

## Financial Results for the First Quarter of Fiscal Year Ending December 31, 2011 (Three Months Ended March 31, 2011)

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

Stock code: 3064

Representative: Kinya Seto, President & CEO

Contact: Hidekazu Tanaka, Executive Officer, Director of Administration

Scheduled date of filing of Quarterly Report:

Starting date of dividend payment:

Listing: Tokyo Stock Exchange, First Section

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Undecided.

(Figures are rounded down to million yen)

### 1. Financial Results for the First Quarter (January 1, 2011 – March 31, 2011)

#### (1) Results of operations

(Percentages show the change from the same period of previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Mar.31, 2011	5,110	25.1	517	76.4	523	77.2	286	70.0
Three months ended Mar.31, 2010	4,083	23.9	293	49.8	295	56.0	168	55.1

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar.31, 2011	19.36	18.97
Three months ended Mar.31, 2010	22.75	22.37

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
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2011	6,769	3,443	50.4	230.55
As of Dec. 31, 2010	6,723	3,256	48.0	218.59

Reference: Shareholders' equity (millions of yen) Mar.31, 2011: 3,408 Dec.31, 2010: 3,227

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

### 2. Dividends

	Dividends per share				
Record date	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Dec.31, 2010	-	15.00	-	7.50	22.50
Year ending Dec.31, 2011 (actual)	-				
Year ending Dec.31, 2011 (forecast)		9.00	-	9.00	18.00

Note: Revision of dividend forecast during the period: None

The 2-for-1 share split was made on August 25, 2010. The 2Q-end dividend per share for the year ended Dec.31, 2010 did not take the share split into consideration. If the share split had been implemented at the end of Dec. 2009, total dividends per share for the year ended Dec. 2010 would have been equivalent to 15 yen.

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

(Percentages show the change from the same period of previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q-end (accumulated)	9,939	19.5	813	27.9	807	25.7	447	21.7	30.28
Full year	20,548	16.2	1,611	23.2	1,604	21.0	900	19.8	61.00

Note: Revision of consolidated forecast during the period: None

#### 4. Others

(1) Application of simplified accounting methods and special accounting methods for the preparation of quarterly financial statements: Yes

(2) Changes in accounting principles, procedures and presentation methods for the preparation of quarterly financial statements:

1) Changes caused by the revision of accounting standards, etc.: Yes

2) Changes other than mentioned in 1): None

(3) Number of shares outstanding (common shares)

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

Mar.31, 2011:	14,884,800 shares	Dec.31, 2010:	14,864,400 shares
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2) Number of treasury stocks at the end of period

Mar.31, 2011:	100,140 shares	Dec.31, 2010:	100,118 shares
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3) Average number of shares outstanding during the period

Three months ended Mar.31, 2011:	14,776,667 shares	Three months ended Mar.31, 2010:	7,397,085 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 forecasts above are based on the judgments made in accordance with information currently available. Forecasts therefore include risks and uncertainties. Actual figures may differ from these forecasts due to subsequent changes in the circumstances.

## Qualitative Information on the Financial Statements

### 1. Qualitative Information Regarding Results of Operations

The Japanese economy during the first quarter of the fiscal year ending December 31, 2011 had been showing a modest recovery trend in response to an improvement of corporate performance due mainly to the increase of exports to developing countries, especially to Asian countries. However, the devastating effects of the Great East Japan Earthquake, which occurred on March 11, 2011, and subsequent power supply disruptions have caused an incalculable damage to the Japanese economy, and Japan faces a difficult situation with concerns about a potential economic downturn.

The market for industrial MRO products, for which we serve as a supplier, had also been seeing a demand recovery for replacement parts and industrial consumables for manufacturing facilities to the level of before the Lehman Shock due to the recovery in capacity utilization of domestic manufacturers. The Earthquake has now influenced consumer spending, damaged factories and caused an electricity shortage resulting in a fall in production and exports, and accordingly, the current market situation is unclear although we expect future demand for recovery.

In this economic environment, we have continued to engage actively, with a particular focus on preventing a separation of our existing customers and gaining new customers. Promotional activities included advertising on the Internet and, by utilizing data mining tools, efficiently distributing flyers through facsimile and direct mail. In addition, we published a new office supplies catalog targeting completely new potential customers. We have also proactively updated the usability of our website to meet a wide range of customer requirements, introduced a search system enabling users to search for goods more quickly, and focused on increasing the frequency of customer purchase by implementing a daily discount program on particular categories. In addition, after the earthquake the PSEN.MonotaRO website (Product Shipped by Emergency Network) was launched for the customers in the afflicted areas in order to deliver materials such as safety goods, construction materials or lights that they really need, transferring to the distribution center of a logistics company in Tohoku district. We decided to donate a part of our sales via this website through the Red Cross Society. Consequently, we have successfully obtained 33,031 newly registered accounts for the first quarter and the number of registered accounts totalled 605,163 as of the end of first quarter.

All of our efforts mentioned above have resulted in net sales of 5,110 million yen, or a 25.1% increase from the same period of the previous fiscal year. In terms of profitability during the first quarter, operating income increased to 517 million yen, or a 76.4% increase due to the increase in profit margins, though labor costs for the Amagasaki Logistics Center and other variable costs increased in response to the sales growth. Ordinary income also increased to 523 million yen, or a 77.2% increase from the same period of the previous fiscal year due partially to favorable foreign exchange rates. Consequently, net income increased to 286 million yen, or a 70.0% increase from the same period of the previous fiscal year.

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

#### (1) Factory consumables

Net sales amounted to 2,304 million yen (17.8% increase from the same period of previous fiscal year) due to the increase in sales of almost all categories such as power tools, cleaning goods, masks, working gloves.

#### (2) Factory replacement parts

Net sales amounted to 1,936 million yen (27.1% increase from the same period of previous fiscal year) due largely to the substantial increase in sales of automobile maintenance and truck related products for the automobile aftermarket and the strong sales of electrical supplies and shipping or packing products.

#### (3) Other supplies

Net sales amounted to 869 million yen (44.1% increase from the same period of previous fiscal year) due to the sales increase in construction materials, laboratory equipment, lighting-batteries, office supplies and other items.

**Forecast for FY2011**

Though the Japanese economy finally got out of its slump and showed signs of a gradual recovery, the occurrence of the Great East Japan Earthquake may cause production activity to stagnate or affect the severity of the employment situation. That may also impact small-and-midsized manufacturers or automobile services firms, which are our main customers, and therefore, it is expected that the business conditions diffusion index will reflect uncertainty about the future.

In this severe environment, our financial results exceeded plans for the first quarter. Though we would expect sales growth due to the demand related to restoration for the following periods, rising material costs from an increase in the price of crude oil, restrictions on electricity usage or the delay of the reconstruction of supply chains may result in an economic downturn and greater uncertainty, so we have not changed the forecast disclosed on January 28, 2011.

# Non-consolidated quarterly balance sheets

(In thousand of yen)

Items	As of Mar. 31, 2011	As of Dec. 31, 2010
<b>Assets</b>		
Current assets		
Cash and deposits	1,001,016	1,240,833
Notes and accounts receivable-trade	2,380,088	2,230,131
Merchandise	1,670,554	1,601,291
Goods in transit	89,341	45,861
Supplies	34,555	51,864
Accounts receivable-other	529,651	554,223
Other	159,277	140,618
Allowance for doubtful accounts	(28,785)	(23,646)
Total current assets	5,835,699	5,841,178
Noncurrent assets		
Property, plant and equipment	189,708	162,623
Intangible assets	545,124	530,690
Investments and other assets		
Guarantee deposits	147,593	150,696
Other	67,785	56,322
Allowance for doubtful accounts	(16,872)	(17,688)
Total investments and other assets	198,506	189,331
Total noncurrent assets	933,339	882,645
Total assets	6,769,039	6,723,823
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,779,076	1,534,220
Short-term loans payable	800,000	800,000
Accounts payable-other	315,156	564,934
Income taxes payable	227,661	405,693
Provision for bonuses	55,433	22,056
Provision for directors' bonuses	7,937	12,656
Other	108,176	100,217
Total current liabilities	3,293,442	3,439,779
Noncurrent liabilities		
Provision for directors' retirement benefits	32,318	27,357
Total noncurrent liabilities	32,318	27,357
Total liabilities	3,325,761	3,467,136
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,695,822	1,692,844
Capital surplus	500,360	497,381
Retained earnings	1,295,787	1,120,457
Treasury stock	(83,388)	(83,367)
Total shareholders' equity	3,408,581	3,227,316
Subscription rights to shares	34,695	29,370
Total net assets	3,443,277	3,256,687
Total liabilities and net assets	6,769,039	6,723,823

## Non-consolidated quarterly statements of income

(In thousand of yen)

	Three months ended Mar. 31, 2010	Three months ended Mar. 31, 2011
Net sales	4,083,833	5,110,904
Cost of sales	2,960,272	3,670,587
Gross profit	1,123,561	1,440,317
Selling, general and administrative expenses	830,089	922,520
Operating income	293,471	517,797
Non-operating income		
Interest income	36	13
Foreign exchange gains	3,196	5,116
Other	2,167	3,510
Total non-operating income	5,399	8,641
Non-operating income		
Interest expenses	2,171	1,939
Loss on disposal of inventories	—	495
Other	951	5
Total non-operating expenses	3,123	2,441
Ordinary income	295,748	523,997
Extraordinary loss		
Loss on retirement of noncurrent assets	151	1,525
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	25,776
Total extraordinary losses	151	27,302
Income before income taxes	295,596	496,694
Income taxes-current	115,519	220,709
Income taxes-deferred	11,803	(10,076)
Total income taxes	127,322	210,633
Net income	168,273	286,061

# Non-consolidated quarterly statements of cash flows

(In thousand of yen)

	Three months ended Mar. 31, 2010	Three months ended Mar. 31, 2011
Net cash provided by (used in) operating activities		
Income before income taxes	295,596	496,694
Depreciation and amortization	44,111	53,895
Increase (decrease) in allowance for doubtful accounts	5,109	4,323
Increase (decrease) in provision for bonuses	17,966	31,460
Increase (decrease) in provision for directors' bonuses	(2,400)	(4,718)
Increase (decrease) in provision for directors' retirement benefit	6,839	4,961
Interest and dividends income	(36)	(13)
Interest expenses	2,171	1,939
Foreign exchange losses (gains)	(3,196)	(5,116)
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	25,167
Decrease (increase) in notes and accounts receivable-trade	(209,853)	(149,957)
Decrease (increase) in inventories	(70,438)	(95,433)
Decrease (increase) in accounts receivable-other	(26,712)	24,572
Increase (decrease) in notes and accounts payable-trade	52,349	249,972
Increase (decrease) in accounts payable-other	(54,760)	(273,594)
Other, net	23,499	(11,047)
Subtotal	80,244	353,107
Interest and dividends income received	36	13
Interest expenses paid	(2,179)	(1,959)
Income taxes paid	(364,690)	(392,947)
Net cash provided by (used in) operating activities	(286,588)	(41,785)
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(10,206)	(22,896)
Purchase of intangible assets	(40,353)	(54,896)
Payments for guarantee deposits	—	(22,064)
Other, net	1,010	36
Net cash provided by (used in) investment activities	(49,549)	(99,821)
Net cash provided by (used in) financing activities		
Proceeds from exercise of stock option	3,153	5,956
Purchase of treasury stock	—	(21)
Cash dividends paid	(191,661)	(104,145)
Net cash provided by (used in) financing activities	(188,508)	(98,210)
Net increase (decrease) in cash and cash equivalents	(524,647)	(239,817)
Cash and cash equivalents at beginning of period	1,532,574	1,240,833
Cash and cash equivalents at end of period	1,007,927	1,001,016