratio 13.2%, YoY +21.0%, A/F +3.1%)

■ Net Income: 6,662 million JPY (Sales Ratio 9.2%, YoY +21.4%, A/F +3.6%)

- Sales ratio (NI%) increased from last year by 0.1 pt. due mainly to increase in sales ratio of Operating Income (+0.1 pt.).

7-2. (Non-consolidated) Half Yr. Sales Growth % (by Sales Channel)



- 2020Q2/FH sales 1.2% higher than plan, and growth rate increased from plan +18.6% to actual +20.0%.
 - Due to effect of COVID-19, Q2/FH sales of large corporation customers went below plan.
 - Although orders of existing customers of monotaro.com for COVID-19 related products increased, sales per order from three industries (manufacturing, construction, automotive maintenance) decreased, and existing customer sales went slightly below plan. Among three industries, manufacturing customers' May sales was in low trend, but amount per order and order frequency in next month June are in recovering trend. In Q2, active rate of customer improved due to increase in number of customers purchasing products through Internet.
 - Registration of new general individual customers seeking COVID-19 related products increased. Sales of new customers through monotaro.com largely exceeded plan, and overall sales exceeded plan as result.

* Note 1: Half year (first half and latter half) contribution of every channel to total sales growth from previous year is organized and shown.

* Note 2: In 2020Q2/ FH, dotted line is plan, solid line is actual.

* Note 3: "monotaro.com: New Customer" indicates contribution of sales from customers acquired each half year, and "monotaro.com: Existing Customer" indicates contribution of sales from customers acquired before corresponding half year. Therefore, sales from customers acquired in first half are included in latter half as sales of "monotaro.com: Existing Customer" not as sales of "monotaro.com: New Customer" (definitions of new customer in "Sales Growth (Service Channel Contribution)" on p.27 of "Presentation Material for FY2019 Results" and on p.26 of "Presentation Material for Q1, 2020" are fiscal year base, which are different from definition of new customer on this page).

7-3. (Non-consolidated) 2020Q2 Effect of COVID-19 and Other

	2020Q2/FH		Effect of COVID-19	Other
	Plan (Sales Ratio)	Actual (Sales Ratio)		
Sales	71,819	72,651	<ul style="list-style-type: none"> ■ Refer to Page 10. 	
Gross Profit	20,632 (28.7%)	20,661 (28.4%)	<ul style="list-style-type: none"> ■ Order change after emergency declaration <ul style="list-style-type: none"> • Δ0.3pt.: Delivery cost ratio increased due to decrease in sales per order. • Δ0.1pt.: Change in ratio of product category sales (Increase in Office supply & furniture, decrease in Material handling & tool). • Δ0.1pt.: Increase in Credit card payment charge ■ Large corp. sales below plan <ul style="list-style-type: none"> • +0.1pt.: GP% increased due to decrease in ratio of large corporate sales. 	<ul style="list-style-type: none"> ■ Increase in royalty received, etc.
SG&A Expense	11,349 (15.8%)	11,089 (15.3%)	<ul style="list-style-type: none"> ■ Delay of OMS and PIM launch <ul style="list-style-type: none"> • Δ0.1pt.: Decrease in software depreciation (Depreciation Expense). • Δ0.1pt.: Decrease in system usage cost. (Other Expense) ■ Avoidance of “3 Cs (Closed spaces, Crowded places, and Close-contact settings)” <ul style="list-style-type: none"> • Δ0.1pt.: Decreases in Travel & Training Expenses (Other Expense). • +0.1pt.: Teleworking expense incurred (Mailing Exp., Equipment and System Usage Exp.). ■ Employee support incurred. <ul style="list-style-type: none"> • +0.1pt.: Special support and meal allowance (Labor Exp.) FH forecast 93 mil. ⇒ Actual 77 mil. ■ Increase in general individual customers usage (COVID-19 related products). <ul style="list-style-type: none"> • +0.1pt.: Increase in DC temp-staff cost due to increase in number of item per order (Outsourcing Expense) 	<ul style="list-style-type: none"> ■ Recruitment behind plan <ul style="list-style-type: none"> • Δ0.1pt.: Decrease in salary (Labor Expense). ■ Delay in DC maintenance contract <ul style="list-style-type: none"> • Δ0.1pt.: Delay of DC maintenance (Other Expense). ■ Other <ul style="list-style-type: none"> • Δ0.3pt.
Op. Income	9,282 (12.9%)	9,572 (13.2%)	<ul style="list-style-type: none"> ■ Gross Profit %: Δ0.4pt. ■ SG&A Expense %: 0.0pt. 	<ul style="list-style-type: none"> ■ Gross Profit %: +0.1pt. ■ SG&A Expense %: Δ0.5pt. (Contribution to profit: +0.5pt.)
Net Income	6,430 (9.0%)	6,662 (9.2%)	<ul style="list-style-type: none"> ■ Profit ratio improved due mainly to improvement of Operating Income ratio (+0.3pt.). 	

* Note: Due to rounding of sales ratio, difference between plan and actual GP% and SG&A % does not match plan/actual difference in Operating Income.

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

Op. Income
(Jan.-Jun.2019)

Sales Increase



Decrease of GP%



Improvement of SG&A
Expense Sales Ratio



• Increase of Outsourcing
Exp. Sales Ratio



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



• Improvement of Mailing
Exp. Sales Ratio



• Improvement of Labor Exp.
Sales Ratio



• Other

Op. Income
(Jan.-Jun.2020)

7,911 mil.JPY

+1,578mil.JPY	<ul style="list-style-type: none"> ■ Sales of monotaro.com increased due mainly to increase in orders of COVID-19 related products from general individual customers. ■ Business activities slowed down in Q2, but due to increases in number of customers and in usage, sales of large corporation business increased from last year.
△200mil.JPY	<ul style="list-style-type: none"> ■ Despite sales ratio of large corporation business increased, Product GP% increased due to product mix and strong JPY. However, higher delivery cost ratio caused by delivery charge hike in July last year, etc., resulted in lower GP% than last year.
+283mil.JPY	<ul style="list-style-type: none"> ■ SG&A ratio improved due to following reasons
△305mil.JPY	<ul style="list-style-type: none"> • Projects of Order Management System and of Product Information Management System and increase in temp-staff related cost ratio for handling increased number of items per order resulted in increase in Outsourcing Expense ratio.
+449mil.JPY	<ul style="list-style-type: none"> • Suspension of TVCM and decrease in catalog expense ratio resulted in decrease in Ad. & Promotion Expense ratio.
+59mil.JPY	<ul style="list-style-type: none"> • Decrease in catalog shipping expense ratio resulted in decrease in Mailing Expense ratio.
+32mil.JPY	<ul style="list-style-type: none"> • Due to sales increase.
+47mil.JPY	<ul style="list-style-type: none"> • Decrease in travel expenses for domestic and international business trips due to effects of COVID-19, etc. and to increase in sales.

9,572 mil.JPY (YonY: +1,661 mil.JPY, +21.0%)

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

7-5. (Non-consolidated) 2020Q2 Financial Result P/L Outline

	Jan. – Jun. 2019 Result		Jan. – Jun. 2020 Plan		Jan. – Jun. 2020 Result			
	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	YoY	vs Plan
Sales	60,564		71,819		72,651		+20.0%	+1.2%
Gross Profit	17,391	28.7%	20,632	28.7%	20,661	28.4%	+18.8%	+0.1%
SG&A Exp.	9,480	15.7%	11,349	15.8%	11,089	15.3%	+17.0%	△2.3%
Operating Income	7,911	13.1%	9,282	12.9%	9,572	13.2%	+21.0%	+3.1%
Current Income	7,907	13.1%	9,265	12.9%	9,586	13.2%	+21.2%	+3.5%
Net Income (Tax Rate)	5,490 (30.6%)	9.1%	6,430 (30.6%)	9.0%	6,662 (30.5%)	9.2%	+21.4%	+3.6%

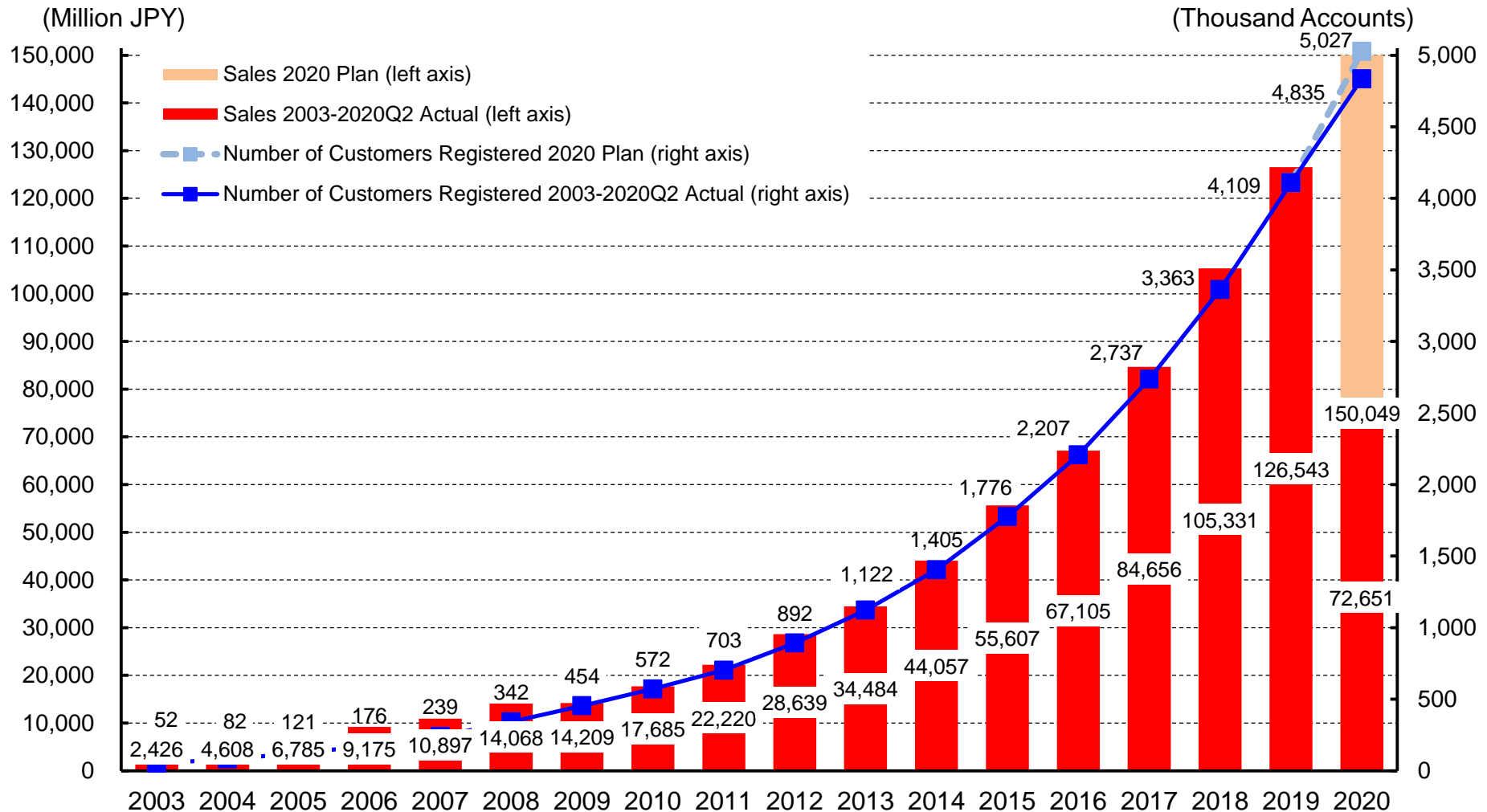
7-6. (Non-consolidated) 2020Q2 Financial Result B/S Outline

	Jun. 2019	Dec. 2019	Jun. 2020	
	Million JPY	Million JPY	Million JPY	Ratio
Assets				
Cash	8,890	9,958	10,027	15.0%
Accounts Receivable	13,143	14,376	17,314	26.0%
Inventory	10,573	11,094	11,734	17.6%
Other	4,201	4,485	4,405	6.6%
Total Current Asset	36,808	39,914	43,481	65.2%
Tangible Fixed Asset	11,917	12,023	13,873	20.8%
Intangible Fixed Assets	1,863	2,919	3,536	5.3%
Other	4,165	5,748	5,764	8.6%
Total Fixed Asset	17,946	20,691	23,174	34.8%
Total Assets	54,754	60,605	66,656	

	Jun. 2019	Dec. 2019	Jun. 2020	
	Million JPY	Million JPY	Million JPY	Ratio
Liabilities				
Accounts Payable	8,532	9,446	11,142	16.7%
Short-term Debt & etc.	2,000	2,498	1,498	2.2%
Others	6,517	7,479	8,595	12.9%
Total Current Liabilities	17,050	19,424	21,236	31.9%
Total Long term Liabilities	2,672	2,180	1,671	2.5%
Total Liabilities	19,722	21,604	22,907	34.4%
Net Assets				
Shareholder's Equity	34,986	38,955	43,695	65.6%
Others	46	44	53	0.1%
Total Net Assets	35,032	39,000	43,749	65.6%
Total Liabilities & Net Assets	54,754	60,605	66,656	

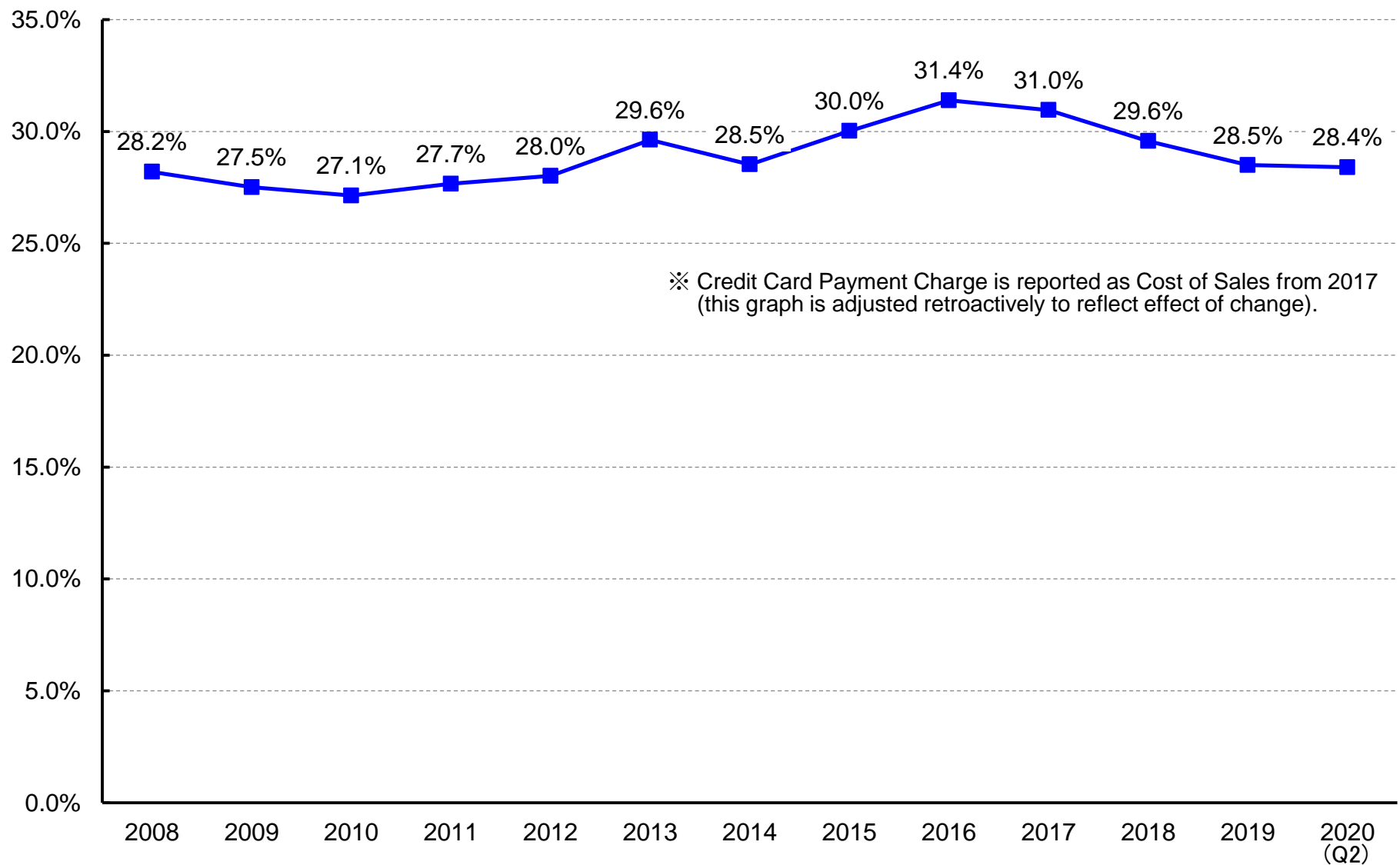
Short-term Debt & etc. includes short-term debt & current portion of long-term debt.

7-7. (Non-consolidated) Progress - Sales & Customer

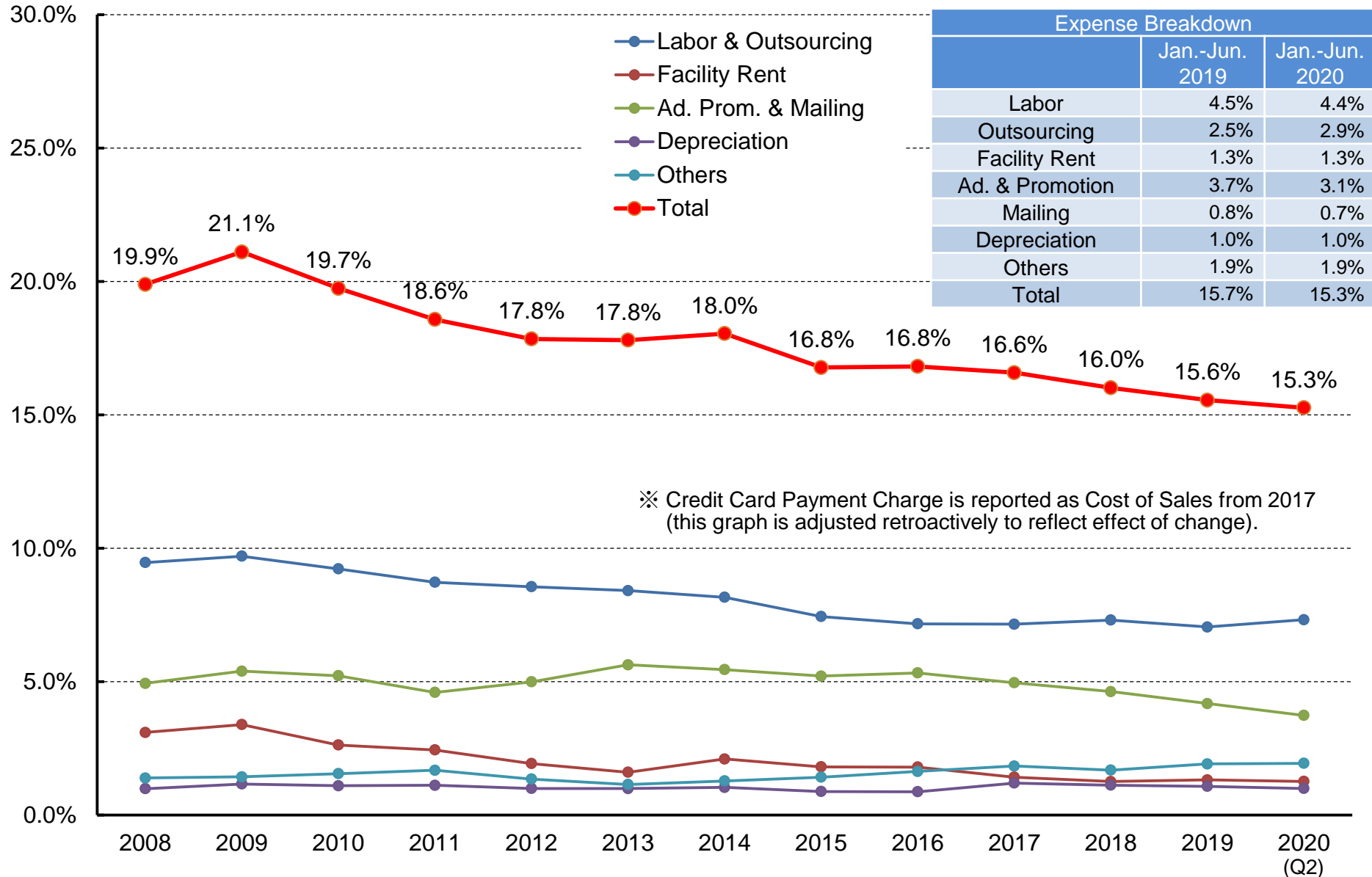


	Dec. 2019	Jun. 2020		Dec. 2020 (Plan)	
Number of Customers (Registered Accounts)	4,109,701	4,835,382	+725,681 (vs. Dec. 2019)	5,027,701	+918,000 (vs. Dec. 2019)

7-8. (Non-consolidated) Progress - Gross Profit



7-9. (Non-consolidated) Progress - SG&A Expense



8-1. (Consolidated) 2020Q2 Financial Result P/L Outline 1/2

	Jan. – Jun. 2019 Result		Jan. – Jun. 2020 Plan		Jan. – Jun. 2020 Result			
	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	Amount (million JPY)	Ratio to Sales	YoY	vs Plan
Sales	62,970		74,744		75,281		+19.6%	+0.7%
Gross Profit	17,867	28.4%	21,310	28.5%	21,241	28.2%	+18.9%	△0.3%
SG&A Exp.	10,270	16.3%	12,384	16.6%	11,922	15.8%	+16.1%	△3.7%
Operating Income	7,597	12.1%	8,925	11.9%	9,318	12.4%	+22.7%	+4.4%
Current Income	7,607	12.1%	8,934	12.0%	9,342	12.4%	+22.8%	+4.6%
Net Income (Tax Rate)	5,191 (31.8%)	8.2%	6,099 (31.7%)	8.2%	6,419 (31.3%)	8.5%	+23.6%	+5.2%
Net Income attributable to owners of the parent	5,302	8.4%	6,239	8.3%	6,540	8.7%	+23.3%	+4.8%

8-2. (Consolidated) 2020Q2 Financial Result P/L Outline 2/2

■ NAVIMRO (South Korea)

- Sales was slightly below plan, but profit was far beyond plan by improving profit ratio with increase in PB sales and pricing.
- Total item was expanded about to 2.6 mil. and inventory item was expanded about to 40 thou.

	Jan.-Jun. 2019 Result			Jan.-Jun. 2020 Plan			Jan.-Jun. 2020 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	2,250	+19.7%	+25.9%	2,530	+12.4%	+16.1%	2,410	+7.1%	△4.7%	+14.7%	△1.2%
Op.Income	△20	—	—	10	—	—	40	—	+370.5%	—	+387.8%
Net Income x Share(*1)	△20	—	—	10	—	—	40	—	+211.7%	—	+223.1%

■ MONOTARO INDONESIA (Indonesia)

- Sales was over 30% below plan due to COVID-19 lockdown, but Op. Loss was within level of plan by controlling marketing expense.
- Continuing to expand product lineup and to strengthen supply chain.

	Jan.-Jun. 2019 Result			Jan.-Jun. 2020 Plan			Jan.-Jun. 2020 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	150	+31.7%	+33.4%	310	+99.1%	+99.1%	190	+23.9%	△37.8%	+28.9%	△35.3%
Op.Income	△140	—	—	△150	—	—	△160	—	—	—	—
Net Income x Share(*1)	△60	—	—	△70	—	—	△70	—	—	—	—

■ ZORO SHANGHAI (China)

- Sales was over 40% below plan due to negative effects of COVID-19, Op. Loss was within plan.
- Effective customer acquisition method in China has not yet been established.

	Jan.-Jun. 2019 Result			Jan.-Jun. 2020 Plan			Jan.-Jun. 2020 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) —	80	+482.0%	+505.2%	50	+259.3%	△38.3%	+278.5%	△37.5%
Op.Income	△150	—	—	△210	—	—	△140	—	—	—	—
Net Income x Share(*1)	△90	—	—	△130	—	—	△90	—	—	—	—

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

*2: Business launched in June 2018.

*3: Sales and profit/loss less than 10 million JPY are rounded down as shown in explanation material in Japanese language.

8-3. (Consolidated) 2020Q2 Financial Result B/S Outline

	Jun. 2019	Dec. 2019	Jun. 2020	
	Million JPY	Million JPY	Million JPY	Ratio
Assets				
Cash	9,834	11,155	10,804	16.5%
Accounts Receivable	13,247	14,472	17,443	26.7%
Inventory	11,000	11,563	12,202	18.7%
Other	4,266	4,581	4,533	6.9%
Total Current Asset	38,349	41,771	44,984	68.8%
Tangible Fixed Asset	11,944	12,048	13,922	21.3%
Intangible Fixed Assets	2,029	3,084	3,693	5.6%
Other	1,426	2,787	2,806	4.3%
Total Fixed Asset	15,401	17,920	20,422	31.2%
Total Assets	53,750	59,691	65,407	

	Jun. 2019	Dec. 2019	Jun. 2020	
	Million JPY	Million JPY	Million JPY	Ratio
Liabilities				
Accounts Payable	8,827	9,829	11,479	17.6%
Short-term Debt & etc.	2,000	2,498	1,498	2.3%
Others	6,627	7,644	8,756	13.4%
Total Current Liabilities	17,455	19,973	21,733	33.2%
Total Long term Liabilities	2,712	2,205	1,718	2.6%
Total Liabilities	20,168	22,179	23,451	35.9%
Net Assets				
Shareholder's Equity	33,229	37,062	41,679	63.7%
Others	353	450	275	0.4%
Total Net Assets	33,582	37,512	41,955	64.1%
Total Liabilities & Net Assets	53,750	59,691	65,407	

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

8-4. (Consolidated) 2020Q2 Financial Result C/F Outline

	Jan. – Jun. 2019	Jan. – Jun. 2020
	Result	Result
	Million JPY	Million JPY
Cash Flow from Operating Activity		
Net Income before Tax	7,608	9,343
Increase or Decrease in Accounts Receivable (Δ = increase)	Δ 1,706	Δ 2,977
Increase or Decrease in Inventory (Δ = increase)	Δ 1,038	Δ 662
Increase or Decrease in Accounts Payable (Δ = decrease)	526	1,668
Tax payment	Δ 2,721	Δ 2,632
Others	612	1,586
Total	3,280	6,325
Cash Flow from Investing Activity		
Acquisition of Tangible Assets	Δ 466	Δ 2,368
Acquisition of Intangible Assets	Δ 754	Δ 665
Others	126	202
Total	Δ 1,094	Δ 2,831
Cash Flow from Financing Activity		
Repayments of Long-term Loans	Δ 1,000	Δ 1,000
Repayments of Lease Obligations	Δ 2,140	Δ 661
Cash Dividends Paid	Δ 1,613	Δ 1,864
Others	200	Δ 68
Total	Δ 4,553	Δ 3,594
Currency Exchange Adjustment	Δ 35	Δ 35
Net Increase or Decrease in Cash and Cash Equivalent (Δ = decrease)	Δ 2,402	Δ 135
Cash and Cash Equivalent at Beginning of Period	12,040	10,746
Cash and Cash Equivalent at End of Period	9,637	10,610

9-1. 2020 Strategy & Plan: Domestic Business (1)

■ BtoB Online E-commerce (monotaro.com)

- Expanding Customer Base and Improving Customer Lifetime Value
 - Registration of general individuals seeking COVID-19 related products increased in Q2, and new customer acquisition is exceeding plan (918 thou.) this year.
 - Usage trend of general individual customers is lower than that of corporate customers in amount per order and in repeat rate, and there is no difference in behaviors observed before and after spread of COVID-19 infection. General individual customer registration is expanding at present, but MonotaRO continues to focus on BtoB business to improve customer lifetime value.
 - Optimizing marketing resource allocation based upon customer lifetime value inferred by product search/purchase behavior trends, etc., and acquisition target is placed on high lifetime value customers.
- Expanding Existing Customers' Sales
 - Seeking "reducing time to find product" by optimizing product search function for each customer attribute and "shortening time to wait for arrival of product" by introducing system such as Order Management System and by developing logistic bases leads to increase in existing customers' usage.

■ System Connection with Large Corporations

• Contract Result

	Dec. 2019 End Result	Jun. 2020 End Result		
	No. Corp.	No. Corp.	vs Dec. 2019 End	Remarks
Total number of corporations	817	958	+141	
One Source	14	14	+0	2 considering
One Source Lite	363	465	+102	269 considering

- Sales Base and Progress of Sales Target
 - Large corporation business's 12.1 billion sales for 2020Q2/FH is below plan by Δ 5%.
 - Corporate sales activities that were conducted face-to-face are currently conducted by utilizing web conference service, which is gradually spreading.

9-2. 2020 Strategy & Plan: Domestic Business (2)

■ Consulting/Royalty Business

- Grainger's Zoro business (US, UK, and Germany) is continuing to strengthen corporate customer acquisition by using SG&A expenses with investment prospect for sustainable growth, but Zoro's profits improved in Q2 by implementing appropriate promotions.
- Amount of royalty in 2020Q2/FH increased from last year (impact of royalty on Sales and Gross Profit is becoming limited due to MonotaRO's higher Sales growth).

■ Strengthening Marketing and System Development Skills based on Data Science

- Recruiting of data-scientists and IT engineers at both Amagasaki/Hyogo and Tokyo offices is making progress almost as planned.
- Newly joined data-scientists and IT engineers are working on advanced digital marketing and system development (Web site and backbone system).

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

- Introduction of Product Information Management System (PIM)
 - System's initial function is answering to the diversification and enrichment of product info. by constructing and organizing master data base for products, suppliers, etc. for responding to expansion of product info. caused by increase in product lineup. In future, portal site for suppliers and workflows to improve efficiency of obtaining info. is developed, and this leads to reduction of costs and shortening of product introduction lead-time. In mid-term, product info. is prepared in multi-languages for international business.
 - Due to spread of COVID-19 infection, development project, carried out with external team, was changed, and releasing initial version was postponed from mid Q2 to late Q3.
- Introduction of Order Management System (OMS)
 - Selecting optimal shipment methods based upon various rules, thereby leveling shipment operations, reducing splits of shipments, optimizing shipment network further, and minimizing distribution related costs, and this leads to increase in sales with improved convenience realized through shortening delivery lead time.
 - For same reason of PIM, releasing initial version was postponed from mid Q2 to late Q3.

9-3. 2020 Strategy & Plan: (Non-consol.) 2020LH Affecting Factors

	2020LH Plan		YonY	Current Status
		Sales Ratio		
Sales	78,230	—	18.6%	<ul style="list-style-type: none"> ■ BtoB Online E-Commerce (monotaro.com) <ul style="list-style-type: none"> • Amounts per order of 3 industry customers (manufacturing, construction, automotive maintenance) declined, but, after hitting bottom in Golden Week (holiday in late Apr. through early May in Japan), is on recovery trend. However, order amounts have not recovered to last year end levels. • Orders of COVID-19 related products from general individual customers continues. However, ratio of general individuals to new registrations is on shrinking now (Apr. to Jun.). ■ System Connection with Large Corporation <ul style="list-style-type: none"> • Plan was not attained in Q2, but business is on recovery trend after emergency declaration ended with diminishing gap between plan and actual sales. ■ Royalty Business <ul style="list-style-type: none"> • Royalty amount in FH was higher than plan (impact on total Sales was limited).
Gross Profit	22,535	28.8%	20.4%	<ul style="list-style-type: none"> ■ Product GP Ratio <ul style="list-style-type: none"> • As activities declined due to COVID-19, replacement orders of high GP% category decreased. ■ Delivery Cost Ratio <ul style="list-style-type: none"> • Amounts per order in FH was lower than plan, but, as mentioned above, the ratio of general individual registration is currently shrinking. ■ Sales Ratio of Overseas Royalty <ul style="list-style-type: none"> • Royalty sales ratio in FH was above plan (impact on Gross Profit was also limited).
SG&A Exp.	12,567	16.1%	23.2%	<ul style="list-style-type: none"> ■ Effect of COVID-19 <ul style="list-style-type: none"> • Costs of delayed OMS/PIM (System Usage/Depreciation) are increased and incurred late Q3 onward. • Equipment for teleworking was secured in FH, and additional expenses of avoiding "3 Cs" are limited. • Ratio of costs related to staff at distribution operation is continuously increasing due to decrease in order unit price caused by increase in general individual customers. As mentioned above, share of new registrations of general individuals is also currently decreasing. ■ Other <ul style="list-style-type: none"> • DC repair expenses were delayed from FH to LH (up to 53 mil. JPY).
Op. Income	9,967	12.7%	17.0%	<ul style="list-style-type: none"> ■ There are both positive and negative factors in sales, GP, and SG&A ratios, and it's difficult to project impact of each factor.

There are factors, including those related to COVID-19, that cause actual sale and profit in LH to go up or down from plan; however, fiscal year plan is not revised at this point based upon FH results^(*)

*Note: Consolidated profit and loss results for 2020FH are within scope of forecast revise and disclosure rule.

Revision disclosure is prepared when the latest consolidated earnings forecast exceeds any of fluctuation ranges below;

Consol. Sales: ±5%, Consol. Op. Income: ±10%, Consol. Ord. Income: ±10%, NI attributable to Parent Company Shareholders: ±10%

9-4. 2020 Strategy & Plan: (Non-consol.) P/L Plan Outline

	2019 Result		2020 Plan		
	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	YoY
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%

9-5. 2020 Strategy & Plan: (Consolidated) P/L Plan Outline

	2019 Result		2020 Plan		
	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	YoY
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%

9-6. 2020 Strategy & Plan: (Overseas Subsidiary) P/L Plan Outline

■ NAVIMRO (South Korea)

- Increasing sales by expanding customer base, number of items sold, and inventory.
- Expanding profit, which was first attained in 2019.

	2019 Result			2020 Plan		
	Amount (mil.JPY)	YonY	YonY (local Currency)	Amount (mil.JPY)	YonY	YonY (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 expanding business by increasing corporate customers, by increasing number of items sold and inventory, and by improving logistics.

	2019 Result			2020 Plan		
	Amount (mil.JPY)	YonY	YonY (local Currency)	Amount (mil.JPY)	YonY	YonY (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)

- Increasing sales by expanding and improving items sold and by establishing effective measures to expand customer base.

	2019 Result			2020 Plan		
	Amount (mil.JPY)	YonY	YonY (local Currency)	Amount (mil.JPY)	YonY	YonY (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.

*3: Sales and profit/loss less than 10 million JPY are rounded down as shown in explanation material in Japanese language.





9-7. 2020 Strategy & Plan: Logistics (1)

- **Distribution-related Cost Ratio 2020Q2/FH Result: 6.1 %**
 - As COVID-19 infection spread, number of general individual customers seeking COVID-19 related products has increased. This resulted in increase in number of items processed and hence in increase in work at distribution centers. Sales ratios of Personnel and Outsourcing Expenses related to distribution therefore increased from last year by 0.1 pt. and from plan by 0.2 pt.
- **Inventory**
 - As of Jun. 30, 2020: 461 thou. items.
 - Plan at Dec. 31, 2020: 500 thou. items.
- **Delivery Status**
 - Shipment ratio of Kasama DC with expanded facilities is increasing as planned.

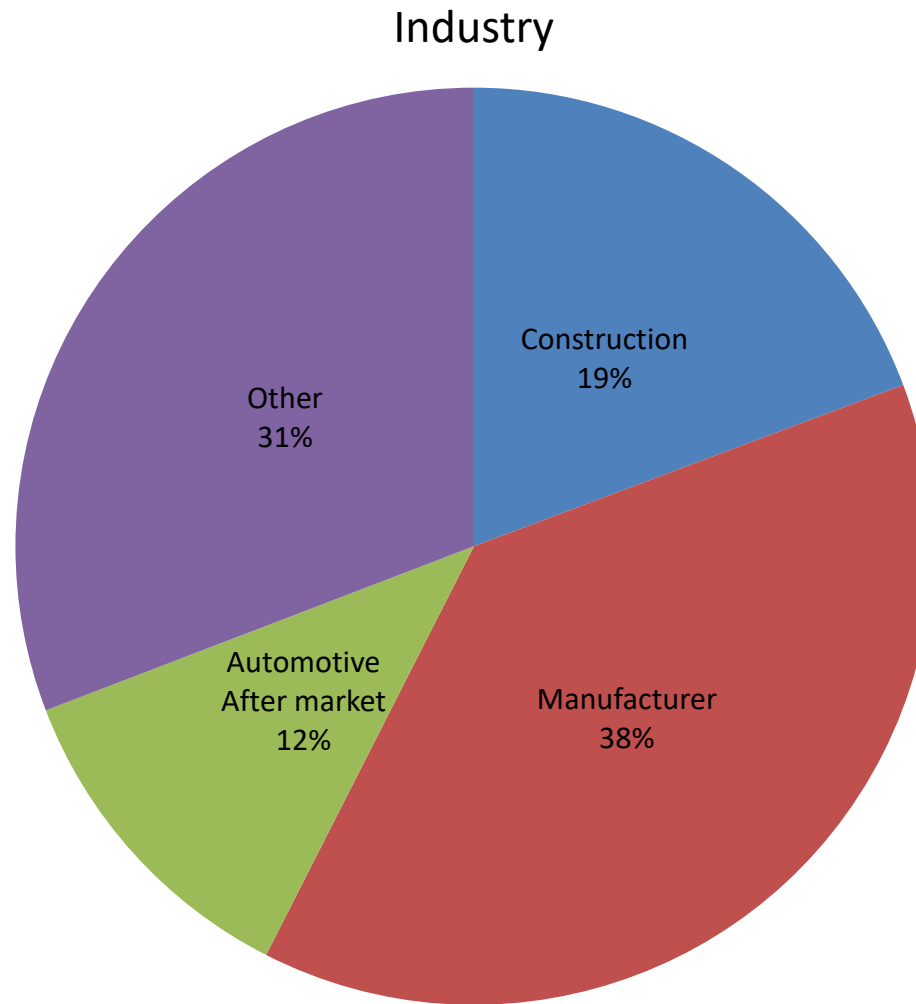
	Jan.-Jun. 2019 Result		Jan.-Jun. 2020 Plan		Jan.-Jun. 2020 Result			
	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	Amount (mil.JPY)	Ratio to Sales	YonY	vs Plan
Sales (Non Consolidated)	60,564		71,819		72,651		+20.0%	+1.2%
Depreciation	384	0.6%	458	0.6%	448	0.6%	+16.7%	△2.3%
Labor & Outsourcing	1,982	3.3%	2,297	3.2%	2,438	3.4%	+23.0%	+6.1%
Facility Rent	712	1.2%	812	1.1%	821	1.1%	+15.4%	+1.2%
Others	572	0.9%	688	1.0%	702	1.0%	+22.7%	+1.9%
Total	3,651	6.0%	4,257	5.9%	4,410	6.1%	+20.8%	+3.6%

9-8. 2020 Strategy & Plan: Logistics (2)

■ New Distribution Base Expansion Update

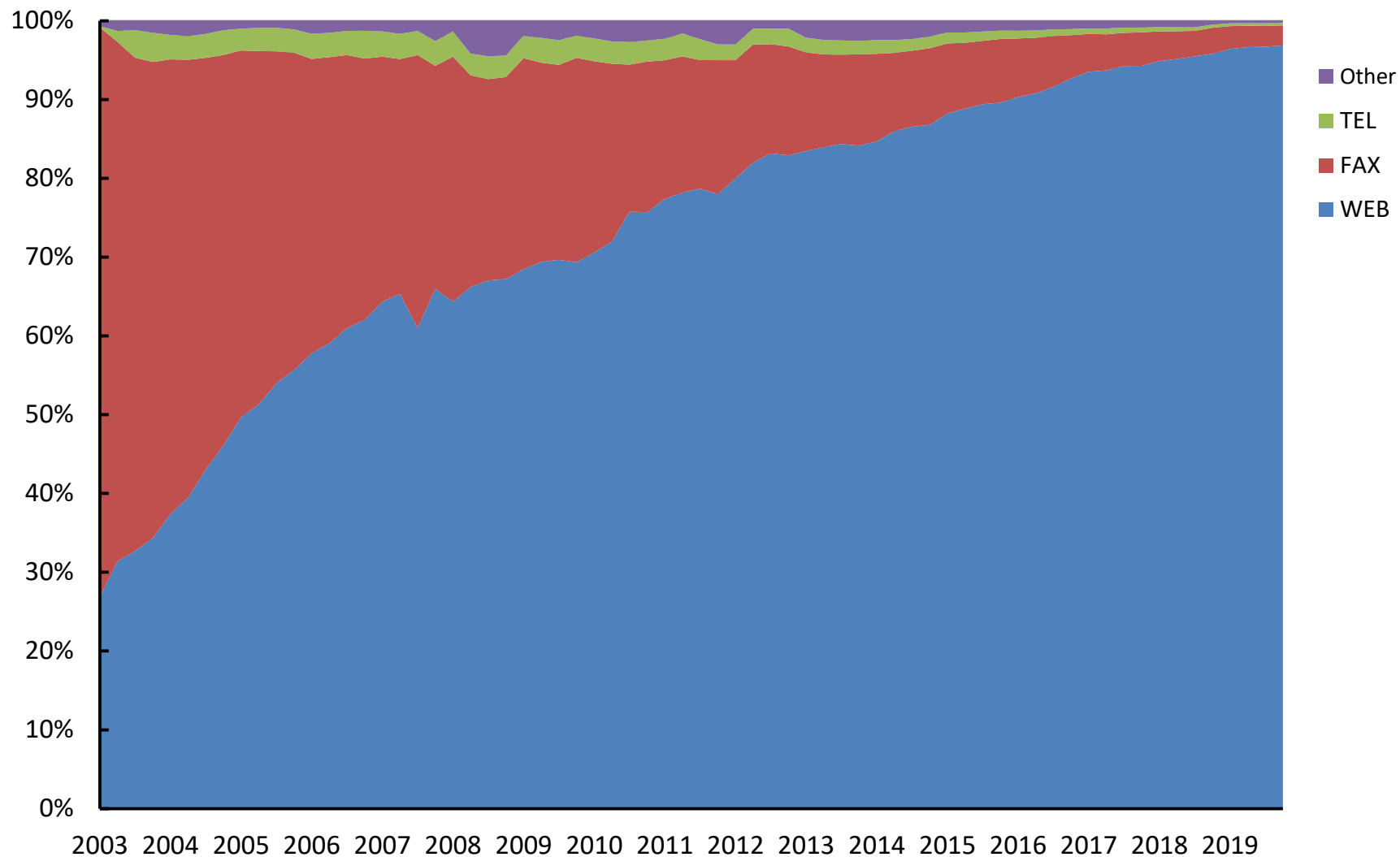
Name (tentative)		Ibaraki Chuo SC	Inagawa DC	
Address		Ibaraki-machi, Higashi Ibaraki-gun, Ibaraki Prefecture	Inagawa-cho, Kawabe-gun, Hyogo Prefecture	
Floor Size		About 49,000m ²	Total about 162,000m ²	
Inventory Capa.		20K-30K SKU, high demand products	Total 500K SKU	
Start Operation		Plan Apr. 2021	Phase 1 Plan Apr. 2022	Phase 2 Plan 2023Q3
Shipping Capacity		About 30K lines/day	About 90K lines/day	About 90K lines/day added (180K lines in total/day)
Invest/ Rent	Land	About 1.3 bil. JPY	_____	
	Constr.	About 6.1 bil. JPY	Additional construction: about 1.3 bil. JPY	
	Rent	_____	Ph.1, 4 Floors: about 18.9 bil. JPY (2021-2031 including common service exp.)	
		_____	Ph.2: 1 Floor added: about 4.5 bil. JPY (2022-2031 including common service exp.)	
Facility	About 1.8 bil. JPY	About 7.4 bil. JPY (under examining)	_____	
		_____	About 6.6 bil. JPY (under examining)	
Remark		Main function is backyard. Having also function of shipping high-demand products	Starting to rent 4 floors & hazardous goods warehouse in 2022. (* Renting 1 additional floor & hazardous goods warehouse resolved in Jun. 2020) From 2023, 1 floor added and total 5 floors rented.	
Pogress Status		Building under construction	Building under construction	
Picture		  <p>Completion Image</p> <p>Progress Status</p>	  <p>Completion Image</p> <p>Progress Status</p>	

Ref. 1. Customer Demographics

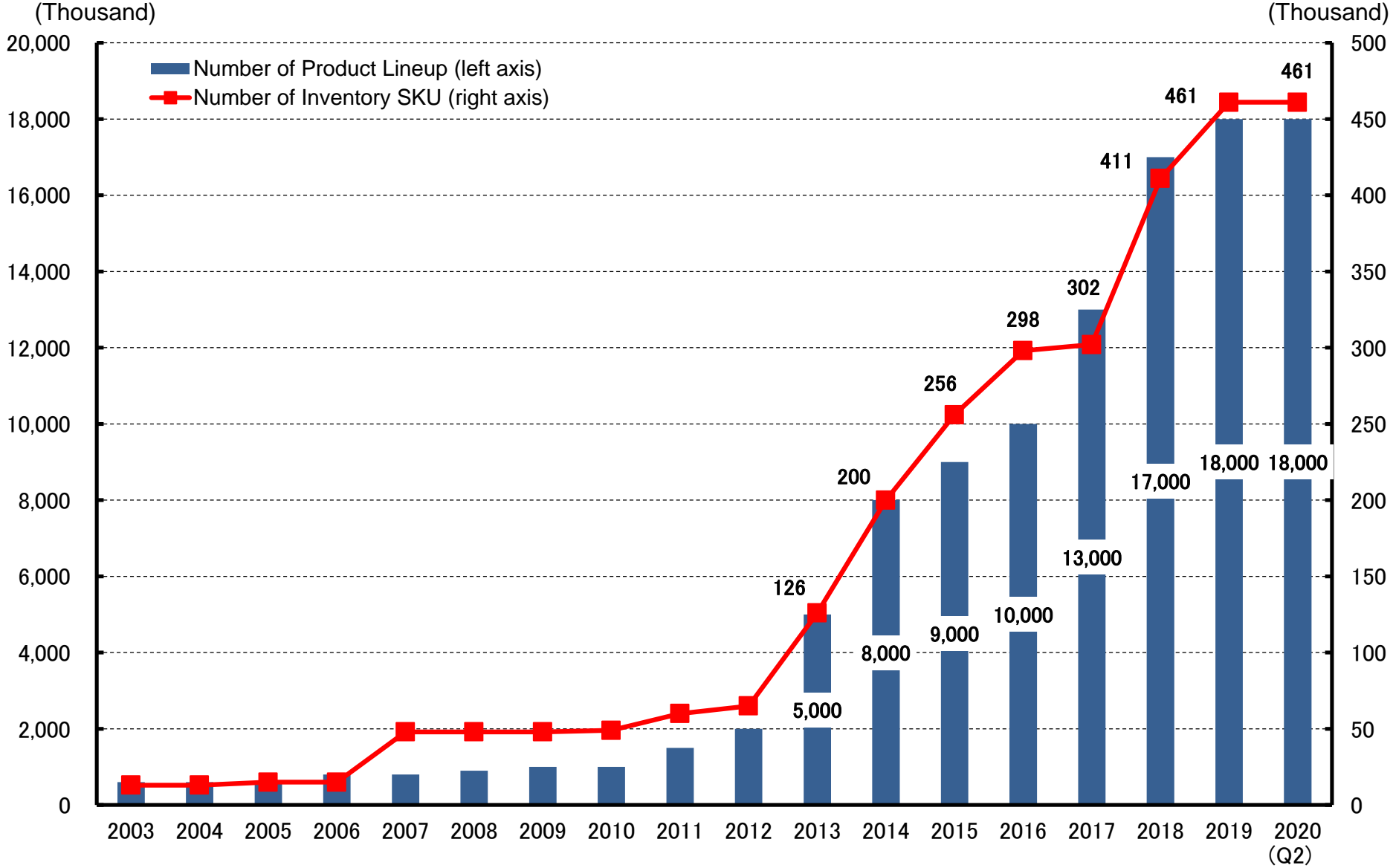


Ratio by sales amount in 2019
(Sales through Shopping website-excluding sales through API connection)

Ref. 2. Internet PO Ratio



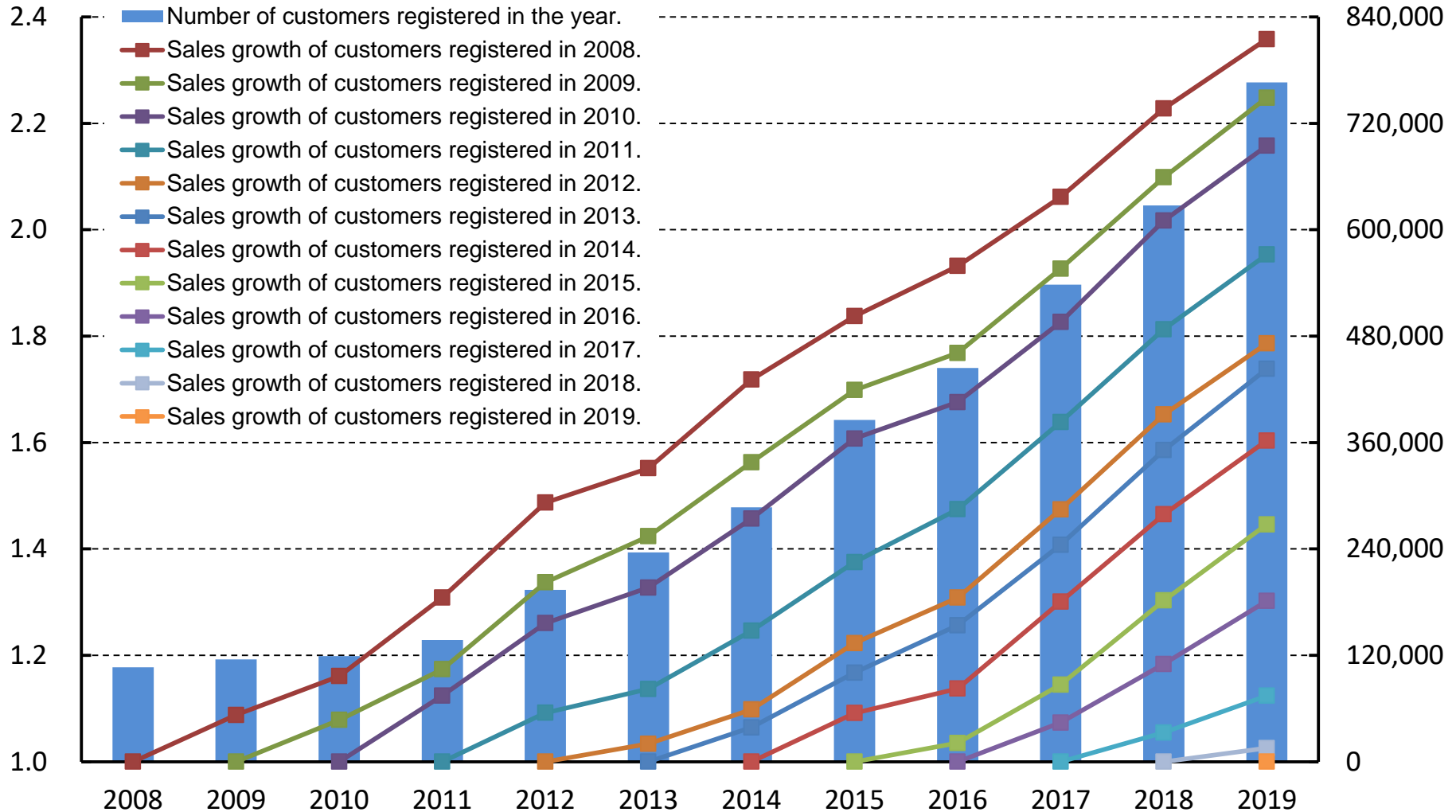
Ref. 3. Product Lineup & Inventory



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

(Growth Rate of Sales)

(Number of Registered Customers)

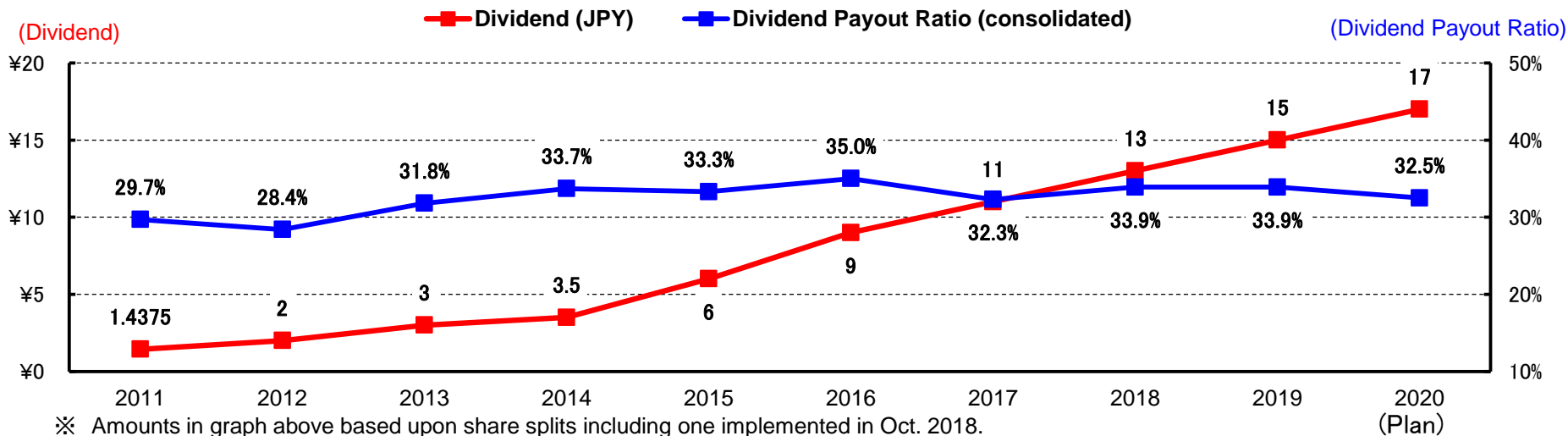


* 1: Bar chart (right axis) shows number of 'monotaro.com' customers registered in each year based on status at end of 2019.
 * 2: Line chart (left axis) shows sales growth ratio of customers registered each year by setting sales in registered year as '1'.
 * 3: Above number of 'monotaro.com' registered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

Dividend & Shareholder Benefit

■ Dividend

- Dividend Policy: Distributing dividend consistent with stable and ongoing growth.
- 2019 Dividend (Actual): 15 JPY/share (7.5 JPY/share interim, 7.5 JPY/share fiscal year end).
- 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	2017	2018	2019	2020	2007 to 2020
Yuasa (8074) - (M)	Wholesaler	468,476	461,749	493,627	491,348	450,000	Δ3.9%
		8,254	11,402	12,517	11,871	9,250	+12.1%
Yamazén (8051) - (M)	Wholesaler	376,852	497,963	526,364	472,191	(*2) —	(*2) —
		11,518	15,383	17,997	12,091	(*2) —	(*2) —
Trusco (9830) - (D)	Wholesaler	134,430	195,096	214,297	220,674	231,619	+72.3%
		9,120	14,276	14,364	13,797	13,007	+42.6%
Misumi (9962) - (M)	Retailer	126,668	312,969	331,936	313,337	304,614	+140.5%
		16,317	34,848	31,874	23,640	21,000	+28.7%
Nichiden (9902) - (M)	Wholesaler	92,745	119,712	124,604	112,334	(*2) —	(*2) —
		5,533	6,051	6,595	5,154	(*2) —	(*2) —
NaITO (7624) - (F)	Wholesaler	51,479	46,587	50,014	46,467	(*2) —	(*2) —
		1,343	728	928	836	(*2) —	(*2) —
Sugimoto (9932) - (M)	Wholesaler Retailer	41,461	44,315	45,417	43,890	(*2) —	(*2) —
		2,292	2,461	2,870	2,528	(*2) —	(*2) —
Toba (7472) - (M)	Retailer	25,800	28,500	29,066	26,197	(*2) —	(*2) —
		2,115	1,774	1,895	1,328	(*2) —	(*2) —
Uematsu (9914) - (M)	Retailer	7,647	7,125	7,157	6,477	6,000	Δ21.5%
		190	92	80	17	-17	Δ108.9%
MonotaRO (3064) - (D)	Retailer	10,897	88,347	109,553	131,463	156,468	+1335.9%
		480	11,837	13,790	15,839	18,569	+3768.5%

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

*2: Forecasts are not disclosed because effects of COVID-19 on sales and profits can not be estimated.

*3: As of Jul. 30, 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.

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