

Financial Results for the First Half of Fiscal Year Ending December 31, 2011 (Six Months Ended June 30, 2011)

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

Listing: Tokyo Stock Exchange, First Section

Stock code: 3064

 URL: <http://www.monotaro.com>

Representative: Kinya Seto, President & CEO

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Scheduled date of filing of Quarterly Report: August 11, 2011

Starting date of dividend payment: September 12, 2011

(Figures are rounded down to the nearest million yen)

1. Financial Results for the First Half (January 1, 2011 – June 30, 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	%
Six months ended Jun.30, 2011	10,513	26.4	1,086	70.7	1,105	72.0	621	69.2
Six months ended Jun.30, 2010	8,319	23.7	636	43.8	643	45.4	367	46.2

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun.30, 2011	42.07	40.99
Six months ended Jun.30, 2010	49.73	48.85

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 Jun. 30, 2011	7,928	3,767	47.0	252.38
As of Dec. 31, 2010	6,723	3,256	48.0	218.59

Reference: Shareholders' equity Jun.30, 2011: 3,726 million yen Dec.31, 2010: 3,227 million yen

2. Dividends

Record date	Dividends per share				
	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)	-	9.00	-	-	-
Year ending Dec.31, 2011 (forecast)	-	-	-	4.50	13.50

Note: Revision of dividend forecast during the period: None

The Company implemented a 2-for-1 share split on August 25, 2010. If the share split had been implemented at the beginning of 2010, total annual dividends per share for the year ended December 31, 2010 would have been equivalent to 15 yen.

As announced separately today, the Company is also going to implement a 2-for-1 share split on August 16, 2011. If this share split were not implemented, total annual dividends per share for the year ending December 31, 2011 would be equivalent to 18 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
Full year	21,861	23.6	1,962	50.1	1,981	49.5	1,105	47.0	74.86

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)

Jun.30, 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

Jun.30, 2011:	118,640 shares	Dec.31, 2010:	100,118 shares
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3) Average number of shares outstanding during the period

Six months ended Jun.30, 2011:	14,771,414 shares	Six months ended Jun.30, 2010:	7,387,118 shares
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Note: The Company implemented a 2-for-1 share split on August 25, 2010.

*** Statements with respect to quarterly review procedures**

This interim report of financial results is out of scope from quarterly review procedures by independent auditors in accordance with the Financial Instruments and Exchange Act. As of the date of the disclosure of this report, quarterly review procedures to interim financial statements in accordance with Financial Instruments and Exchange Act have not yet completed.

*** 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 half of the fiscal year ending December 31, 2011 showed a modest recovery trend such as an improvement of corporate performance due mainly to the increase of exports to developing countries, especially to Asian countries. However, while there was concern about the Great East Japan Earthquake and subsequent restrictions of power supply resulting in an incalculable damage to the Japanese economy, the economic situation bottomed out and has been gradually recovering from the recession during the latter part of the first half year.

Meanwhile, 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 during the early part of the first half year. Though the earthquake resulted in worsening consumer spending, a fall in production and exports due to damaged factories and an electricity shortage for a while, the market situation has been recovering accompanying a recovery of the Japanese economy.

In this economic environment, we have continued to engage actively, with a particular focus on preventing a loss of any 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. Moreover, we newly opened Sendai Logistics Center in Tagajo-city, Miyagi pref. in May in order to correspond to demand for reconstruction after the earthquake. Consequently, we have successfully obtained 68,539 newly registered accounts for the first half of the fiscal year and the number of registered accounts totaled 640,671 as of the end of second quarter.

All of our efforts mentioned above have resulted in net sales of 10,513 million yen, or a 26.4% increase from the same period of the previous fiscal year. In terms of profitability during the six-month period ended June 30, 2011, operating income increased to 1,086 million yen, or a 70.7% increase due to the increase in profit margins, though labor costs for the Logistics Center and variable costs increased in response to the sales growth and fixed costs increased due to the opening of Sendai Logistics Center. Ordinary income also increased to 1,105 million yen, or a 72.0% increase from the same period of the previous fiscal year due partially to favorable foreign exchange rates. Consequently, net income significantly increased to 621 million yen, or a 69.2% increase from the same period of the previous fiscal year.

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

(1) Factory consumables

Net sales amounted to 4,691 million yen (19.4% increase from the same period of previous fiscal year) due to the increase in sales of all categories such as cleaning goods, power and air compression tools, measuring equipment and sprays.

(2) Factory replacement parts

Net sales amounted to 3,934 million yen (26.4% 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 logistics or packing products, electrical materials and compressors.

(3) Other supplies

Net sales amounted to 1,887 million yen (47.8% increase from the same period of previous fiscal year) due to the sales increase in construction materials, laboratory equipment, HVAC equipment, lighting equipment and other items.

Forecast for FY2011

We have revised the forecast for the fiscal year 2011, disclosed on January 28, 2011, based on the results of the first half of the fiscal year and prospective future analysis. This revision was announced on July 19, 2011. For details, please refer the notice for the revision of the forecasted results for the first half of fiscal year ending December 31, 2011 and that for the full fiscal year ending December 31, 2011.

Non-consolidated quarterly balance sheets

(In thousand of yen)

Items	As of Jun. 30, 2011	As of Dec. 31, 2010
Assets		
Current assets		
Cash and deposits	1,355,544	1,240,833
Notes and accounts receivable-trade	2,508,719	2,230,131
Merchandise	2,318,624	1,601,291
Goods in transit	73,223	45,861
Supplies	21,211	51,864
Accounts receivable-other	550,280	554,223
Other	147,631	140,618
Allowance for doubtful accounts	(26,056)	(23,646)
Total current assets	6,949,179	5,841,178
Noncurrent assets		
Property, plant and equipment	209,089	162,623
Intangible assets	561,011	530,690
Investments and other assets		
Guarantee deposits	151,420	150,696
Other	75,178	56,322
Allowance for doubtful accounts	(17,209)	(17,688)
Total investments and other assets	209,389	189,331
Total noncurrent assets	979,491	882,645
Total assets	7,928,670	6,723,823
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,859,634	1,534,220
Short-term loans payable	1,300,000	800,000
Accounts payable-other	337,675	564,934
Income taxes payable	490,065	405,693
Provision for bonuses	28,341	22,056
Provision for directors' bonuses	19,969	12,656
Other	93,076	100,217
Total current liabilities	4,128,763	3,439,779
Noncurrent liabilities		
Provision for directors' retirement benefits	32,318	27,357
Total noncurrent liabilities	32,318	27,357
Total liabilities	4,161,082	3,467,136
Net assets		
Shareholders' equity		
Capital stock	1,695,822	1,692,844
Capital surplus	500,360	497,381
Retained earnings	1,631,162	1,120,457
Treasury stock	(100,689)	(83,367)
Total shareholders' equity	3,726,655	3,227,316
Subscription rights to shares	40,931	29,370
Total net assets	3,767,587	3,256,687
Total liabilities and net assets	7,928,670	6,723,823

Non-consolidated quarterly statements of income

(In thousand of yen)

	Six months ended Jun. 30, 2010	Six months ended Jun. 30, 2011
Net sales	8,319,544	10,513,318
Cost of sales	6,021,255	7,534,860
Gross profit	2,298,288	2,978,457
Selling, general and administrative expenses	1,661,867	1,892,241
Operating income	636,420	1,086,216
Non-operating income		
Interest income	36	13
Foreign exchange gains	7,344	16,527
Other	5,564	9,340
Total non-operating income	12,944	25,881
Non-operating expenses		
Interest expenses	4,278	3,913
Other	2,055	2,246
Total non-operating expenses	6,333	6,159
Ordinary income	643,032	1,105,937
Extraordinary income		
Difference in execution of assets retirement obligation	—	778
Total extraordinary income	—	778
Extraordinary loss		
Loss on retirement of noncurrent assets	151	1,588
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	25,776
Total extraordinary losses	151	27,365
Income before income taxes	642,880	1,079,349
Income taxes-current	282,581	477,188
Income taxes-deferred	(7,074)	(19,275)
Total income taxes	275,507	457,913
Net income	367,372	621,436

Non-consolidated quarterly statements of cash flows

(In thousand of yen)

	Six months ended Jun. 30, 2010	Six months ended Jun. 30, 2011
Net cash provided by (used in) operating activities		
Income before income taxes	642,880	1,079,349
Depreciation and amortization	90,387	113,959
Increase (decrease) in allowance for doubtful accounts	2,170	1,930
Increase (decrease) in provision for bonuses	15,488	5,071
Increase (decrease) in provision for directors' bonuses	4,199	7,313
Increase (decrease) in provision for directors' retirement benefit	13,678	4,961
Interest and dividends income	(36)	(13)
Interest expenses	4,278	3,913
Foreign exchange losses (gains)	(7,344)	(16,527)
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	25,555
Decrease (increase) in notes and accounts receivable-trade	(219,041)	(278,588)
Decrease (increase) in inventories	(256,723)	(714,041)
Decrease (increase) in accounts receivable-other	20,517	45,752
Increase (decrease) in notes and accounts payable-trade	(36,809)	341,940
Increase (decrease) in accounts payable-other	(70,349)	(223,014)
Other, net	21,387	478
Subtotal	224,682	398,043
Interest and dividends income received	36	13
Interest expenses paid	(4,290)	(4,920)
Income taxes paid	(364,690)	(392,944)
Net cash provided by (used in) operating activities	(144,262)	192
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(18,187)	(78,776)
Purchase of intangible assets	(88,454)	(116,640)
Payments for guarantee deposits	—	(68,089)
Other, net	1,057	72
Net cash provided by (used in) investment activities	(105,583)	(263,433)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	—	500,000
Proceeds from exercise of stock option	7,708	5,956
Purchase of treasury stock	(76,599)	(17,322)
Cash dividends paid	(219,344)	(110,681)
Net cash provided by (used in) financing activities	(288,235)	377,952
Net increase (decrease) in cash and cash equivalents	(538,081)	114,710
Cash and cash equivalents at beginning of period	1,532,574	1,240,833
Cash and cash equivalents at end of period	994,493	1,355,544