

Financial Results for the Fiscal Year Ended December 31, 2010

 Company name: **MonotaRO Co., Ltd.**

Stock code: 3064

Representative: Kinya Seto, President & CEO

Contact: Hidekazu Tanaka, Executive Officer, Director of Administration Telephone: +81-6-4869-7111

Scheduled date of Annual General Shareholder's Meeting: March 24, 2011

Scheduled date of filing of Annual Securities Report: March 24, 2011

Starting date of dividend payment: March 25, 2011

Listing: Tokyo Stock Exchange, First Section

 URL: <http://www.monotaro.com>
(Figures are rounded down to the nearest million yen)

1. Financial Results (January 1, 2010 – December 31, 2010)

(1) Results of operations

(Percentages shown for sales, operating income, ordinary income, and net income represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2010	17,685	24.5	1,307	43.6	1,325	50.9	752	51.8
Year ended Dec. 31, 2009	14,209	1.0	910	(22.1)	878	(26.5)	495	(55.8)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
	Yen	Yen	%	%	%
Year ended Dec. 31, 2010	50.98	50.08	24.6	21.0	7.4
Year ended Dec. 31, 2009	58.65	57.85	14.0	14.5	6.4

Reference: Equity in earnings of affiliates (million yen) Dec. 31, 2010: - Dec. 31, 2009: -

Note: The Company implemented a 2-for-1 share split on August 25, 2010.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2010	6,723	3,256	48.0	218.59
As of Dec. 31, 2009	5,929	2,878	48.4	387.95

Reference: Shareholders' equity (million yen) Dec. 31, 2010: 3,227 Dec. 31, 2009: 2,868

Note: The Company implemented a 2-for-1 share split on August 25, 2010.

(3) Cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 31, 2010	340	(241)	(391)	1,240
Year ended Dec. 31, 2009	1,033	(208)	(1,016)	1,532

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio	Dividend on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Dec. 31, 2009	-	-	-	30.00	30.00	221	51.2	7.1
Year ended Dec. 31, 2010	-	15.00	-	7.50	22.50	221	29.4	7.3
Year ending Dec. 31, 2011 (forecast)	-	9.00	-	9.00	18.00		29.5	

Note: Revision of dividend forecast during the period: None

The 2-for-1 share split was made on August 25, 2010. The Year-end dividend per share for the year ended Dec. 2009 and 2Q-end dividend per share for the year ended Dec. 2010 did not take the share split into consideration. If the share split were implemented at the end of Dec. 2009, total dividend per share for the year ended Dec. 2009 and Dec. 2010 would be equivalent to 15 yen respectively.

3. Forecasts for the Fiscal Year Ending December 31, 2011 (January 1, 2011 – December 31, 2011)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	9,939	19.5	813	27.9	807	25.7	447	21.7	30.29
Full year	20,548	16.2	1,611	23.2	1,604	21.0	900	19.8	61.02

4. Others

(1) Changes in Significant Accounting Policies

- 1) Changes caused by revision of accounting standards: None
- 2) Other changes: None

(2) Number of shares outstanding (common shares)

1) Number of shares outstanding at end of period (including treasury stock)

Dec. 31, 2010:	14,864,400 shares	Dec. 31, 2009:	7,394,400 shares
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2) Number of treasury stock at end of period

Dec. 31, 2010:	100,118 shares	Dec. 31, 2009:	115 shares
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Note: The Company implemented a 2-for-1 share split on August 25, 2010.

*** Cautionary statement with respect to forward-looking statements**

The earnings forecasts are based on judgments made in accordance with information currently available. Forecasts therefore embody risks and uncertainties. Actual figures may differ from these forecasts for a number of factors.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Results of Operations

The Japanese economy during the current fiscal year ended December 31, 2010 showed a slow recovery from the recession while developing countries, including Asian countries, steadily boosted their economic growth, although the unstable factors related to domestic political chaos, prolonged strong yen and deflation and military tension in East Asia still existed.

The market for industrial MRO products, for which we serve as a supplier, was also recovering its demand for replacement parts and industrial consumables for manufacturing facilities due to the recovery in capacity utilization of domestic and other manufacturers supported by the strong performance of the Asian economy.

In this economic environment, we have continued to engage aggressively, with a particular focus on preventing withdrawal of existing customers and winning new customers. Promotional activities included locally-aired radio commercials, advertising on the Internet and, by utilizing data mining tools, efficiently distributing flyers through facsimile and direct mail. Also we launched a new service that offers Measuring Equipment for rental, started to export mainly our private label products to the overseas wholesalers, proactively updated usability of our web site to meet a wide range of customer requirements, and introduced a search system for automobile parts. In addition, we have proactively engaged in the growth of customers' purchase frequency by implementing a daily discount program on particular categories and by implementing a discount program several times per month on orders with less than a certain threshold of items. Consequently, we have successfully obtained 117,773 newly registered accounts for the current fiscal year to have 572,132 registered accounts in total as of the fiscal year.

All of our efforts mentioned above have resulted in net sales of 17,685 million yen, or a 24.5% year-over-year increase. In terms of profitability during the fiscal year, operating income increased 43.6% year-over-year to 1,307 million yen. This can be explained by a rising overall profit margin, though labor cost for Amagasaki logistics center and other variable costs increased in response to the sales growth. Ordinary income also increased 50.9% year-over-year to 1,325 million yen due partially to favorable foreign exchange rates at the beginning of the fiscal year under review. Consequently, net income increased 51.8% year over year to 752 million yen.

The following is the summary of operating results by product segment.

(1) Factory consumables

Net sales amounted to 8,107 million yen (up 15.0% year over year) due to strong sales of Powered Tools, Cutting Tools, Measuring Equipment and other items, although the sales of Masks decreased.

(2) Factory replacement parts

Net sales amounted to 6,586 million yen (up 30.6% year over year) largely due to the increase in sales of almost all categories including the substantial increase in sales of automobile maintenance and truck related products for the automobile aftermarket.

(3) Other supplies

Net sales amounted to 2,992 million yen (up 41.4% year over year) due to the sales increase in Construction Materials, Air Conditioner, Working Wears, Laboratory Equipment and other items.

Forecast for the FY2011

Though Japanese economy seems to be recovering steadily, the severe economic environment is expected to continue and the outlook remains uncertain. Considering the trend in orders from our existing customers and the overall situation in Japanese manufacturing sector, the sales from only existing customers seem not to be enough for us. This also means that obtaining new customers is becoming much more important and is source of our growth. We will counter the current situation with more aggressive engagement in promotional activities, and winning more new customers.

Also we plan to engage actively in sales promotion activities with a particular focus on expanding the range of goods in specific sector we entered recently, improvement of customers' purchase frequency with highly data mining tools and developing the business for large companies.

In view of the implementation of the above measures, we are forecasting net sales of 20,548 million yen for the next fiscal year. From the standpoint of profitability, operating income is expected to be 1,611 million yen, ordinary income is expected to be 1,604 million yen and net income is projected at 900 million yen. These profit projections reflect additional private label products that cover a possible decline in profit margins, as competition is expected to intensify and the current deflationary spiral is likely to continue. Furthermore, fixed costs, including labor and other expenses, are likely to rise as we add more staff, and sales promotion expenses will also increase as we promote measures to acquire new customers.

Non-consolidated balance sheets

(In thousand of yen)

Items	As of Dec. 31, 2009	As of Dec. 31, 2010
Assets		
Current assets		
Cash and deposits	1,532,574	1,240,833
Notes receivable-trade	-	911
Accounts receivable-trade	1,684,975	2,229,219
Merchandise	1,205,713	1,601,291
Goods in transit	69,552	45,861
Supplies	46,815	51,864
Advance payments-trade	35,032	17,473
Prepaid expenses	45,579	44,753
Accounts receivable-other	462,074	554,223
Deferred tax assets	55,162	70,013
Other	-	8,378
Allowance for doubtful accounts	(17,499)	(23,646)
Total current assets	5,119,981	5,841,178
Noncurrent assets		
Property, plant and equipment		
Buildings, net	53,756	49,007
Machinery and equipment, net	58,248	48,944
Vehicles, net	8,586	9,212
Tools, furniture and fixtures, net	48,677	55,458
Construction in progress	35	-
Total property, plant and equipment	169,304	162,623
Intangible assets		
Right of trademark	-	1,269
Software	423,063	527,004
Telephone subscription right	35	35
Software in progress	43,454	2,381
Total intangible assets	466,552	530,690
Investments and other assets		
Claims provable in bankruptcy and other	18,286	17,688
Long-term prepaid expenses	1,182	307
Guarantee deposits	151,352	150,696
Deferred tax assets	21,604	38,327
Allowance for doubtful accounts	(18,286)	(17,688)
Total investments and other assets	174,140	189,331
Total noncurrent assets	809,997	882,645
Total assets	5,929,978	6,723,823

Non-consolidated balance sheets

(In thousand of yen)

Items	As of Dec. 31, 2009	As of Dec. 31, 2010
Liabilities		
Current liabilities		
Accounts payable-trade	1,467,734	1,534,220
Short-term loans payable	800,000	800,000
Accounts payable-other	304,532	564,934
Income taxes payable	376,493	405,693
Accrued consumption taxes	38,106	45,805
Advances received	949	741
Deposits received	10,058	10,787
Provision for bonuses	15,071	22,056
Provision for directors' bonuses	9,000	12,656
Other	29,656	42,882
Total current liabilities	3,051,603	3,439,779
Noncurrent liabilities		
Provision for directors' retirement benefits	-	27,357
Total noncurrent liabilities	-	27,357
Total liabilities	3,051,603	3,467,136
Net assets		
Shareholders' equity		
Capital stock	1,681,806	1,692,844
Capital surplus		
Legal capital surplus	486,344	497,381
Total capital surpluses	486,344	497,381
Retained earnings		
Legal retained earnings	23,005	-
Other retained earnings		
Retained earnings brought forward	677,552	1,120,457
Total retained earnings	700,557	1,120,457
Treasury stock	(119)	(83,367)
Total shareholders' equity	2,868,589	3,227,316
Subscription rights to shares	9,786	29,370
Total net assets	2,878,375	3,256,687
Total liabilities and net assets	5,929,978	6,723,823

Non-consolidated statements of income

(In thousand of yen)

Items	Year ended Dec. 31, 2009	Year ended Dec. 31, 2010
Net sales	14,209,103	17,685,553
Cost of sales		
Beginning goods	1,444,306	1,205,713
Cost of purchased goods	10,012,089	13,212,275
Total	<u>11,456,396</u>	<u>14,417,988</u>
Goods transfer to other account	683	236
Ending goods	1,205,713	1,601,291
Cost of sales	<u>10,249,998</u>	<u>12,816,461</u>
Gross profit	<u>3,959,104</u>	<u>4,869,092</u>
Selling, general and administrative expenses	<u>3,048,787</u>	<u>3,561,647</u>
Operating income	<u>910,317</u>	<u>1,307,444</u>
Non-operating income		
Interest income	59	58
Foreign exchange gains	4,743	18,171
Commission fee	2,976	3,324
Compensation income	2,783	3,171
Other	7,806	5,271
Total non-operating income	<u>18,368</u>	<u>29,997</u>
Non-operating expenses		
Interest expenses	3,801	8,374
Loss on disposal of inventories	2,172	1,751
Listing related expenses	42,795	-
Other	1,079	1,393
Total non-operating expenses	<u>49,850</u>	<u>11,519</u>
Ordinary income	<u>878,835</u>	<u>1,325,922</u>
Extraordinary loss		
Loss on retirement of noncurrent assets	1,613	252
Loss on abandonment of goods	683	-
Total extraordinary losses	<u>2,296</u>	<u>252</u>
Income before income taxes	<u>876,538</u>	<u>1,325,670</u>
Income taxes-current	407,146	605,084
Income taxes-deferred	(26,060)	(31,573)
Total income taxes	<u>381,085</u>	<u>573,511</u>
Net income	<u>495,453</u>	<u>752,158</u>

Non-consolidated statements of cash flows

(In thousand of yen)

Items	Year ended Dec. 31, 2009	Year ended Dec. 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes	876,538	1,325,670
Depreciation and amortization	166,040	194,958
Increase (decrease) in allowance for doubtful accounts	5,364	5,548
Increase (decrease) in provision for bonuses	(5,682)	5,967
Increase (decrease) in provision for directors' bonuses	(2,190)	3,656
Increase (decrease) in provision for directors' retirement benefit	-	27,357
Interest and dividends income	(59)	(58)
Interest expenses	3,801	8,374
Foreign exchange losses (gains)	(4,743)	(18,171)
Loss on abandonment of goods	683	-
Loss on retirement of property, plant and equipment	1,613	252
Decrease (increase) in notes and accounts receivable-trade	(73,733)	(545,156)
Decrease (increase) in inventories	235,018	(376,935)
Decrease (increase) in accounts receivable-other	34,667	(92,149)
Increase (decrease) in notes and accounts payable-trade	60,740	84,657
Increase (decrease) in accounts payable-other	(119,412)	249,249
Other, net	(9,512)	50,540
Subtotal	<u>1,169,136</u>	<u>923,762</u>
Interest and dividends income received	59	58
Interest expenses paid	(4,367)	(8,317)
Income taxes paid	(131,665)	(574,845)
Net cash provided by (used in) operating activities	<u>1,033,163</u>	<u>340,657</u>
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(22,643)	(42,595)
Purchase of intangible assets	(201,948)	(200,061)
Payments for guarantee deposits	(3,277)	(13)
Proceeds from collection of guarantee deposits	20,476	670
Other, net	(826)	875
Net cash provided by (used in) investment activities	<u>(208,220)</u>	<u>(241,125)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	800,000	-
Proceeds from exercise of stock option	11,913	22,075
Purchase of treasury stock	(1,599,619)	(83,247)
Cash dividends paid	(229,212)	(330,099)
Net cash provided by (used in) financing activities	<u>(1,016,918)</u>	<u>(391,272)</u>
Net increase (decrease) in cash and cash equivalents	<u>(191,975)</u>	<u>(291,740)</u>
Cash and cash equivalents at beginning of period	<u>1,724,549</u>	<u>1,532,574</u>
Cash and cash equivalents at end of period	<u>1,532,574</u>	<u>1,240,833</u>