

Consolidated Financial Results for the First Three Months of Fiscal Year Ending December 31, 2016 (Three Months Ended March 31, 2016)

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

Stock code: 3064

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Scheduled date to file Quarterly Securities Report: May 11, 2016

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, 2016

(January 1, 2016 – March 31, 2016)

(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, 2016	16,589	23.4	2,099	38.2	2,103	37.5	1,375	42.5
Three months ended Mar.31, 2015	13,447	24.1	1,518	24.7	1,529	24.4	965	31.2

Note: Comprehensive income: Three months ended Mar.31, 2016: 1,352 million yen (40.7 %)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar.31, 2016	11.13	11.07
Three months ended Mar.31, 2015	7.85	7.78

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 Mar.31, 2016	28,410	13,143	46.0
As of Dec.31, 2015	28,744	12,632	43.7

Reference: Shareholders' equity Mar.31, 2016: 13,081 million yen Dec.31, 2015: 12,572 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, 2015	-	10.00	-	7.00	-
Year ending Dec.31, 2016 (actual)	-				
Year ending Dec.31, 2016 (forecast)		9.00	-	9.00	18.00

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 interim dividend and total dividend for the year ended December 31, 2015 would be equivalent to 5 yen and 12 yen, respectively on the assumption that the share split was implemented at the beginning of the previous fiscal year.

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2016 (January 1, 2016 – December 31, 2016)

(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)	33,748	23.4	4,300	25.3	4,296	24.7	2,800	28.6	22.67
Full year	71,076	23.5	9,300	31.2	9,295	30.5	6,051	36.3	48.96

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, 2016: 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: Yes

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, 2016:	124,672,600 shares	Dec.31, 2015:	124,498,800 shares
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2) Number of treasury stock at the end of period

Mar.31, 2016:	1,083,233 shares	Dec.31, 2015:	1,083,233 shares
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3) Average number of shares outstanding during the period

Three months ended Mar.31, 2016:	123,567,367 shares	Three months ended Mar.31, 2015:	122,986,681 shares
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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 three months of the fiscal year ending December 31, 2016 generally continued to be flat with government economic and fiscal policies providing some support, while concerns about the decelerating economy in China and problems in Europe made the outlook for the future economy unpredictable.

Among mid-to-small manufacturers, the major customers of our industrial MRO products, economic conditions also remained at the same level corresponding to similar circumstances.

In this economic environment, we have continually 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, the publication and distribution of catalogs and TV and radio commercials. In terms of catalogs, we newly published REDBOOK vol. 12 Spring Edition in late February, divided into 9 volumes with 146 thousand items and approximately 1.3 million issues available in total, featuring products that are mainly used through early spring season. In addition, we broadcasted TV commercials throughout Japan, other than in certain geographic areas such as San-in and Kyusyu regions, during this quarter to enhance our visibility much further.

Furthermore, the total number of our product lineup reached approximately nine million items in total and 263 thousand items in stock which are available for the same day shipment 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, 2016.

In addition, we newly launched "Customizable Order Service" in mid-February which makes it possible for customers to choose and combine certain specifications of our products by themselves and easily order the customized products on our website focusing on interior doors and entrance storage spaces in the building material and exterior category, and shafts, LM guides and ball screws (direct acting parts) in the bearing and transmission equipment category to further enhance usability.

Meanwhile, in relation to the sales of MRO products to large customers through the integrated purchase systems, both the number of customers and the amount of sales steadily increased.

Consequently, we have successfully obtained 101,388 newly registered accounts for the first three months of the fiscal year ending December 31, 2016 and the number of registered accounts totaled 1,877,958 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 16,589 million yen (23.4% increase from the same period of the previous fiscal year), operating income of 2,099 million yen (38.2% increase from the same period of the previous fiscal year), ordinary income of 2,103 million yen (37.5% increase from the same period of the previous fiscal year), and net income attributable to owners of parent company of 1,375 million yen, a corresponding 42.5% increase.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of March 31, 2016 (the end of the first three months of the fiscal year ending December 31, 2016) amounted to 28,410 million yen, a decrease of 333 million yen from the end of the previous fiscal year. Current assets amounted to 24,196 million yen, a decrease of 1,051 million yen. This was attributable to a decrease of 2,193 million yen in cash and deposits, despite an increase of 1,025 million yen in accounts receivable-trade. Non-current assets amounted to 4,214 million yen, an increase of 717 million yen which was mainly attributable to an increase of 643 million yen in construction in progress for Kasama distribution center.

On the other hand, total liabilities as of March 31, 2016 amounted to 15,267 million yen, a decrease of 844 million yen from the end of the previous fiscal year. Current liabilities amounted to 8,334 million yen, a decrease of 796 million yen. This was due mainly to a decrease of 1,359 million yen in income taxes payable, despite an increase of 653 million yen in accounts payable-trade. Non-current liabilities amounted to 6,933 million yen, a decrease of 47 million yen.

Total net assets amounted to 13,143 million yen, an increase of 510 million yen from the end of the previous fiscal year. This was largely due to net income attributable to owners of parent company of 1,375 million yen offset by dividend payments of 863 million yen for the first three months of the fiscal year ending December 31, 2016. As a result, the equity ratio as of March 31, 2016 was 46.0%, up 2.3 percentage points from the end of the previous fiscal year.

(3) Forecast for the Fiscal Year Ending December 31, 2016

Although the Japanese economy has continued to be unpredictable in terms of economic conditions as a whole, and mid-to-small manufacturers, the major customers of our industrial MRO products, have also faced similar circumstances as well, our financial results in the first three months of this fiscal year were essentially in line with 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, 2016, disclosed on January 29, 2016, 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:

(Changes in Accounting Policies)

Effective from the first quarter of the fiscal year ending December 31, 2016, we have applied the following revised accounting standards: “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013; hereinafter “Business Combination Accounting Standard”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter “Consolidated Financial Statement Accounting Standard”), and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter “Business Divestiture Accounting Standard”). As a result, the accounting method has been changed to record the differences caused by changes in ownership interest in subsidiaries under ongoing control of the Company as capital surplus, and corresponding acquisition-related costs as expenses for the fiscal year in which they are incurred. In addition, as for business combinations which occur at or after the beginning of the first quarter of this fiscal year under review, the accounting method has been changed to reflect revisions that the acquisition costs resulting from settlement of provisional accounting treatment are allocated to the financial statements for the fiscal year in which they occur. Furthermore, a change in presentation for net income and a change in presentation from “minority interests” to “non-controlling interests” have been made as well. In order to reflect these changes in presentation, reclassifications have been made in the accompanying quarterly consolidated financial statements for the first three months of the fiscal year ended December 31, 2015 and the consolidated financial statements for the fiscal year then ended, respectively.

We have applied the Accounting Standard for Business Combinations in accordance with transitional provisions in paragraph 58-2(4) of the Accounting Standard for Business Combinations, paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4(4) of the Accounting Standard for Business Divestitures, prospectively at the beginning of the first quarter of this fiscal year under review.

These changes resulted in no effect on the quarterly financial statements for the first three months of the fiscal year ending December 31, 2016.

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, 2015	(In thousands of yen) As of Mar. 31, 2016
Assets		
Current assets		
Cash and deposits	11,189,563	8,996,022
Accounts receivable-trade	6,128,302	7,153,369
Merchandise	5,092,272	5,216,903
Goods in transit	213,836	147,526
Supplies	105,809	147,986
Accounts receivable-other	2,163,457	2,239,901
Other	390,305	329,520
Allowance for doubtful accounts	(35,022)	(34,300)
Total current assets	<u>25,248,526</u>	<u>24,196,928</u>
Noncurrent assets		
Property, plant and equipment	1,571,695	2,260,896
Intangible assets	1,012,892	1,045,703
Investments and other assets		
Guarantee deposits	745,155	739,213
Other	190,940	192,974
Allowance for doubtful accounts	(24,504)	(24,731)
Total investments and other assets	<u>911,591</u>	<u>907,456</u>
Total noncurrent assets	<u>3,496,179</u>	<u>4,214,056</u>
Total assets	<u>28,744,705</u>	<u>28,410,985</u>
Liabilities		
Current liabilities		
Accounts payable-trade	4,404,915	5,058,064
Long-term loans payable-current portion	315,076	315,076
Lease obligations	302,657	282,214
Accounts payable-other	1,441,059	1,463,768
Income taxes payable	2,036,907	677,092
Provision for employees' bonuses	52,913	133,999
Provision for directors' bonuses	29,237	15,158
Other	548,208	388,945
Total current liabilities	<u>9,130,975</u>	<u>8,334,319</u>
Noncurrent liabilities		
Long-term loans payable	6,850,000	6,793,750
Lease obligations	26,334	20,691
Provision for directors' retirement benefits	52,231	62,470
Provison for retirement benefis for employees	1,876	5,862
Other	50,672	50,743
Total noncurrent liabilities	<u>6,981,115</u>	<u>6,933,517</u>
Total liabilities	<u>16,112,091</u>	<u>15,267,837</u>
Net assets		
Shareholders' equity		
Capital stock	1,907,453	1,917,626
Capital surplus	711,991	722,163
Retained earnings	10,095,565	10,606,800
Treasury stock	(180,278)	(180,278)
Total shareholders' equity	<u>12,534,730</u>	<u>13,066,311</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	37,775	15,620
Total accumulated other comprehensive income	<u>37,775</u>	<u>15,620</u>
Subscription rights to shares	60,107	61,215
Total net assets	<u>12,632,614</u>	<u>13,143,147</u>
Total liabilities and net assets	<u>28,744,705</u>	<u>28,410,985</u>

(2) Consolidated quarterly statements of (comprehensive) income

Accounts	(In thousands of yen)	
	Three months period ended Mar. 31, 2015	Three months period ended Mar. 31, 2016
Net sales	13,447,244	16,589,745
Cost of sales	9,470,831	11,461,587
Gross profit	3,976,412	5,128,158
Selling, general and administrative expenses	2,457,488	3,028,277
Operating income	1,518,923	2,099,880
Non-operating income		
Interest income	217	824
Foreign exchange gains	8,398	3,245
Gain on sale of materials	1,956	2,476
Other	7,173	4,978
Total non-operating income	17,745	11,525
Non-operating expenses		
Interest expenses	2,199	2,498
Loss on disposal of inventories	3,683	4,999
Other	877	539
Total non-operating expenses	6,760	8,036
Ordinary income	1,529,908	2,103,369
Extraordinary loss		
Loss on disposal of fixed assets	1,046	14
Total extraordinary losses	1,046	14
Income before income taxes	1,528,861	2,103,355
Income taxes-current	554,772	654,638
-deferred	8,821	73,572
Total income taxes	563,594	728,210
Net income	965,267	1,375,144
Net income attributable to:		
owners of the parent	965,267	1,375,144
non-controlling interests	-	-
Other comprehensive income		
Foreign currency translation adjustment	(3,403)	(22,155)
Total other comprehensive income	(3,403)	(22,155)
Comprehensive income	961,863	1,352,988
Comprehensive income attributable to:		
owners of the parent	961,863	1,352,988
non-controlling interests	-	-