

## Consolidated Financial Results for the First Six Months of Fiscal Year Ending December 31, 2014 (Six Months Ended June 30, 2014)

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

Stock code: 3064

Representative: Masaya Suzuki, President &amp; COO

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

Scheduled date to file Quarterly Securities Report: August 12, 2014

Scheduled date of dividend payments: September 11, 2014

Supplementary materials: Yes Investors meeting: Yes

Listing: Tokyo Stock Exchange, First Section

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

Telephone: +81-6-4869-7190

*(Figures are rounded down to the nearest million yen)*

### 1. Consolidated Financial Results for the Six Months Ended June 30, 2014

**(January 1, 2014 – June 30, 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	%
Six months ended Jun.30, 2014	21,305	33.2	2,218	7.6	2,243	8.1	1,338	0.1
Six months ended Jun.30, 2013	15,991	16.9	2,061	44.8	2,074	44.1	1,336	61.4

Note: Comprehensive income: Six months ended Jun.30, 2014: 1,349 million yen (1.4 %)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun.30, 2014	21.92	21.57
Six months ended Jun.30, 2013	22.06	21.56

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun.30, 2014	15,219	8,385	54.6
As of Dec.31, 2013	14,505	7,355	50.2

Reference: Shareholders' equity Jun.30, 2014: 8,312 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)	-	7.00			
Year ending Dec.31, 2014 (forecast)			-	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
Full year	44,684	29.3	4,327	11.4	4,345	11.4	2,531	10.6	41.45

Note: Revision of consolidated forecast during this quarter: Yes

Details about the revision of consolidated forecast during this quarter are in "Notice of Revision of Full-year Financial Forecast" released simultaneously with this statement.

#### 4. Others

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

Jun.30, 2014:	61,656,200 shares	Dec.31, 2013:	61,458,400 shares
---------------	-------------------	---------------	-------------------
  - 2) Number of treasury stock at the end of period

Jun.30, 2014:	532,026 shares	Dec.31, 2013:	532,026 shares
---------------	----------------	---------------	----------------
  - 3) Average number of shares outstanding during the period

Six months ended Jun.30, 2014:	61,052,841 shares	Six months ended Jun.30, 2013:	60,595,284 shares
--------------------------------	-------------------	--------------------------------	-------------------

#### **\* 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, 2014 moderately reflected an upturn in economic conditions due to the rebound of corporate performance resulting from the lower yen since the previous year and the underlying support from government policies while the negative effects related to the decline in demand after the consumption tax hike have moderated.

In addition, among mid-to-small manufacturers, the major customers of our industrial MRO products, the economic conditions slowly recovered spreading the positive effects of the recovery.

In this economic environment, we have concentrated on acquiring new customers aggressively mainly through internet advertisements (paid listings) and internet search engine optimization (SEO), which can improve our website's position on the search engines. We also conducted promotion activities including facsimile and direct mail using e-mail and mail flyers, traditional daily special prices and 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 addition, 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 TV commercials broadcasted in Kansai, Nagoya, Nagano and Shizuoka areas from March 26 through April 6 to enhance our visibility.

In the meantime, our product lineup reached approximately 7 million with approximately 126 thousand product items in stock that are available for same day shipment as of the end of the first six months of the fiscal year ending December 31, 2014 and we newly launched product malls for "Agriculture and Gardening" and "Kitchens" in MonotaRO.com, our website for B to B on May 1. And also, we 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. Consequently, we have successfully obtained 132,171 newly registered accounts for the first six months of the fiscal year and the number of registered accounts totaled 1,254,462 as of the end of the second quarter of this fiscal year.

All of our efforts mentioned above resulted in net sales of 21,305 million yen (33.2% increase from the same period of the previous fiscal year), operating income of 2,218 million yen (7.6% increase from the same period of the previous fiscal year), ordinary income of 2,243 million yen (8.1% increase from the same period of the previous fiscal year), and net income of 1,338 million yen, a corresponding 0.1% increase.

### **(2) Qualitative Information Regarding Consolidated Financial Position**

Total assets as of June 30, 2014 (the end of the first six months of the fiscal year ending December 31, 2014) amounted to 15,219 million yen, an increase of 714 million yen from the end of the previous fiscal year. Current assets amounted to 12,667 million yen, an increase of 6 million yen. This was attributable to increases of 398 million yen and 792 million yen in accounts receivable-trade and merchandise, respectively, despite the decrease of 1,357 million yen in cash and deposits. Non-current assets amounted to 2,552 million yen, an increase of 707 million yen. This was due mainly to the increase of 605 million yen in leased assets.

On the other hand, total liabilities as of June 30, 2014 amounted to 6,834 million yen, a decrease of 315 million yen from the end of the previous fiscal year. Current liabilities amounted to 6,319 million yen, a decrease of 467 million yen. This was due mainly to decreases of 168 million yen and 635 million yen in income taxes payable and accounts payable-other, respectively, despite the increase of 385 million yen in lease obligations. Non-current liabilities amounted to 514 million yen, a increase of 152 million yen.

Total net assets amounted to 8,385 million yen, an increase of 1,029 million yen from the end of the previous fiscal year. This was largely due to net income of 1,338 million yen offset by dividend payments of 365 million yen for the first six months of the year ending December 31, 2014.

As a result, the equity ratio as of June 30, 2014 was 54.6%, up 4.4 percentage points from the end of the previous fiscal year.

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

As a result of the review of our operating plans considering the financial results for the first six months of the fiscal year ending December 31, 2014, the consolidated forecast for the fiscal year ending December 31, 2014 that was disclosed in “Financial Results for the Fiscal Year Ended December 31, 2013 (Consolidated)” on January 29, 2014 has been changed. The details of these changes are presented in “Notice of Revision of Full-year Financial Forecasts” released simultaneously with this statement.

### **2. Summary Information (Notes)**

(1) Changes in Significant Subsidiaries during the Period:

Not applicable

(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, 2013	(In thousands of yen) As of Jun. 30, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	4,248,933	2,891,834
Accounts receivable-trade	3,760,722	4,158,869
Merchandise	3,023,337	3,816,158
Goods in transit	92,195	171,176
Supplies	126,538	33,687
Accounts receivable-other	1,186,340	1,324,071
Other	250,456	296,351
Allowance for doubtful accounts	(28,206)	(25,045)
Total current assets	<u>12,660,319</u>	<u>12,667,105</u>
Noncurrent assets		
Property, plant and equipment	404,501	1,012,755
Intangible assets	870,468	950,670
Investments and other assets		
Guarantee deposits	435,263	470,256
Other	151,991	133,464
Allowance for doubtful accounts	(17,001)	(14,691)
Total investments and other assets	<u>570,252</u>	<u>589,028</u>
Total noncurrent assets	<u>1,845,222</u>	<u>2,552,455</u>
Total assets	<u>14,505,541</u>	<u>15,219,560</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	2,667,310	2,684,825
Short-term loans payable	1,300,000	1,300,000
Long-term loans payable-current portion	88,901	88,901
Lease obligations	6,608	391,900
Accounts payable-other	1,316,045	680,779
Income taxes payable	1,045,432	877,291
Provision for employees' bonuses	35,725	43,171
Provision for directors' bonuses	20,756	15,212
Provision for voluntary goods collection	64,277	30,792
Other	242,700	206,979
Total current liabilities	<u>6,787,758</u>	<u>6,319,854</u>
Noncurrent liabilities		
Long-term loans payable	179,564	179,564
Lease obligations	21,034	248,043
Provision for retirement benefits	1,467	5,464
Provision for directors' retirement benefits	116,680	45,703
Provision for voluntary goods collection	7,822	336
Other	35,408	35,065
Total noncurrent liabilities	<u>361,977</u>	<u>514,176</u>
Total liabilities	<u>7,149,735</u>	<u>6,834,031</u>

Accounts	As of Dec. 31, 2013	(In thousands of yen) As of Jun. 30, 2014
Net assets		
Shareholders' equity		
Capital stock	1,821,473	1,844,903
Capital surplus	626,010	649,440
Retained earnings	4,950,943	5,923,417
Treasury stock	(143,063)	(143,063)
Total shareholders' equity	<u>7,255,363</u>	<u>8,274,697</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	26,957	38,180
Total accumulated other comprehensive income	<u>26,957</u>	<u>38,180</u>
Subscription rights to shares	<u>73,484</u>	<u>72,650</u>
Minority interests	-	-
Total net assets	<u>7,355,805</u>	<u>8,385,529</u>
Total liabilities and net assets	<u>14,505,541</u>	<u>15,219,560</u>

## (2) Consolidated quarterly statements of (comprehensive) income

Accounts	Six months ended Jun. 30, 2013	(In thousands of yen) Six months ended Jun. 30, 2014
Net sales	15,991,165	21,305,572
Cost of sales	11,075,900	15,175,214
Gross profit	4,915,264	6,130,358
Selling, general and administrative expenses	2,853,635	3,911,958
Operating income	2,061,628	2,218,399
Non-operating income		
Interest income	339	230
Foreign exchange gains	8,652	17,880
Other	14,255	19,823
Total non-operating income	23,247	37,934
Non-operating expenses		
Interest expenses	5,927	6,591
Loss on disposal of inventories	2,035	4,475
Other	2,053	1,374
Total non-operating expenses	10,017	12,441
Ordinary income	2,074,858	2,243,892
Extraordinary income		
Gain on sales of fixed assets	-	90
Gain on sales of subsidiaries' stocks	138,404	-
Total extraordinary income	138,404	90
Extraordinary loss		
Loss on disposal of fixed assets	6,499	145
Total extraordinary losses	6,499	145
Income before income taxes and minority interests	2,206,762	2,243,837
Income taxes-current	930,225	850,928
-deferred	(60,305)	54,877
Total income taxes	869,919	905,805
Income before minority interests	1,336,843	1,338,032
Minority interests	-	-
Net income	1,336,843	1,338,032
Minority interests	-	-
Income before minority interests	1,336,843	1,338,032
Other comprehensive income		
Foreign currency translation adjustment	(6,532)	11,222
Total other comprehensive income	(6,532)	11,222
Comprehensive income	1,330,310	1,349,254
Comprehensive income attributable to:		
Owners of the parent	1,330,310	1,349,254
Minority interests	-	-

### (3) Consolidated quarterly statements of cash flows

Accounts	Six months ended Jun. 30, 2013	(In thousands of yen) Six months ended Jun. 30, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,206,762	2,243,837
Depreciation and amortization	166,967	213,784
Increase (decrease) in allowance for doubtful accounts	(3,209)	(5,470)
Increase (decrease) in provision for bonuses	(495)	5,434
Increase (decrease) in provision for directors' bonuses	(3,780)	(5,543)
Increase (decrease) in provision for retirement benefits	-	3,856
Increase (decrease) in provision for directors' retirement benefits	52,752	(70,950)
Interest income	(339)	(183)
Interest expenses	5,927	6,591
Gain on sales of subsidiaries' stocks	(138,404)	-
Decrease (increase) in notes and accounts receivable-trade	(236,277)	(397,733)
Decrease (increase) in inventories	(50,591)	(777,709)
Decrease (increase) in accounts receivable-other	917	(137,657)
Increase (decrease) in notes and accounts payable-trade	(1,041)	16,131
Increase (decrease) in accounts payable-other	(441,661)	(526,354)
Other, net	6,410	(58,828)
Subtotal	<u>1,563,937</u>	<u>509,202</u>
Interest income received	232	110
Interest expenses paid	(5,834)	(6,582)
Income taxes paid	(829,945)	(1,017,819)
Loss on voluntary goods collection paid	-	(42,594)
Net cash provided by (used in) operating activities	<u>728,390</u>	<u>(557,684)</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	(200,000)	-
Purchase of property, plant and equipment	(41,532)	(131,928)
Purchase of intangible assets	(201,681)	(255,467)
Payments for guarantee deposits	(7,351)	(38,015)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	70,835	-
Other, net	246	(893)
Net cash provided by (used in) investment activities	<u>(379,482)</u>	<u>(426,305)</u>
Net cash provided by (used in) financing activities		
Proceeds from exercise of stock option	63,207	37,117
Cash dividends paid	(242,094)	(364,733)
Repayments of lease obligations	(1,164)	(56,574)
Purchase of treasury stock	(17,866)	-
Net cash provided by (used in) financing activities	<u>(197,918)</u>	<u>(384,190)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(5,953)</u>	<u>11,082</u>
Net increase (decrease) in cash and cash equivalents	<u>145,035</u>	<u>(1,357,098)</u>
Cash and cash equivalents at beginning of period	<u>2,825,592</u>	<u>3,948,933</u>
Cash and cash equivalents at end of period	<u>2,970,628</u>	<u>2,591,834</u>