

Consolidated Financial Results for the First Three Months of Fiscal Year Ending December 31, 2014 (Three Months Ended March 31, 2014)

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

Stock code: 3064

Representative: Masaya Suzuki, President & COO

Contact: Tetsuya Koda, Executive Officer, Director of Admin. Dept.

Scheduled date to file Quarterly Securities Report: May 13, 2014

Scheduled date of dividend payments: -

Supplementary materials: Yes Investors meeting: None

Listing: Tokyo Stock Exchange, First Section

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(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended March 31, 2014

(January 1, 2014 – March 31, 2014)

(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	%
Three months ended Mar.31, 2014	10,831	39.9	1,217	27.6	1,229	28.6	735	11.7
Three months ended Mar.31, 2013	7,739	15.7	954	44.9	956	45.4	658	75.2

Note: Comprehensive income: Three months ended Mar.31, 2014: 728 million yen (12.7 %)

Three months ended Mar.31, 2013: 646 million yen (71.2 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar.31, 2014	12.06	11.86
Three months ended Mar.31, 2013	10.89	10.63

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar.31, 2014	14,740	7,737	52.0
As of Dec.31, 2013	14,505	7,355	50.2

Reference: Shareholders' equity

Mar.31, 2014: 7,661 million yen

Dec.31, 2013: 7,282 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, 2013	-	6.00	-	6.00	12.00
Year ending Dec.31, 2014 (actual)	-				
Year ending Dec.31, 2014 (forecast)		7.00	-	7.00	14.00

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2014 (January 1, 2014 – December 31, 2014)

(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
Half year (Total)	20,084	25.6	1,898	-7.9	1,893	-8.7	1,101	-17.6	17.90
Full year	42,647	23.4	4,210	8.4	4,197	7.6	2,444	6.8	40.07

Note: Revision of consolidated forecast during this quarter: None

4. Others

(1) Changes in the number of material subsidiaries resulting changes in scope of consolidation during the three-month period ended March 31, 2014: None

(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)

Mar.31, 2014:	61,540,000 shares	Dec.31, 2013:	61,458,400 shares
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2) Number of treasury stock at the end of period

Mar.31, 2014:	532,026 shares	Dec.31, 2013:	532,026 shares
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3) Average number of shares outstanding during the period

Three months ended Mar.31, 2014:	61,002,907 shares	Three months ended Mar.31, 2013:	60,516,193 shares
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*** 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 three months of the fiscal year ending December 31, 2014 moderately reflected an upturn in economic conditions as a whole due to the rebound of corporate performance resulting from the lower yen since the previous year and the underlying support from government policies although concerns exist related to the economic future of developing countries and the decline in demand after the consumption tax hike.

In addition, among mid-to-small manufacturers, the major customers of our industrial MRO products, the economic conditions slowly recovered due to the positive effect of the depreciation of yen that started to be felt from last autumn.

In this economic environment, we have concentrated on acquiring new customers aggressively through internet advertisement (paid listings) and internet search engine optimization (SEO) using Big Data and other measures, such as facsimile and direct mail including e-mail and mail flyers. We generated exposure to our promotions through the new publication of Cost-Cutting Catalog Vol. 3 in the middle of February 2014, featuring approximately 10,000 selected private brand product items in 60 categories. In the meantime, we made the best efforts to satisfy various customer needs through regular order services launching with 11 product items in the middle of March, as well as traditional daily special prices. We also tried to make the best efforts to enhance our visibility through TV commercials broadcasted in Kansai, Nagoya, Nagano and Shizuoka areas at the end of March. In addition, we also focused on enhancing the usability of the website through conducting continuous tests on the website so that customers can more easily find and order products as necessary among our many product items including long-tail products, the total number of which reached approximately seven million with approximately 12.6 thousand product items in stock that can realize the same day shipment as of the end of the first three months of the fiscal year ending December 31, 2014. Consequently, we have successfully obtained 64,423 newly registered accounts for the first three months of the fiscal year and the number of registered accounts totaled 1,186,714 as of the end of the first quarter of this fiscal year.

All of our efforts mentioned above resulted in net sales of 10,831 million yen (39.9% increase from the same period of the previous fiscal year), operating income of 1,217 million yen (27.6% increase from the same period of the previous fiscal year), ordinary income of 1,229 million yen (28.6% increase from the same period of the previous fiscal year), and net income of 735 million yen, a corresponding 11.7% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of March 31, 2014 (the end of the first three months of the fiscal year ending December 31, 2014) amounted to 14,740 million yen, an increase of 235 million yen from the end of the previous fiscal year. Current assets amounted to 12,797 million yen, an increase of 136 million yen. This was attributable to increases of 840 million yen and 298 million yen in accounts receivable-trade and merchandise, respectively, despite the decrease of 1,072 million yen in cash and deposits. Non-current assets amounted to 1,943 million yen, an increase of 98 million yen.

On the other hand, total liabilities as of March 31, 2014 amounted to 7,003 million yen, a decrease of 146 million yen from the end of the previous fiscal year. Current liabilities amounted to 6,686 million yen, a decrease of 101 million yen. This was due mainly to decreases of 613 million yen and 440 million yen in income taxes payable and accounts payable-other, respectively, despite the increase of 891 million yen in accounts payable-trade. Non-current liabilities amounted to 316 million yen, a decrease of 45 million yen.

Total net assets amounted to 7,737 million yen, an increase of 382 million yen from the end of the previous fiscal year. This was largely due to net income of 735 million yen offset by dividend payments of 365 million yen for the first three months of the year ending December 31, 2014.

As a result, the equity ratio as of March 31, 2014 was 52.0%, up 1.8 percentage points from the end of the previous fiscal year.

(3) Forecast for the Fiscal Year Ending December 31, 2014

The Japanese economy has been moderately showing an upturn in economic conditions as a whole, and mid-to-small manufacturers, major customers of our industrial MRO products, have also been showing favorable business sentiment. However, we cannot be optimistic given that the economic situation is still unpredictable due to the uncertainty of the

economic situation in developing countries and the influence of the winding down of quantitative easing in the United States, etc., although our financial achievements in the first three months of this fiscal year slightly exceeded our consolidated forecast for the same period. Therefore, the consolidated forecast for the first half of the fiscal year and fiscal year ending December 31, 2014, disclosed on January 29, 2014, has not been changed at this time.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period: None

(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 Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

Accounts	(In thousands of yen)	
	As of Dec. 31, 2013	As of Mar. 31, 2014
Assets		
Current assets		
Cash and deposits	4,248,933	3,176,525
Accounts receivable-trade	3,760,722	4,600,862
Merchandise	3,023,337	3,322,224
Goods in transit	92,195	111,076
Supplies	126,538	78,959
Accounts receivable-other	1,186,340	1,278,297
Other	250,456	255,127
Allowance for doubtful accounts	(28,206)	(26,035)
Total current assets	12,660,319	12,797,038
Noncurrent assets		
Property, plant and equipment	404,501	475,411
Intangible assets	870,468	914,671
Investments and other assets		
Guarantee deposits	435,263	439,935
Other	151,991	127,451
Allowance for doubtful accounts	(17,001)	(13,515)
Total investments and other assets	570,252	553,871
Total noncurrent assets	1,845,222	1,943,955
Total assets	14,505,541	14,740,993
Liabilities		
Current liabilities		
Accounts payable-trade	2,667,310	3,558,910
Short-term loans payable	1,300,000	1,300,000
Long-term loans payable-current portion	88,901	88,901
Accounts payable-other	1,316,045	875,589
Income taxes payable	1,045,432	431,544
Provision for employees' bonuses	35,725	86,828
Provision for directors' bonuses	20,756	8,777
Provision for voluntary goods collection	64,277	41,641
Other	249,309	294,198
Total current liabilities	6,787,758	6,686,391
Noncurrent liabilities		
Long-term loans payable	179,564	179,564
Provision for directors' retirement benefits	116,680	45,315
Provision for retirement benefits for employees	1,467	5,678
Provision for voluntary goods collection	7,822	3,392
Other	56,442	82,706
Total noncurrent liabilities	361,977	316,657
Total liabilities	7,149,735	7,003,048
Net assets		
Shareholders' equity		
Capital stock	1,821,473	1,829,415
Capital surplus	626,010	633,953
Retained earnings	4,950,943	5,321,136
Treasury stock	(143,063)	(143,063)
Total shareholders' equity	7,255,363	7,641,440
Accumulated other comprehensive income		
Foreign currency translation adjustment	26,957	19,987
Total accumulated other comprehensive income	26,957	19,987
Subscription rights to shares	73,484	76,516
Total net assets	7,355,805	7,737,945
Total liabilities and net assets	14,505,541	14,740,993

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In thousands of yen)	
	Three months period ended Mar. 31, 2013	Three months period ended Mar. 31, 2014
Net sales	7,739,945	10,831,796
Cost of sales	5,354,130	7,697,663
Gross profit	2,385,814	3,134,133
Selling, general and administrative expenses	1,431,360	1,916,393
Operating income	954,454	1,217,740
Non-operating income		
Interest income	162	120
Foreign exchange gains	2,548	9,350
Other	5,174	8,543
Total non-operating income	7,885	18,015
Non-operating expenses		
Interest expenses	3,034	3,289
Loss on disposal of inventories	994	1,423
Subsidiary establishment cost	1,751	-
Other	135	1,152
Total non-operating expenses	5,915	5,866
Ordinary income	956,424	1,229,889
Extraordinary income		
Gain on sales of subsidiaries' stocks	138,404	-
Total extraordinary income	138,404	-
Extraordinary loss		
Loss on disposal of fixed assets	6,419	113
Total extraordinary losses	6,419	113
Income before income taxes and minority interests	1,088,408	1,229,775
Income taxes-current	457,002	422,329
-deferred	(27,465)	71,695
Total income taxes	429,537	494,024
Income before minority interests	658,870	735,751
Net income	658,870	735,751
Income before minority interests	658,870	735,751
Other comprehensive income		
Foreign currency translation adjustment	(12,351)	(6,969)
Total other comprehensive income	(12,351)	(6,969)
Comprehensive income	646,518	728,781
Comprehensive income attributable to:		
Owners of the parent	646,518	728,781
Minority interests	-	-