

Consolidated Financial Results for the First Six Months of Fiscal Year Ending December 31, 2013 (Six Months Ended June 30, 2013)

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

Stock code: 3064

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Scheduled date to file Quarterly Securities Report: August 8, 2013

Scheduled date of dividend payments: September 11, 2013

Supplementary materials: Yes Investors meeting: Yes

Listing: Tokyo Stock Exchange, First Section

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

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended June 30, 2013

(January 1, 2013 – June 30, 2013)

(1) Consolidated 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, 2013	15,991	16.9	2,061	44.8	2,074	44.1	1,336	61.4
Six months ended Jun.30, 2012	13,677	-	1,423	-	1,439	-	828	-

Note: Comprehensive income: Six months ended Jun.30, 2013: 1,330 million yen (60.1 %)

Six months ended Jun.30, 2012: 831 million yen (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun.30, 2013	22.06	21.56
Six months ended Jun.30, 2012	13.87	13.47

The Company implemented a 2-for-1 share split on April 23, 2013. The net income per share and diluted net income per share were stated based on the assumption that the share split was implemented at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun.30, 2013	12,022	6,701	55.3
As of Dec.31, 2012	11,265	5,588	48.7

Reference: Shareholders' equity Jun.30, 2013: 6,645 million yen Dec.31, 2012: 5,489 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Dec.31, 2012	-	8.00	-	8.00	16.00
Year ending Dec.31, 2013 (actual)	-	6.00			
Year ending Dec.31, 2013 (forecast)			-	6.00	12.00

Note: Amendments to dividend forecast compared with the most recent disclosure: None

The Company implemented a 2-for-1 share split on April 23, 2013. The 2Q-end and year-end dividend for the year ended December 31, 2012 would have been equivalent to 4 yen and annual dividend for that year would have been equivalent to 8 yen based on the assumption that the share split was implemented at the beginning of the previous fiscal year.

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2013 (January 1, 2013 – December 31, 2013)

(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	35,333	22.9	4,046	38.3	4,046	37.6	2,407	42.5	39.69

Note: Revision of consolidated forecast during this quarter: None

The Company implemented a 2-for-1 share split on April 23, 2013. The forecasts of net income per share were stated based on the assumption that the share split was implemented at the beginning of this fiscal year.

4. Others

(1) Changes in the number of material subsidiaries resulting changes in scope of consolidation during the six-month period ended June 30, 2013: Yes

Number of newly included subsidiaries: 1 company (Company name) NAVIMRO Co., Ltd.

Number of excluded subsidiaries: -

Although K-engine Corporation has been excluded from the scope of consolidation during the six-month period ended June 30, 2013 due to the transfer of the entire portion of its shares owned by the Company, this change was not included in the number of excluded subsidiaries because K-engine Corporation was not a material subsidiary.

(2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles and estimates, or retrospective restatements:

1) Changes in accounting principles caused by the revision of accounting standards: None

2) Changes in accounting principles other than mentioned in 1): None

3) Changes in estimates: None

4) Retrospective restatements: None

(4) Number of shares outstanding (common shares)

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

Jun.30, 2013:	61,226,400 shares	Dec.31, 2012:	60,860,000 shares
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2) Number of treasury stock at the end of period

Jun.30, 2013:	532,026 shares	Dec.31, 2012:	524,340 shares
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3) Average number of shares outstanding during the period

Six months ended Jun.30, 2013:	60,595,284 shares	Six months ended Jun.30 2012:	59,713,027 shares
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The Company implemented a 2-for-1 share split on April 23, 2013. The number of shares outstanding and the number of treasury stock at the end of each period and the average number of shares outstanding during each period were stated based on the assumption that the share split was implemented at the beginning of the previous fiscal year.

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

This quarterly 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 on the quarterly financial statements in accordance with the Financial Instruments and Exchange Act have not yet been 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.

1. Qualitative Information on the Consolidated Financial Statements

(1) Qualitative Information Regarding Consolidated Results of Operations

The Japanese economy during the first six months of the fiscal year ending December 31, 2013 was moderately picking up as a whole and showing signs of economic recovery due to favorable business sentiment among export-related companies, led by the depreciation in the Japanese yen and higher corporate stock prices in line with the effects and expectations on economic and monetary policies pursued by the new government.

Meanwhile, the market situation for industrial MRO products, for which we serve as a supplier, was experiencing strong expectations of economic recovery in connection with economic stimulus policy. However, an actual recovery in operations was slow and the factory utilization rate among domestic manufacturers, our main customers, remained low though certain sectors started to see growth in their production activities.

In this economic environment, we have continued to engage actively, with a particular focus on advertising on the Internet and, by utilizing data mining tools, efficiently distributing flyers through facsimile and direct mail. In addition, we newly published Screw Bolt Catalog Vol. 1 in March featuring 15,000 selected products, in commemoration of exceeding 350,000 screw and bolt related goods, achieving the highest level in terms of range of products in Japan. We have also aggressively engaged in improving customer efficiency and supporting purchases of MRO products seeking to be a one-stop purchase outlet for every customer by expanding our product line to more than 3 million products in order to meet a wide range of customer requirements. Moreover, we have focused on increasing the frequency of customer purchases by implementing daily discount programs and various campaigns on particular categories. Consequently, we have successfully obtained 111,345 (*) newly registered accounts for the first six months of the fiscal year and the number of registered accounts totaled 1,003,507 (*), achieving more than 1 million customers as of the end of the second quarter of this fiscal year.

In terms of consolidation scope, K-engine Corporation was excluded from the scope of consolidation due to the transfer of all of its shares that had been owned by the Company. In addition, a wholly-owned subsidiary established in Korea which started its business operations in April, 2013, was newly included in the scope of consolidation.

All of our efforts mentioned above resulted in net sales of 15,991 million yen, or a 16.9% increase from the same period of the previous fiscal year. In terms of profitability during the six-month period ended June 30, 2013, operating income increased to 2,061 million yen, a 44.8% increase due to larger profit margins, though labor costs for the Logistics Center and variable costs in response to sales growth and promotion costs aimed at obtaining new customers increased. Ordinary income also increased to 2,074 million yen, a 44.1% increase from the same period of the previous fiscal year, and net income increased to 1,336 million yen, a corresponding 61.4% increase.

(*): The numbers of registered accounts include only those on a non-consolidated basis.

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

1) Factory consumables

Net sales amounted to 6,472 million yen (a 11.6% increase from the same period of the previous fiscal year) due to an increase in sales of hand tools, cleaning supplies and sprays.

2) Factory replacement parts

Net sales amounted to 6,422 million yen (a 21.5% increase from the same period of the 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 supplies and control equipments.

3) Other supplies

Net sales amounted to 3,096 million yen (a 19.5% increase from the same period of the previous fiscal year) due to the sales increase in laboratory equipment, office supplies and construction materials.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets at June 30, 2013 (the end of the first six months of the fiscal year ending December 31, 2013) amounted to 12,022 million yen, an increase of 756 million yen from the end of the previous fiscal year. Current assets amounted to 10,736 million yen, an increase of 627 million yen. This was attributable to increases of 345 million yen, 223 million yen and 180 million yen in cash and deposits, accounts receivable and inventories, respectively. Non-current assets amounted to 1,285 million yen, an increase of 129 million yen.

On the other hand, total liabilities at June 30, 2013 amounted to 5,320 million yen, a decrease of 356 million yen from the end of the previous fiscal year. Current liabilities amounted to 5,173 million yen, a decrease of 406 million yen. This was due mainly to decreases of 471 million yen in accounts payable-other. Non-current liabilities amounted to 147 million yen, an increase of 50 million yen.

Total net assets amounted to 6,701 million yen, an increase of 1,112 million yen from the end of the previous fiscal year. This largely comprised net income of 1,336 million yen and dividend payments of 241 million yen for the first six months of the year ending December 31, 2013.

As a result, the equity ratio at June 30, 2013 was 55.3%, up 6.6 percentage points from the end of the previous fiscal year.

(3) Forecast for the Fiscal Year Ending December 31, 2013

There is still uncertainty over the future outlook of the Japanese economy because of concerns over a decline in the world economy due to an economic slowdown in developing countries centered around China and unstable foreign exchange rates, with increasing concerns over a decline in economic growth influenced by the high material prices related to import goods and raised electricity charges although the situation is showing signs of improvements of business sentiment accelerated by the depreciation in the Japanese yen and higher corporate stock prices reflecting the Japanese government's economic and monetary measures.

In this environment, our financial results for the first six months of the fiscal year ending December 31, 2013 slightly underperformed our sales plan despite aggressive promotion activities and an implementation of the improvement in customer efficiency related to preventing any loss of existing customers in addition to acquiring new customers. However, profits exceeded our plan. Though an optimistic forecast is not justified given the uncertainty about the future, the consolidated forecast for fiscal year ending December 31, 2013, disclosed on January 29, 2013, has not been changed at this time.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period:

NAVIMRO Co., Ltd., a newly established subsidiary, was included in the scope of consolidation in the first six months of the fiscal year ending December 31, 2013 while K-engine Corporation was excluded from the scope of consolidation due to the transfer of the entire portion of its shares that had been owned by the Company during the same period.

(2) Application of Special Accounting Practices in the Preparation of the Quarterly Consolidated Financial Statements:

Not applicable

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements:

Not applicable

3. Significant Events Related to Going Concern Assumptions

Not applicable

4. Consolidated Quartely Financial Statements

(1) Consolidated quarterly balance sheets

Accounts	As of Dec. 31, 2012	(In thousands of yen) As of Jun. 30, 2013
Assets		
Current assets		
Cash and deposits	2,925,592	3,270,628
Accounts receivable-trade	2,868,409	3,091,524
Merchandise	2,892,239	3,072,419
Goods in transit	142,835	75,801
Supplies	112,872	37,313
Accounts receivable-other	1,021,414	1,024,444
Other	173,667	187,955
Allowance for doubtful accounts	(27,352)	(23,271)
Total current assets	<u>10,109,678</u>	<u>10,736,816</u>
Noncurrent assets		
Property, plant and equipment	171,324	181,195
Intangible assets	762,953	828,091
Investments and other assets		
Guarantee deposits	136,168	138,313
Other	101,908	155,112
Allowance for doubtful accounts	(16,298)	(17,169)
Total investments and other assets	<u>221,778</u>	<u>276,256</u>
Total noncurrent assets	<u>1,156,055</u>	<u>1,285,543</u>
Total assets	<u>11,265,734</u>	<u>12,022,359</u>
Liabilities		
Current liabilities		
Accounts payable-trade	2,178,842	2,152,625
Short-term loans payable	1,300,000	1,300,000
Accounts payable-other	966,409	495,047
Income taxes payable	844,575	943,550
Provision for employees' bonuses	34,740	38,544
Provision for directors' bonuses	24,663	20,883
Other	230,807	222,541
Total current liabilities	<u>5,580,039</u>	<u>5,173,192</u>
Noncurrent liabilities		
Provision for directors' retirement benefits	87,268	140,020
Other	9,598	7,346
Total noncurrent liabilities	<u>96,866</u>	<u>147,366</u>
Total liabilities	<u>5,676,906</u>	<u>5,320,559</u>
Net assets		
Shareholders' equity		
Capital stock	1,771,616	1,810,554
Capital surplus	576,154	615,092
Retained earnings	3,267,044	4,362,545
Treasury stock	(125,197)	(143,063)
Total shareholders' equity	<u>5,489,617</u>	<u>6,645,127</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	-	(6,532)
Total accumulated other comprehensive income	<u>-</u>	<u>(6,532)</u>
Subscription rights to shares	68,077	63,205
Minority interests	31,132	-
Total net assets	<u>5,588,827</u>	<u>6,701,800</u>
Total liabilities and net assets	<u>11,265,734</u>	<u>12,022,359</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	Six months ended Jun. 30, 2012	(In thousands of yen) Six months ended Jun. 30, 2013
Net sales	13,677,176	15,991,165
Cost of sales	9,846,555	11,075,900
Gross profit	3,830,621	4,915,264
Selling, general and administrative expenses	2,406,896	2,853,635
Operating income	1,423,724	2,061,628
Non-operating income		
Interest income	18	339
Foreign exchange gains	12,211	8,652
Sales incentives	2,506	4,663
Other	10,001	9,592
Total non-operating income	24,737	23,247
Non-operating expenses		
Interest expenses	6,334	5,927
Loss on disposal of inventories	1,754	2,035
Other	764	2,053
Total non-operating expenses	8,853	10,017
Ordinary income	1,439,608	2,074,858
Extraordinary income		
Gain on sales of subsidiaries' stocks	-	138,404
Total extraordinary income	-	138,404
Extraordinary loss		
Loss on disposal of fixed assets	30	6,499
Total extraordinary losses	30	6,499
Income before income taxes and minority interests	1,439,577	2,206,762
Income taxes-current	624,801	930,225
-deferred	(16,341)	(60,305)
Total income taxes	608,459	869,919
Income before minority interests	831,117	1,336,843
Minority interests	2,635	-
Net income	828,482	1,336,843
Minority interests	2,635	-
Income before minority interests	831,117	1,336,843
Other comprehensive income		
Foreign currency translation adjustment	-	(6,532)
Total other comprehensive income	-	(6,532)
Comprehensive income	831,117	1,330,310
Comprehensive income attributable to:		
Owners of the parent	828,482	1,330,310
Minority interests	2,635	-

(3) Consolidated quarterly statements of cash flows

Accounts	Six months ended Jun. 30, 2012	(In thousands of yen) Six months ended Jun. 30, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,439,577	2,206,762
Depreciation and amortization	126,518	166,967
Increase (decrease) in allowance for doubtful accounts	(4,755)	(3,209)
Increase (decrease) in provision for bonuses	3,444	(495)
Increase (decrease) in provision for directors' bonuses	10,544	(3,780)
Increase (decrease) in provision for directors' retirement benefits	54,949	52,752
Interest income	(18)	(339)
Interest expenses	6,334	5,927
Gain on sales of subsidiaries' stocks	-	(138,404)
Decrease (increase) in notes and accounts receivable-trade	(438,381)	(236,277)
Decrease (increase) in inventories	(19,978)	(50,591)
Decrease (increase) in accounts receivable-other	25,672	917
Increase (decrease) in notes and accounts payable-trade	134,548	(1,041)
Increase (decrease) in accounts payable-other	(291,825)	(441,661)
Other, net	115,903	6,410
Subtotal	<u>1,162,534</u>	<u>1,563,937</u>
Interest income received	18	232
Interest expenses paid	(6,304)	(5,834)
Income taxes paid	(610,307)	(829,945)
Net cash provided by (used in) operating activities	<u>545,940</u>	<u>728,390</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	-	(200,000)
Purchase of property, plant and equipment	(15,585)	(41,532)
Purchase of intangible assets	(134,210)	(201,681)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	70,835
Other, net	45	(7,104)
Net cash provided by (used in) investment activities	<u>(149,750)</u>	<u>(379,482)</u>
Net cash provided by (used in) financing activities		
Proceeds from exercise of stock option	17,270	63,207
Purchase of treasury stock	(24,425)	(17,866)
Cash dividends paid	(209,212)	(242,094)
Other, net	(1,164)	(1,164)
Net cash provided by (used in) financing activities	<u>(217,531)</u>	<u>(197,918)</u>
Effect of exchange rate change on cash and cash equivalents	-	(5,953)
Net increase (decrease) in cash and cash equivalents	<u>178,658</u>	<u>145,035</u>
Cash and cash equivalents at beginning of period	<u>1,519,895</u>	<u>2,825,592</u>
Cash and cash equivalents at end of period	<u>1,698,553</u>	<u>2,970,628</u>