

Consolidated Financial Results for the First Nine Months of Fiscal Year Ending December 31, 2015 (Nine Months Ended September 30, 2015)

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

Stock code: 3064

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Scheduled date of interim dividend payments: -

Supplementary materials: Yes Investors meeting: No

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 Nine Months Ended September 30, 2015

(January 1, 2015 – September 30, 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	%
Nine months ended Sep. 30, 2015	41,798	29.0	5,156	63.7	5,174	62.6	3,240	74.0
Nine months ended Sep. 30, 2014	32,413	31.8	3,149	4.8	3,181	5.3	1,862	2.8

Note: Comprehensive income: Nine months ended Sep. 30, 2015: 3,191 million yen (69.0%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2015	26.32	26.10
Nine months ended Sep. 30, 2014	15.24	15.01

The Company implemented a 2-for-1 share split effective on October 1, 2015 and net income per share and diluted net income per share are stated 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 Sep. 30, 2015	20,210	11,403	56.1
As of Dec. 31, 2014	17,868	9,216	51.2

Reference: Shareholders' equity Sep. 30, 2015: 11,337 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)	-	10.00			
Year ending Dec. 31, 2015 (forecast)			-	7.00	-

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

The Company implemented a 2-for-1 share split effective on October 1, 2015 and the year-end dividend for the year ending December 31, 2015 is stated taking into consideration the effects of this share split. The year-end dividend and annual dividend for the year ending December 31, 2015 would be equivalent to 14 yen and 24 yen, respectively, based on the assumption that the share split was not implemented.

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
Full year	57,589	28.2	6,937	60.5	6,949	59.7	4,360	71.4	35.41

Note: Revision of consolidated forecast during this quarter: None

The Company implemented a 2-for-1 share split effective on October 1, 2015 and net income per share for the year ending December 31, 2015 is stated 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 nine-month period ended September 30, 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)
Sep. 30, 2015: 124,316,000 shares Dec.31, 2014: 123,852,000 shares
 - 2) Number of treasury stock at the end of period
Sep. 30, 2015: 1,082,652 shares Dec.31, 2014: 1,077,852 shares
 - 3) Average number of shares outstanding during the period
Nine months ended Sep. 30, 2015: 123,125,704 shares Nine months ended Sep. 30, 2014: 122,194,615 shares

The Company implemented a 2-for-1 share split effective on October 1, 2015 and the respective numbers of shares above are stated 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 nine months of the fiscal year ending December 31, 2015 moderately reflected an upturn in economic conditions 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 a concern about the decelerating economy in China, problems in Europe and increases in material prices caused by the lower yen make the outlook for the future economy unpredictable.

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 Spring Edition in late February, divided into 8 volumes with 137 thousand items and 1.09 million issues available in total, featuring products that are mainly used through spring to summer seasons, and in late September, we also launched REDBOOK vol.11 Autumn Edition, divided into 9 volumes with 256 thousand items and 1.77 million issues available in total. 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 late February through early March, and we broadened the broadcast area covered throughout Japan other than Tottori, Shimane, Tokushima, Kochi, Saga and Okinawa Prefectures from late June through early July, and in late September, we also broadcasted commercials throughout Japan other than Tottori, Shimane, Tokushima, Kochi, Saga, Okinawa, Toyama and Yamanashi Prefectures to enhance our visibility much further.

Furthermore, the total number of our product lineup 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 nine months of the fiscal year ending December 31, 2015 and we launched a new mall for medical and nursing care in our website (MonotaRO.com), which started operations in the middle of May.

In addition to the strategies above, sales to large companies through the so called purchase solution system have been steadily growing in terms of both the number of customers and the amount of sales, and in late August, we launched a new website called "MRO Procurement Reform for Companies" featuring a simulation function that shows the effectiveness of the cost saving with regard to procurement of MRO products to enhance the visibility of this service and accelerate its use.

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 236 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, 2015.

Consequently, we have successfully obtained 273,847 newly registered accounts for the first nine months of the fiscal year ending December 31, 2015 and the number of registered accounts totaled 1,679,219 as of the end of the third 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 41,798 million yen (29.0% increase from the same period of the previous fiscal year), operating income of 5,156 million yen (63.7% increase from the same period of the previous fiscal year), ordinary income of 5,174 million yen (62.6% increase from the same period of the previous fiscal year), and net income of 3,240 million yen, a corresponding 74.0% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of September 30, 2015 (the end of the first nine months of the fiscal year ending December 31, 2015) amounted to 20,210 million yen, an increase of 2,341 million yen from the end of the previous fiscal year. Current assets amounted to 17,272 million yen, an increase of 2,268 million yen. This was attributable to increases of 725 million yen and 1,305 million yen in accounts receivable-trade and merchandise, respectively. Non-current assets amounted to 2,937 million yen, an increase of 73 million yen.

On the other hand, total liabilities as of September 30, 2015 amounted to 8,806 million yen, an increase of 154 million yen from the end of the previous fiscal year. Current liabilities amounted to 7,752 million yen, an increase of 161 million yen. This was due mainly to increases of 358 million yen and 277 million yen in accounts payable-trade and income taxes payable, respectively, despite the decrease of 500 million yen in short-term loans payable. Non-current liabilities amounted to 1,054 million yen, a decrease of 7 million yen.

Total net assets amounted to 11,403 million yen, an increase of 2,187 million yen from the end of the previous fiscal year. This was largely due to net income of 3,240 million yen offset by dividend payments of 1,045 million yen for the first nine months of the year ending December 31, 2015.

As a result, the equity ratio as of September 30, 2015 was 56.1%, up 4.9 percentage points from the end of the previous fiscal year.

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

The consolidated forecasts for the fiscal year ending December 31, 2015 disclosed in “Notice of Revision of Full-year Consolidated Financial Forecasts” on July 29, 2015 have 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, 2014	As of Sep. 30, 2015
Assets		
Current assets		
Cash and deposits	4,184,546	3,850,575
Accounts receivable-trade	4,895,427	5,621,117
Merchandise	3,785,060	5,091,052
Goods in transit	195,689	150,069
Supplies	112,412	330,221
Accounts receivable-other	1,602,522	1,871,866
Other	259,901	390,233
Allowance for doubtful accounts	(30,607)	(32,159)
Total current assets	15,004,953	17,272,974
Noncurrent assets		
Property, plant and equipment	1,098,967	1,049,767
Intangible assets	958,427	987,625
Investments and other assets		
Guarantee deposits	673,740	734,925
Other	149,788	186,032
Allowance for doubtful accounts	(17,162)	(21,133)
Total investments and other assets	806,366	899,824
Total noncurrent assets	2,863,761	2,937,216
Total assets	17,868,714	20,210,190
Liabilities		
Current liabilities		
Accounts payable-trade	3,701,802	4,059,983
Short-term loans payable	500,000	-
Long-term loans payable-current portion	314,487	315,076
Lease obligations	322,961	302,726
Accounts payable-other	1,387,055	1,270,358
Income taxes payable	967,181	1,244,537
Provision for employees' bonuses	45,335	120,677
Provision for directors' bonuses	15,212	14,500
Provision for voluntary goods collection	15,680	1,761
Other	321,241	422,574
Total current liabilities	7,590,958	7,752,197
Noncurrent liabilities		
Long-term loans payable	665,076	906,250
Lease obligations	319,667	55,903
Provision for directors' retirement benefits	43,627	52,231
Provision for retirement benefits for employees	1,531	8,278
Other	31,828	32,041
Total noncurrent liabilities	1,061,732	1,054,705
Total liabilities	8,652,691	8,806,902
Net assets		
Shareholders' equity		
Capital stock	1,865,398	1,896,144
Capital surplus	669,936	700,682
Retained earnings	6,701,646	8,896,884
Treasury stock	(163,034)	(178,650)
Total shareholders' equity	9,073,947	11,315,060
Accumulated other comprehensive income		
Foreign currency translation adjustment	71,409	21,981
Total accumulated other comprehensive income	71,409	21,981
Subscription rights to shares	70,666	66,247
Total net assets	9,216,023	11,403,288
Total liabilities and net assets	17,868,714	20,210,190

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In thousands of yen)	
	Nine months period ended Sep. 30, 2014	Nine months period ended Sep. 30, 2015
Net sales	32,413,688	41,798,419
Cost of sales	23,112,380	29,252,812
Gross profit	9,301,308	12,545,607
Selling, general and administrative expenses	6,151,552	7,389,444
Operating income	3,149,755	5,156,162
Non-operating income		
Interest income	445	3,004
Foreign exchange gains	21,940	16,852
Other	28,537	22,652
Total non-operating income	50,923	42,510
Non-operating expenses		
Interest expenses	9,912	11,092
Loss on disposal of inventories	7,425	11,147
Other	1,722	1,859
Total non-operating expenses	19,061	24,099
Ordinary income	3,181,617	5,174,573
Extraordinary income		
Gain on sales of fixed assets	90	-
Total extraordinary income	90	-
Extraordinary loss		
Loss on disposal of fixed assets	30,616	1,083
Total extraordinary losses	30,616	1,083
Income before income taxes and minority interests	3,151,091	5,173,490
Income taxes-current	1,242,031	1,985,285
-deferred	46,865	(52,762)
Total income taxes	1,288,897	1,932,522
Income before minority interests	1,862,194	3,240,967
Net income	1,862,194	3,240,967
Income before minority interests	1,862,194	3,240,967
Other comprehensive income		
Foreign currency translation adjustment	25,745	(49,428)
Total other comprehensive income	25,745	(49,428)
Comprehensive income	1,887,939	3,191,539
Comprehensive income attributable to:		
Owners of the parent	1,887,939	3,191,539
Minority interests	-	-