

Consolidated Financial Results for the First Nine Months of Fiscal Year Ending December 31, 2014 (Nine Months Ended September 30, 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: November 11, 2014

Scheduled date of dividend payments: -

Supplementary materials: Yes Investors meeting: No

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 Nine Months Ended September 30, 2014

(January 1, 2014 – September 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	%
Nine months ended Sep.30, 2014	32,413	31.8	3,149	4.8	3,181	5.3	1,862	2.8
Nine months ended Sep.30, 2013	24,587	18.3	3,004	41.6	3,020	40.8	1,810	46.4

Note: Comprehensive income: Nine months ended Sep.30, 2014: 1,887 million yen (3.8%)

Nine months ended Sep.30, 2013: 1,819 million yen (46.7 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep.30, 2014	30.48	30.01
Nine months ended Sep.30, 2013	29.87	29.20

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep.30, 2014	15,945	8,497	52.9
As of Dec.31, 2013	14,505	7,355	50.2

Reference: Shareholders' equity Sep.30, 2014: 8,427 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	41.42

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 nine-month period ended September 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)

Sep.30, 2014:	61,756,200 shares	Dec.31, 2013:	61,458,400 shares
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 - 2) Number of treasury stock at the end of period

Sep.30, 2014:	538,926 shares	Dec.31, 2013:	532,026 shares
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 - 3) Average number of shares outstanding during the period

Nine months ended Sep.30, 2014:	61,097,307 shares	Nine months ended Sep.30, 2013:	60,635,069 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 nine months of the fiscal year ending December 31, 2014 moderately reflected an upturn in economic conditions due to the underlying support from economic and monetary policies while the negative effects related to the decline in demand after the consumption tax hike have moderated though concerns about the rise in the price of raw materials caused by the lower yen still remain.

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 as a whole for the first nine months of the fiscal year ending December 31, 2014.

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, daily special prices and the publication and distribution of catalogs. In terms of catalogs, in addition to Cost-Cutting Catalog Vol. 3 published in the middle of February 2014, featuring approximately 10,000 selected private brand product items in 60 categories, we newly published REDBOOK vol. 10 on September 28, divided into 16 volumes with 370 thousand items, 8,300 pages and 2.1 million issues available in total, which included "Agriculture and Gardening" and "Kitchens" products launched as new categories in May. In addition, we broadcasted TV commercials in Kansai, Nagoya, Nagano and Shizuoka areas from March 26 through April 6 and in Kanto, Kansai, Nagoya, Nagano and Shizuoka areas from August 25 through September 7 to enhance our visibility. Furthermore, we launched regular order services for 11 products in the middle of March to help improve the purchasing operations of customers with a focus on high frequency consumable goods, which was broadened to 47 products at the end of July.

Also, we started the full-scale operation of a new distribution center in July with a total floor area of approximately 44,000 square meters to increase the maximum daily shipping volume and secure a stock area with a capacity sufficient for corresponding to our sales growth, and our product lineup reached approximately 8 million with approximately 140 thousand product items in stock that are available for the same day shipment as of the end of the first nine months of the fiscal year ending December 31, 2014. Furthermore, we focused on enhancing the usability of our website through continuous testing so that customers can more easily find and order products as necessary among our product items and launched the "Search engine service for motorbike parts" to improve the search for 50 thousand out of 110 thousand items of motorbike parts. Consequently, we have successfully obtained 205,852 newly registered accounts for the first nine months of the fiscal year and the number of registered accounts totaled 1,328,143 as of the end of the third quarter of this fiscal year.

All of our efforts mentioned above resulted in net sales of 32,413 million yen (31.8% increase from the same period of the previous fiscal year), operating income of 3,149 million yen (4.8% increase from the same period of the previous fiscal year), ordinary income of 3,181 million yen (5.3% increase from the same period of the previous fiscal year), and net income of 1,862 million yen, a corresponding 2.8% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of September 30, 2014 (the end of the first nine months of the fiscal year ending December 31, 2014) amounted to 15,945 million yen, an increase of 1,439 million yen from the end of the previous fiscal year. Current assets amounted to 13,126 million yen, an increase of 465 million yen. This was attributable to increases of 718 million yen and 428 million yen in accounts receivable-trade and merchandise, respectively. Non-current assets amounted to 2,818 million yen, an increase of 973 million yen. This was due mainly to the increase of 705 million yen in leased assets.

On the other hand, total liabilities as of September 30, 2014 amounted to 7,447 million yen, an increase of 298 million yen from the end of the previous fiscal year. Current liabilities amounted to 6,980 million yen, an increase of 192 million yen. This was due mainly to increases of 432 million yen and 261 million yen in accounts payable-trade and lease obligations respectively, despite the decrease of 562 million yen in income taxes payable. Non-current liabilities amounted to 467 million yen, an increase of 105 million yen.

Total net assets amounted to 8,497 million yen, an increase of 1,141 million yen from the end of the previous fiscal year. This was largely due to net income of 1,862 million yen offset by dividend payments of 793 million yen for the first nine months of the year ending December 31, 2014.

As a result, the equity ratio as of September 30, 2014 was 52.9%, up 2.7 percentage points from the end of the previous fiscal year.

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

The consolidated forecast for the fiscal year ending December 31, 2014 that was disclosed in “Notice of the Revision of the Consolidated Forecast for the Fiscal Year Ending December 31, 2014” on July 29, 2014 has not been changed.

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	(In thousands of yen)	
	As of Dec. 31, 2013	As of Sep. 30, 2014
Assets		
Current assets		
Cash and deposits	4,248,933	2,950,517
Accounts receivable-trade	3,760,722	4,479,011
Merchandise	3,023,337	3,451,423
Goods in transit	92,195	137,003
Supplies	126,538	456,542
Accounts receivable-other	1,186,340	1,389,211
Other	250,456	290,345
Allowance for doubtful accounts	(28,206)	(27,754)
Total current assets	12,660,319	13,126,302
Noncurrent assets		
Property, plant and equipment	404,501	1,066,289
Intangible assets	870,468	954,140
Investments and other assets		
Guarantee deposits	435,263	666,212
Other	151,991	148,444
Allowance for doubtful accounts	(17,001)	(16,189)
Total investments and other assets	570,252	798,466
Total noncurrent assets	1,845,222	2,818,896
Total assets	14,505,541	15,945,198
Liabilities		
Current liabilities		
Accounts payable-trade	2,667,310	3,100,140
Short-term loans payable	1,300,000	1,300,000
Long-term loans payable-current portion	88,901	89,487
Lease obligations	6,608	268,277
Accounts payable-other	1,316,045	1,370,155
Income taxes payable	1,045,432	482,670
Provision for employees' bonuses	35,725	107,786
Provision for directors' bonuses	20,756	7,606
Provision for voluntary goods collection	64,277	24,027
Other	242,700	229,849
Total current liabilities	6,787,758	6,980,001
Noncurrent liabilities		
Long-term loans payable	179,564	90,076
Lease obligations	21,034	292,819
Provision for retirement benefits	1,467	7,194
Provision for directors' retirement benefits	116,680	46,112
Provision for voluntary goods collection	7,822	-
Other	35,408	31,743
Total noncurrent liabilities	361,977	467,946
Total liabilities	7,149,735	7,447,948

Accounts	(In thousands of yen)	
	As of Dec. 31, 2013	As of Sep. 30, 2014
Net assets		
Shareholders' equity		
Capital stock	1,821,473	1,856,712
Capital surplus	626,010	661,249
Retained earnings	4,950,943	6,019,710
Treasury stock	(143,063)	(163,034)
Total shareholders' equity	7,255,363	8,374,637
Accumulated other comprehensive income		
Foreign currency translation adjustment	26,957	52,703
Total accumulated other comprehensive income	26,957	52,703
Subscription rights to shares	73,484	69,909
Total net assets	7,355,805	8,497,250
Total liabilities and net assets	14,505,541	15,945,198

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In thousands of yen)	
	Nine months ended Sep. 30, 2013	Nine months ended Sep. 30, 2014
Net sales	24,587,823	32,413,688
Cost of sales	17,117,027	23,112,380
Gross profit	7,470,795	9,301,308
Selling, general and administrative expenses	4,465,990	6,151,552
Operating income	3,004,805	3,149,755
Non-operating income		
Interest income	504	445
Foreign exchange gains	8,360	21,940
Other	20,575	28,537
Total non-operating income	29,440	50,923
Non-operating expenses		
Interest expenses	8,774	9,912
Loss on disposal of inventories	3,149	7,425
Other	2,254	1,722
Total non-operating expenses	14,177	19,061
Ordinary income	3,020,068	3,181,617
Extraordinary income		
Gain on sales of fixed assets	—	90
Gain on sales of subsidiaries' stocks	138,404	—
Compensation for voluntary goods collection	55,791	—
Total extraordinary income	194,195	90
Extraordinary loss		
Loss on disposal of fixed assets	6,573	30,616
Voluntary goods collection and its related	218,448	—
Total extraordinary losses	225,021	30,616
Income before income taxes and minority interests	2,989,242	3,151,091
Income taxes-current	1,328,761	1,242,031
-deferred	(150,493)	46,865
Total income taxes	1,178,267	1,288,897
Income before minority interests	1,810,974	1,862,194
Minority interests	—	—
Net income	1,810,974	1,862,194
Minority interests	—	—
Income before minority interests	1,810,974	1,862,194
Other comprehensive income		
Foreign currency translation adjustment	8,327	25,745
Total other comprehensive income	8,327	25,745
Comprehensive income	1,819,302	1,887,939
Comprehensive income attributable to:		
Owners of the parent	1,819,302	1,887,939
Minority interests	—	—