

Consolidated Financial Results for the First Three Months of Fiscal Year Ending December 31, 2015 (Three Months Ended March 31, 2015)

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

Stock code: 3064

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Scheduled date to file Quarterly Securities Report: May 13, 2015

Scheduled date of dividend payments: -

Supplementary materials: Yes Investors meeting: None

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 Three Months Ended March 31, 2015

(January 1, 2015 – March 31, 2015)

(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, 2015	13,447	24.1	1,518	24.7	1,529	24.4	965	31.2
Three months ended Mar.31, 2014	10,831	39.9	1,217	27.6	1,229	28.6	735	11.7

Note: Comprehensive income: Three months ended Mar.31, 2015: 961 million yen (32.0 %)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar.31, 2015	15.70	15.56
Three months ended Mar.31, 2014	12.06	11.86

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar.31, 2015	18,273	9,786	53.2
As of Dec.31, 2014	17,868	9,216	51.2

Reference: Shareholders' equity Mar.31, 2015: 9,719 million yen Dec.31, 2014: 9,145 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, 2014	-	7.00	-	7.00	14.00
Year ending Dec.31, 2015 (actual)	-				
Year ending Dec.31, 2015 (forecast)		10.00	-	10.00	20.00

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2015 (January 1, 2015 – December 31, 2015)

(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)	26,097	22.5	2,724	22.8	2,723	21.4	1,673	25.1	27.21
Full year	55,617	23.8	6,003	38.8	5,999	37.9	3,706	45.7	60.23

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, 2015: 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, 2015:	62,092,800 shares	Dec.31, 2014:	61,926,000 shares
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2) Number of treasury stock at the end of period

Mar.31, 2015:	538,926 shares	Dec.31, 2014:	538,926 shares
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3) Average number of shares outstanding during the period

Three months ended Mar.31, 2015:	61,493,341 shares	Three months ended Mar.31, 2014:	61,002,907 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, 2015 moderately reflected an upturn in economic conditions and showed a stabilization of the negative effect of the consumption tax hike due to a mitigation of the corporate burden resulting from the low crude oil prices and the underlying support from government economic and fiscal policies although the lower yen caused increases in material prices.

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 Japanese economic 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, daily special prices and the publication and distribution of catalogs. In terms of catalogs, we newly published REDBOOK vol. 11 in late February, divided into 8 volumes with 137 thousand items, 4,200 pages and 1.09 million issues available in total, featuring products that are mainly used through spring to summer seasons. In addition, we broadcasted TV commercials in seven geographic areas, which included the Kanto, Kinki and Chukyo regions, and Nagano, Shizuoka, Hiroshima and Okayama-Kagawa prefectures from February 22 through March 7 to enhance our visibility much further.

Furthermore, we also focused on enhancing the usability of our website through conducting continuous tests so that customers can more easily find and order products as necessary among our many product items, the total number of which reached approximately nine million items to meet the increase in demand corresponding to the expansion of our customer base as of the end of the first three months of the fiscal year ending December 31, 2015.

Meanwhile, the "Amagasaki Distribution Center", which commenced full-scale operations in July 2014 in order to maximize daily shipping volume and secure a stock area with a capacity sufficient for corresponding to our sales growth with a total floor area of approximately 44 thousand square meters, has been working well, and our product lineup reached approximately 218 thousand product items in stock that are available for the same day shipment as of the end of the first three months of the fiscal year ending December 31, 2015.

Consequently, we have successfully obtained 88,388 newly registered accounts for the first three months of the fiscal year ending December 31, 2015 and the number of registered accounts totaled 1,493,760 as of the end of the first quarter.

In addition, NAVIMRO, which is our Korean subsidiary, also aggressively engaged in acquiring new customers mainly through paid listings and focused on increasing both its product lineup and the number of products in stock in order to expand its customer base.

All of our efforts mentioned above resulted in net sales of 13,447 million yen (24.1% increase from the same period of the previous fiscal year), operating income of 1,518 million yen (24.7% increase from the same period of the previous fiscal year), ordinary income of 1,529 million yen (24.4% increase from the same period of the previous fiscal year), and net income of 965 million yen, a corresponding 31.2% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of March 31, 2015 (the end of the first three months of the fiscal year ending December 31, 2015) amounted to 18,273 million yen, an increase of 404 million yen from the end of the previous fiscal year. Current assets amounted to 15,418 million yen, an increase of 413 million yen. This was attributable to increases of 831 million yen and 359 million yen in accounts receivable-trade and merchandise, respectively, despite the decrease of 874 million yen in cash and deposits. Non-current assets amounted to 2,854 million yen, a decrease of 8 million yen.

On the other hand, total liabilities as of March 31, 2015 amounted to 8,487 million yen, a decrease of 165 million yen from the end of the previous fiscal year. Current liabilities amounted to 7,489 million yen, a decrease of 101 million yen. This was due mainly to decreases of 222 million yen and 393 million yen in accounts payable-other and income taxes payable, respectively, despite the increase of 465 million yen in accounts payable-trade. Non-current liabilities amounted to 997 million yen, a decrease of 63 million yen.

Total net assets amounted to 9,786 million yen, an increase of 570 million yen from the end of the previous fiscal year. This was largely due to net income of 965 million yen offset by dividend payments of 429 million yen for the first three months of the year ending December 31, 2015.

As a result, the equity ratio as of March 31, 2015 was 53.2%, up 2.0 percentage points from the end of the previous fiscal year.

(3) Forecast for the Fiscal Year Ending December 31, 2015

The Japanese economy has been moderately showing an upturn in economic conditions as a whole, and mid-to-small manufacturers, the 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 depreciation of yen, the lower crude oil prices and the concern about an economic downturn in Europe and China, 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, 2015, disclosed on January 29, 2015, 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	As of Dec. 31, 2014	(In thousands of yen) As of Mar. 31, 2015
Assets		
Current assets		
Cash and deposits	4,184,546	3,310,093
Accounts receivable-trade	4,895,427	5,727,357
Merchandise	3,785,060	4,144,533
Goods in transit	195,689	100,696
Supplies	112,412	140,953
Accounts receivable-other	1,602,522	1,749,858
Other	259,901	274,600
Allowance for doubtful accounts	(30,607)	(29,653)
Total current assets	<u>15,004,953</u>	<u>15,418,439</u>
Noncurrent assets		
Property, plant and equipment	1,098,967	1,072,823
Intangible assets	958,427	972,995
Investments and other assets		
Guarantee deposits	673,740	679,207
Other	149,788	147,716
Allowance for doubtful accounts	(17,162)	(17,941)
Total investments and other assets	<u>806,366</u>	<u>808,982</u>
Total noncurrent assets	<u>2,863,761</u>	<u>2,854,801</u>
Total assets	<u>17,868,714</u>	<u>18,273,241</u>
Liabilities		
Current liabilities		
Accounts payable-trade	3,701,802	4,167,162
Short-term loans payable	500,000	500,000
Long-term loans payable-current portion	314,487	314,487
Lease obligations	322,961	298,816
Accounts payable-other	1,387,055	1,164,801
Income taxes payable	967,181	573,271
Provision for employees' bonuses	45,335	109,658
Provision for directors' bonuses	15,212	11,366
Provision for voluntary goods collection	15,680	11,547
Other	321,241	337,972
Total current liabilities	<u>7,590,958</u>	<u>7,489,085</u>
Noncurrent liabilities		
Long-term loans payable	665,076	608,826
Provision for directors' retirement benefits	319,667	300,025
Provision for retirement benefits for employees	43,627	52,231
Provision for voluntary goods collection	1,531	4,892
Other	31,828	31,939
Total noncurrent liabilities	<u>1,061,732</u>	<u>997,915</u>
Total liabilities	<u>8,652,691</u>	<u>8,487,001</u>
Net assets		
Shareholders' equity		
Capital stock	1,865,398	1,886,399
Capital surplus	669,936	690,937
Retained earnings	6,701,646	7,237,204
Treasury stock	(163,034)	(163,034)
Total shareholders' equity	<u>9,073,947</u>	<u>9,651,506</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	71,409	68,005
Total accumulated other comprehensive income	<u>71,409</u>	<u>68,005</u>
Subscription rights to shares	70,666	66,728
Total net assets	<u>9,216,023</u>	<u>9,786,240</u>
Total liabilities and net assets	<u>17,868,714</u>	<u>18,273,241</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	Three months period ended Mar. 31, 2014	(In thousands of yen) Three months period ended Mar. 31, 2015
Net sales	10,831,796	13,447,244
Cost of sales	<u>7,697,663</u>	<u>9,470,831</u>
Gross profit	<u>3,134,133</u>	<u>3,976,412</u>
Selling, general and administrative expenses	<u>1,916,393</u>	<u>2,457,488</u>
Operating income	<u>1,217,740</u>	<u>1,518,923</u>
Non-operating income		
Interest income	120	217
Foreign exchange gains	9,350	8,398
Other	<u>8,543</u>	<u>9,129</u>
Total non-operating income	<u>18,015</u>	<u>17,745</u>
Non-operating expenses		
Interest expenses	3,289	2,199
Loss on disposal of inventories	1,423	3,683
Other	<u>1,152</u>	<u>877</u>
Total non-operating expenses	<u>5,866</u>	<u>6,760</u>
Ordinary income	<u>1,229,889</u>	<u>1,529,908</u>
Extraordinary loss		
Loss on disposal of fixed assets	<u>113</u>	<u>1,046</u>
Total extraordinary losses	<u>113</u>	<u>1,046</u>
Income before income taxes and minority interests	<u>1,229,775</u>	<u>1,528,861</u>
Income taxes-current	422,329	554,772
-deferred	<u>71,695</u>	<u>8,821</u>
Total income taxes	<u>494,024</u>	<u>563,594</u>
Income before minority interests	<u>735,751</u>	<u>965,267</u>
Net income	<u>735,751</u>	<u>965,267</u>
Income before minority interests	<u>735,751</u>	<u>965,267</u>
Other comprehensive income		
Foreign currency translation adjustment	<u>(6,969)</u>	<u>(3,403)</u>
Total other comprehensive income	<u>(6,969)</u>	<u>(3,403)</u>
Comprehensive income	<u>728,781</u>	<u>961,863</u>
Comprehensive income attributable to:		
Owners of the parent	728,781	961,863
Minority interests	-	-