

MonotaRO (3064)

Consolidated FY (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY12/2012		28,742	2,925	2,941	1,689	28.2	8.0	91.0
FY12/2013		34,556	3,885	3,901	2,289	37.7	12.0	119.5
FY12/2014CoE		44,684	4,327	4,345	2,531	41.4	14.0	-
FY12/2013	YoY	20.2%	32.8%	32.6%	35.5%	-	-	-
FY12/2014CoE	YoY	29.3%	11.4%	11.4%	10.6%	-	-	-
Consolidated Q1 to Q3 (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY12/2012		20,782	2,122	2,145	1,237	-	-	-
Q1 to Q3 FY12/2013		24,587	3,004	3,020	1,810	-	-	-
Q1 to Q3 FY12/2014		32,413	3,149	3,181	1,862	-	-	-
Q1 to Q3 FY12/2014	YoY	31.8%	4.8%	5.3%	2.8%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (19 November 2014)

Pursuit of Persistent Growth

MonotaRO, running Internet store of indirect materials (diverse consumables but for raw materials), e.g., tools, mainly for small-&-medium-sized corporates belonging to manufacturing, construction & engineering and automotive aftermarket by sector, maintains high growth rate in sales. While the number of registered accounts is steadily increasing in line with increasing number of incoming new customers, sales per registered account remain roughly stable. As far as we could see, the Company is seeing business performance, well coping with its midterm milestone target to achieve sales ¥100,000m (more than doubled from the current level). On the other hand, operating profit margin is under pressure short-term. On top of expenses associated with changeover to new distribution center, the Company is currently seeing increasing procurement expenses in line with yen's depreciation, changes of product mix and initial expenses of new operations in Korea at the same time. However, going forward, prospective operating profit margin in FY12/2015 is likely to improve over the year. One-off expenses incurred by changeover to new distribution center will not reappear, while efficiency will be enhanced as the operations of new distribution center will be on track. In regards to product mix, the Company suggests that it will place emphasis on both national-brand merchandises and private-brand ones, while the operations in Korea are to remain making loss.

In Q1 to Q3 FY12/2014, sales came in at ¥32,413m (up 31.8% YoY), operating profit ¥3,149m (up 4.8%) and operating profit margin 9.7% (down 2.5% points), while the number of incoming new customers 23,600 (up 22%) in terms of simple monthly average, the number of registered accounts 1,328,143 (up 25.3%) and sales per registered account ¥8,700 (up 4%) in terms of simple quarterly average over the three quarters. Running TV commercials in metropolitan area on top of existing listing ads, the number of incoming new customers came in at 29,000 in September 2014, having renewed the record high. Meanwhile, the number of


items for merchandises increased to 8,000,000 from 5,000,000 and to 140,000 from 126,000 for inventory items to cope with day shipment, throughout the period (beginning of Q1 to the end of Q3), due mainly to those of national-brand ones across the domains including new ones. This was a major contributor to the number of incoming new customers and thus to the number of registered accounts as well as to stability of sales per registered account. At the same time, this appears to have increased the Company's exposure to national-brand merchandises in regards to product mix. On the earnings side, gross profit margin came in at 28.7% (down 1.7% points) and the ratio of SG&A expenses to sales 19.0% (up 0.8% points). Gross profit margin came down due to above-mentioned change of product mix and to increasing procurement expenses in line with yen's depreciation, while SG&A expenses increased more than sales due to expenses associated with changeover to new distribution center.

FY12/2014 Company forecasts are going for prospective sales ¥44,684m (up 29.3% YoY), operating profit ¥4,327m (up 11.4%) and operating profit margin 9.7% (down 1.6% points), assuming gross profit margin 28.9% (down 1.2% points) and the ratio of SG&A expenses to sales 19.2% (up 0.3% points). Meanwhile, Company forecasts assume prospective sales ¥12,270m (up 23.1%), operating profit ¥1,117m (up 33.7%) and operating profit margin 9.6% (up 0.8% points) in Q4 (Q1 to Q3 results simply deducted from full-year Company forecasts), while prospective gross profit margin 29.4% (versus 28.5% in Q3) and the ratio of SG&A expenses to sales 19.8% (versus 20.2% in Q3) implied. All those numbers suggest that gross profit margin is now starting to get higher chronologically, while the increases of SG&A expenses are now starting to slow down as expenses associated with startup of new distribution center are coming down. We have an impression that all those trends are to accelerate in FY12/2015.

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2.0 Company Profile

Internet Store to Support Procurement by Manufacturers, etc.

Company Name	MonotaRO Co., Ltd. Company Website (Japanese only) IR Information Share Price	
Established	19 October 2000	
Listing	6 December 2006: Tokyo Stock Exchange 1st Section (Ticker: 3064)	
Capital	¥1,856m (As of the end of September 2014)	
No. of Shares	61,756,200 shares, including 538,926 treasury shares (As of the end of Sep. 2014)	
Main Features	<ul style="list-style-type: none"> ● W.W. Granger Inc., a major U.S. indirect material company, the parent company ● Supplying mainly to small-&-mid-sized corporates belonging to manufacturing, construction & engineering and automotive aftermarket by sector ● Competing with retailers of tools, hardware stores, traders of automotive parts, operators of Internet stores, etc. 	
Businesses	. Sales of Factory-Use Indirect Materials	
Top Management	Representative Executive President: Masaya Suzuki	
Shareholders	Grainger Group 50.7%, State Street 5.7% (As of the end of June 2014)	
Headquarters	Amagasaki-city, Hyogo-prefecture JAPAN	
No. of Employees	Consolidated: 231, temporary headcounts: 702 (As of the end of September 2014)	

Source: Company Data

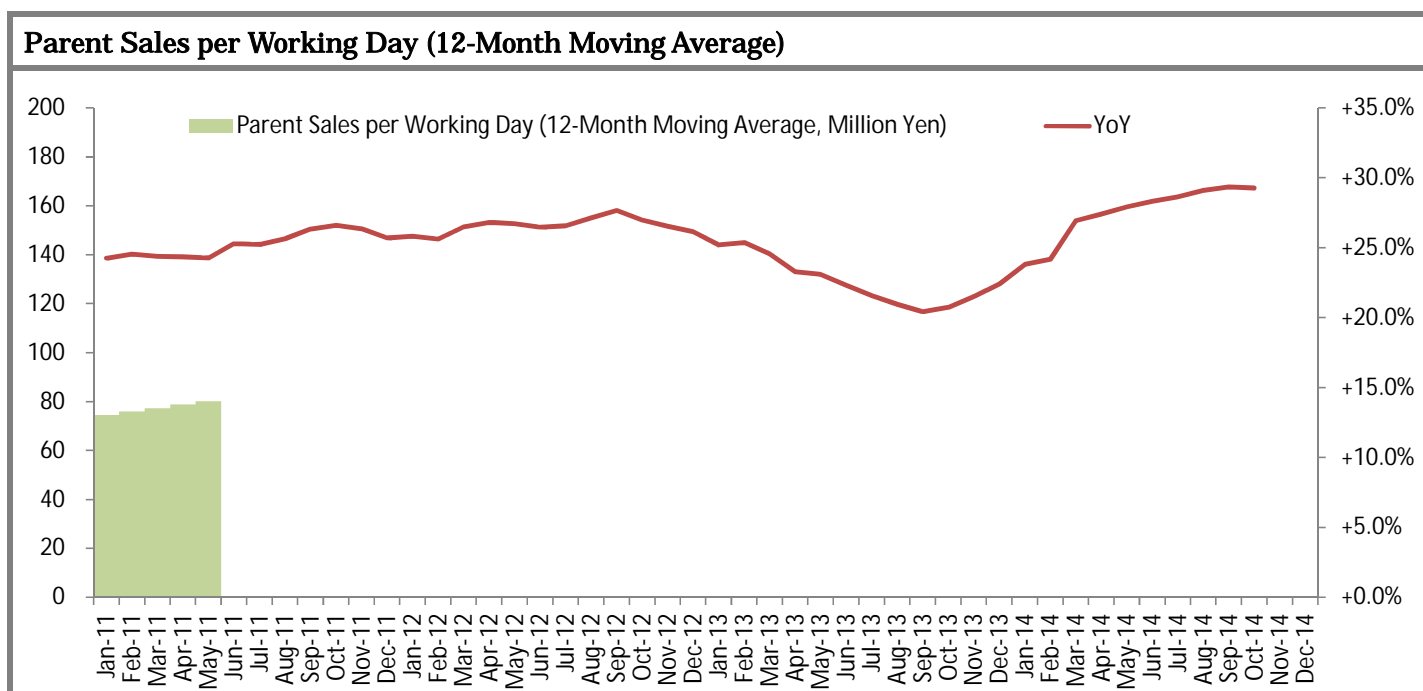
3.0 Recent Trading & Prospects

Q1 to Q3 FY12/2014 Results

In Q1 to Q3 FY12/2014, sales came in at ¥32,413m (up 31.8% YoY), operating profit ¥3,149m (up 4.8%), recurring profit ¥3,181m (up 5.3%) and net profit ¥1,862m (up 2.8%), while operating profit margin 9.7% (down 2.5% points). On a parent basis, sales came in at ¥31,896m (up 30.0%), operating profit ¥3,363m (up 7.5%) and operating profit margin 10.5% (down 2.3% points).

The only consolidated subsidiary based in Korea, where effectively the same business model is adopted as in Japan, saw surging sales, being at its startup stage. This enhanced sales growth rate as a whole for the Company. Nevertheless, this subsidiary inevitably sees increasing expenses for frontloaded investments to promote new customer cultivations in Korea at the moment, according to the Company.

On a parent basis, sales growth rate remains high or is rather accelerating. In order to see underlying chronological trends of trading after adjusting for seasonality all through the year and for differences of working days per month while removing impacts from Korea, we compute “Parent Sales per Working Day (12-Month Moving Average)”. In here, sales increased more than 29% over the year, in August, September and October in 2014, having exceeded the highest levels over the past three years. In the latest October, sales in here came in at ¥175m (up 29.3% YoY).



Source: Company Data, WRJ Calculations

Driven by increasing number of incoming new customers, the number of registered accounts is increasing while sales per account roughly stabilizing. Sale per registered account came in at ¥9,300 (up 11% YoY) in Q1, ¥8,400 (down 1%) in Q2 and ¥8,400 (up 1%), suggesting simple average ¥8,700 (up 4%) over the three quarters. In computing all those numbers, sales in each quarter are simply divided by the average number of registered accounts in each quarter and thus denominator comprises both registered accounts utilized and not utilized in each quarter. At the end of the day, sales per registered account on a utilization basis should be meaningfully higher than all those numbers.

The reason why we compute all those numbers, in spite of this, is that it implies the level of impacts by the increases of registered accounts to sales of the Company. For example, based on above-mentioned data, it is implied that the increases of sales of the Company are roughly in line with those of registered accounts. Eventually, it should be concluded that increases of sales for the Company currently hinge on the number of incoming new customers to a large extent.

Meanwhile, sales per registered account in Q2 and Q3 were smaller some 10% than those of Q1 results. In here, it is presumed that the level of Q1 was temporarily boosted by rush demand prior to consumption tax rate hike, as the period (January to March 2014) was the last three months prior to the hike. At the same time, it appears to be the case that sales of the Company hardly suffered from any reactions associated with rush demand, when it is reviewed that sales per registered account in Q2 to have been immediately followed by then remained effectively unchanged over the year.

As far as we could gather, persistently increasing opportunities for existing customers to benefit from improving conveniences stemming from ongoing increases of the number of items for merchandises and that of inventory items to cope with day shipment are one of the key factors why sales per registered account remain stable. As has been mentioned, the number of inventory items to cope with day shipment stands at 140,000 and, on top of this, the number of items for merchandises to be delivered directly from suppliers stands at 100,000, coping with day shipment as well in a view of customers. Thus, the effective number of items for merchandises to cope with day shipment stands at collective 240,000. All those factors are also major drivers to have enhanced incoming new customers, as mentioned earlier.

The other issue to be mentioned is that sales of “Large Corporates Linking”, presumably seeing fairly large sales per registered account, are starting to take off. At the moment, this accounts for no more than a few percentages of sales of the Company, but sales in here increased 115% over the year.

For example, OTUKA CORPORATION runs “Tano-Mail Plus”, large corporate ecommerce platform, and the Company exhibits in here effectively, i.e., own electronic catalogue for merchandises is linked to the platform (purchasing management system). Inevitably, the Company incurs charges to use the system, but profit margin is suggested to be satisfactorily high at the operating level, as the Company does not incur expenses at the SG&A level for acquiring new customers and seeing sales as far as operations in here are concerned. So far, the Company has increased the number of Large-Corporate-Linking customers up to collective 160 through a few platforms, while trying to start up self-developed platform “One Source” in the foreseeable future.

Income Statement (Cumulative, Quarterly)

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2013	Q1 to Q2 12/2013	Q1 to Q3 12/2013	Q1 to Q4 12/2013	Q1 12/2014	Q1 to Q2 12/2014	Q1 to Q3 12/2014	Q1 to Q4 12/2014		
Sales	7,739	15,991	24,587	34,556	10,831	21,305	32,413	-	+7,825	
Cost of Sales	5,354	11,075	17,117	24,146	7,697	15,175	23,112	-	+5,995	
Gross Profit	2,385	4,915	7,470	10,410	3,134	6,130	9,301	-	+1,830	
SG&A Expenses	1,431	2,853	4,465	6,525	1,916	3,911	6,151	-	+1,685	
Operating Profit	954	2,061	3,004	3,885	1,217	2,218	3,149	-	+144	
Non Operating Balance	1	13	15	15	12	25	31	-	+16	
Recurring Profit	956	2,074	3,020	3,901	1,229	2,243	3,181	-	+161	
Extraordinary Balance	131	131	(30)	(40)	0	0	(30)	-	0	
Pretax Profit	1,088	2,206	2,989	3,860	1,229	2,243	3,151	-	+161	
Tax Charges etc.	429	869	1,178	1,570	494	905	1,288	-	+110	
Net Profit	658	1,336	1,810	2,289	735	1,338	1,862	-	+51	
Sales YoY	+15.7%	+16.9%	+18.3%	+20.2%	+39.9%	+33.2%	+31.8%	-	-	
Operating Profit YoY	+44.9%	+44.8%	+41.6%	+32.8%	+27.6%	+7.6%	+4.8%	-	-	
Recurring Profit YoY	+45.4%	+44.1%	+40.8%	+32.6%	+28.6%	+8.1%	+5.3%	-	-	
Net Profit YoY	+75.2%	+61.4%	+46.4%	+35.5%	+11.7%	+0.1%	+2.8%	-	-	
Gross Profit Margin	30.8%	30.7%	30.4%	30.1%	28.9%	28.8%	28.7%	-	(1.7%)	
SG&A / Sales	18.5%	17.8%	18.2%	18.9%	17.7%	18.4%	19.0%	-	+0.8%	
Operating Profit Margin	12.3%	12.9%	12.2%	11.2%	11.2%	10.4%	9.7%	-	(2.5%)	
Recurring Profit Margin	12.4%	13.0%	12.3%	11.3%	11.4%	10.5%	9.8%	-	(2.5%)	
Net Profit Margin	8.5%	8.4%	7.4%	6.6%	6.8%	6.3%	5.7%	-	(1.6%)	
Tax Charges etc. / Pretax Profit	39.5%	39.4%	39.4%	40.7%	40.2%	40.4%	40.9%	-	+1.5%	

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2013	Q2 12/2013	Q3 12/2013	Q4 12/2013	Q1 12/2014	Q2 12/2014	Q3 12/2014	Q4 12/2014		
Sales	7,739	8,251	8,596	9,968	10,831	10,473	11,108	-	+2,511	
Cost of Sales	5,354	5,721	6,041	7,029	7,697	7,477	7,937	-	+1,896	
Gross Profit	2,385	2,529	2,555	2,939	3,134	2,996	3,170	-	+615	
SG&A Expenses	1,431	1,422	1,612	2,059	1,916	1,995	2,239	-	+627	
Operating Profit	954	1,107	943	880	1,217	1,000	931	-	(11)	
Non Operating Balance	1	11	2	0	12	13	6	-	+4	
Recurring Profit	956	1,118	945	881	1,229	1,014	937	-	(7)	
Extraordinary Balance	131	0	(162)	(10)	0	0	(30)	-	+132	
Pretax Profit	1,088	1,118	782	871	1,229	1,014	907	-	+124	
Tax Charges etc.	429	440	308	392	494	411	383	-	+74	
Net Profit	658	677	474	478	735	602	524	-	+50	
Sales YoY	+15.7%	+18.0%	+21.0%	+25.2%	+39.9%	+26.9%	+29.2%	-	-	
Operating Profit YoY	+44.9%	+44.7%	+35.0%	+9.6%	+27.6%	(9.6%)	(1.3%)	-	-	
Recurring Profit YoY	+45.4%	+43.0%	+34.0%	+10.7%	+28.6%	(9.3%)	(0.8%)	-	-	
Net Profit YoY	+75.2%	+49.8%	+16.0%	+5.8%	+11.7%	(11.2%)	+10.6%	-	-	
Gross Profit Margin	30.8%	30.7%	29.7%	29.5%	28.9%	28.6%	28.5%	-	(1.2%)	
SG&A / Sales	18.5%	17.2%	18.8%	20.7%	17.7%	19.1%	20.2%	-	+1.4%	
Operating Profit Margin	12.3%	13.4%	11.0%	8.8%	11.2%	9.6%	8.4%	-	(2.6%)	
Recurring Profit Margin	12.4%	13.6%	11.0%	8.8%	11.4%	9.7%	8.4%	-	(2.6%)	
Net Profit Margin	8.5%	8.2%	5.5%	4.8%	6.8%	5.8%	4.7%	-	(0.8%)	
Tax Charges etc. / Pretax Profit	39.5%	39.4%	39.4%	45.1%	40.2%	40.6%	42.2%	-	+2.8%	

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	12/2013	12/2013	12/2013	12/2013	12/2014	12/2014	12/2014	12/2014		
Cash & Deposit	2,516	3,270	3,405	4,248	3,176	2,891	2,950	-		(454)
Accounts Receivables	3,030	3,091	3,191	3,760	4,600	4,158	4,479	-		+1,287
Inventory	2,845	3,072	2,964	3,023	3,322	3,816	3,451	-		+487
Other	1,328	1,302	1,890	1,627	1,697	1,800	2,245	-		+354
Current Assets	9,720	10,736	11,451	12,660	12,797	12,667	13,126	-		+1,674
Tangible Assets	186	181	277	404	475	1,012	1,066	-		+788
Intangible Assets	773	828	839	870	914	950	954	-		+114
Investments & Other Assets	262	276	591	570	553	589	798	-		+206
Fixed Assets	1,222	1,285	1,708	1,845	1,943	2,552	2,818	-		+1,110
Total Assets	10,942	12,022	13,160	14,505	14,740	15,219	15,945	-		+2,784
Accounts Payable	2,207	2,152	2,253	2,667	3,558	2,684	3,100	-		+846
Short Term Debt	1,300	1,300	1,388	1,388	1,388	1,388	1,389	-		+0
Other	1,267	1,720	2,343	2,731	1,738	2,246	2,490	-		+147
Current Liabilities	4,775	5,173	5,985	6,787	6,686	6,319	6,980	-		+994
Long Term Debt	0	0	179	179	179	179	90	-		(89)
Other	148	147	159	182	137	334	377	-		+218
Fixed Liabilities	148	147	338	361	316	514	467	-		+129
Total Liabilities	4,923	5,320	6,324	7,149	7,003	6,834	7,447	-		+1,123
Shareholders' Equity	5,969	6,645	6,760	7,255	7,641	8,274	8,374	-		+1,614
Other	49	56	75	100	96	110	122	-		+46
Total Assets	6,018	6,701	6,836	7,355	7,737	8,385	8,497	-		+1,661
Total Liabilities & net Assets	10,942	12,022	13,160	14,505	14,740	15,219	15,945	-		+2,784
Equity Capital	5,969	6,645	6,768	7,282	7,661	8,312	8,427	-		+1,659
Interest Bearing Debt	1,300	1,300	1,568	1,568	1,568	1,567	1,479	-		(88)
Net Debt	(1,216)	(1,970)	(1,836)	(2,680)	(1,608)	(1,324)	(1,470)	-		+366
Equity Capital Ratio	54.5%	55.3%	51.4%	50.2%	52.0%	54.6%	52.9%	-		+1.5%
Net-Debt-Equity Ratio	(20.4%)	(29.7%)	(27.2%)	(36.9%)	(21.0%)	(16.0%)	(17.6%)	-		+9.6%
ROE	46.0%	44.1%	39.4%	35.9%	39.4%	34.3%	31.6%	-		(7.8%)
ROA	34.5%	35.6%	33.0%	30.3%	33.6%	30.2%	27.9%	-		(5.1%)
Days for Inventory Turnover	48	49	45	39	39	47	40	-		-
Inventory Turnover	7.5	7.4	8.2	9.3	9.3	7.8	9.2	-		-
Quick Ratio	116%	123%	110%	118%	116%	112%	106%	-		-
Current Ratio	204%	208%	191%	187%	191%	200%	188%	-		-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

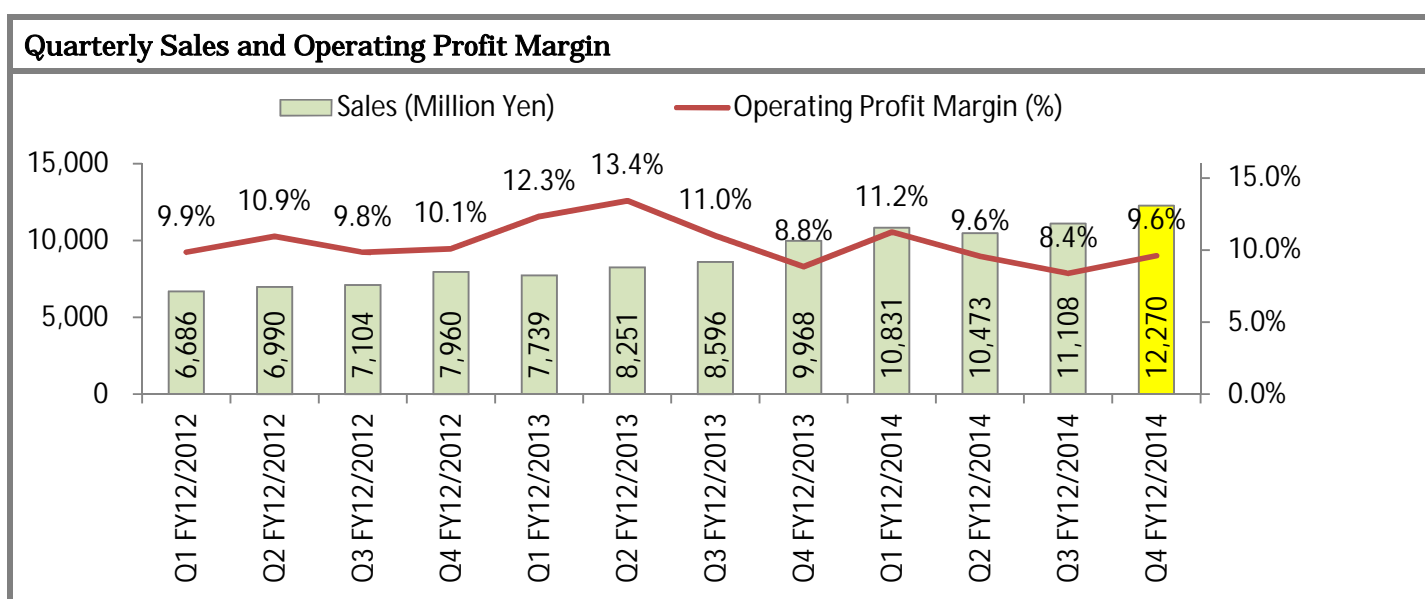
Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	12/2013	12/2013	12/2013	12/2013	12/2014	12/2014	12/2014	12/2014		
Operating Cash Flow	na	728	na	2,354	na	(557)	na	-		-
Investing Cash Flow	na	(379)	na	(972)	na	(426)	na	-		-
Operating CF + Investing CF	na	348	na	1,381	na	(983)	na	-		-
Financing Cash Flow	na	(197)	na	(274)	na	(384)	na	-		-

Source: Company Data, WRJ Calculation

FY12/2014 Company Forecasts

FY12/2014 Company forecasts are going for prospective sales ¥44,684m (up 29.3% YoY), operating profit ¥4,327m (up 11.4%), recurring profit ¥4,345m (up 11.4%) and net profit ¥2,531m (up 10.6%), while prospective operating profit margin 9.7% (down 1.6% points). All those numbers are based on upward revision, made at the release of Q1 to Q2 FY12/2014 results.

Compared with initial Company forecasts, sales were revised up ¥2,037m (4.8%), operating profit ¥117m (2.8%), recurring profit ¥148m (3.5%) and net profit ¥87m (3.6%). Meanwhile, prospective divided per share has remained unchanged at ¥14.0, implying payout ratio 33.8%, up ¥2.0 from ¥12.0 in FY12/2013, implying payout ratio 31.8%. Thus, payout ratio is also expected to rise over the year.

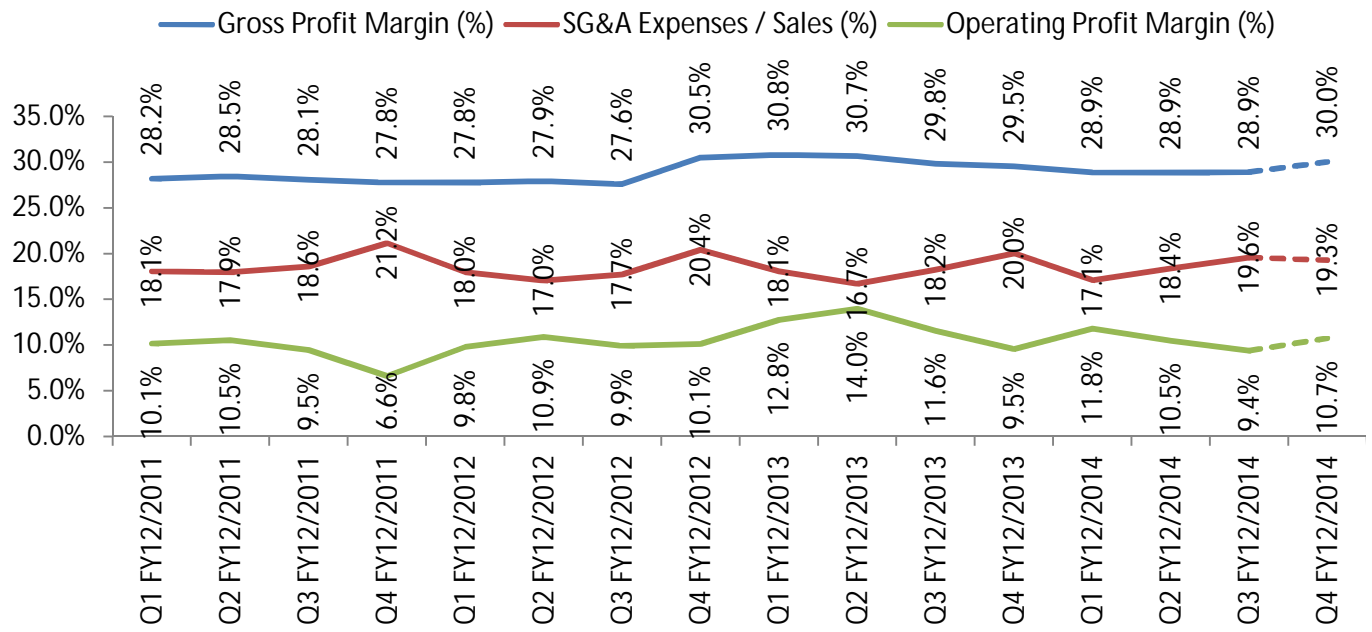


Source: Company Data, WRJ Calculations

In Q2 and Q3, changeover to new distribution center to have started up its utilization in July 2014 increased SG&A expenses of the Company due to expenses generated in line with the utilization, while yen's depreciation and change of product mix worked to lower gross profit margin. However, more importantly, it appears that expenses associated with changeover to the new distribution center are to rather come down in Q4, while gross profit margin rather on the improvement chronologically.

Meanwhile, the increases of the number of items for merchandises are to accelerate. The number is expected to reach 200,000 as of the end of Q4 versus 140,000 as of the end of Q3, compared with 126,000 as of the beginning of Q1. This has a lot to do with increased capability for the Company to hold merchandises as inventory, driven by changeover to new distribution center. The increases in here are directly reflected in the increases of items for merchandises for the Company to cope with day shipment and thus conveniences for customers at the same time. The changeover to new distribution center is expected to eventually boost the capability up to 300,000 to 400,000 in terms of the number of items for merchandises to be held as inventory.

Gross profit Margin, SG&A Expenses / Sales and Operating Profit Margin (Parent)



Source: Company Data, WRJ Calculation

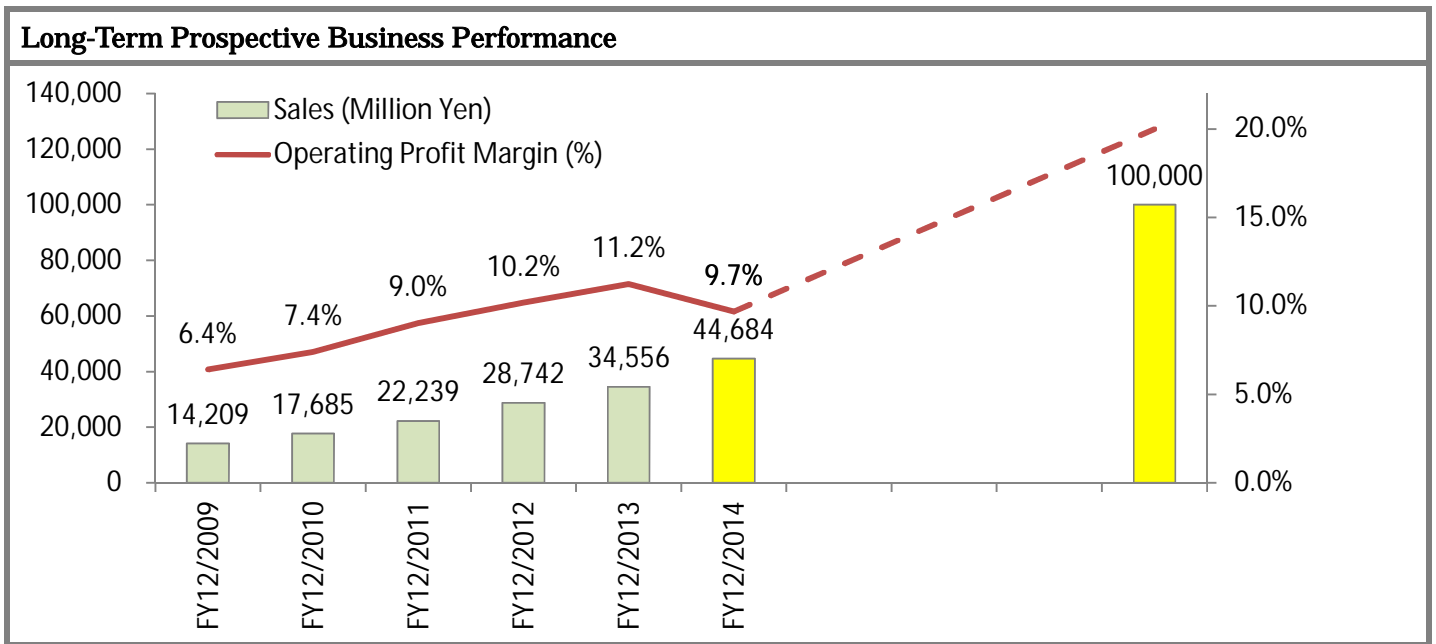
New Distribution Center



Source: Company Data

Long-Term Prospects

The Company suggests a midterm milestone target ¥100,000m for annual turnover, while calling for consistently edging up operating profit margin as a long-term trend. In FY12/2013, sales came in at ¥34,556m, operating profit ¥3,885m and operating profit margin 11.2%. There should be, still, a great room to cultivate, even after achieving sales ¥100,000m, when it is reviewed that the Company estimates the domestic market for MRO in Japan to which it is exposed equates to ¥5.0 trillion to ¥10.0 trillion. Nevertheless, in FY12/2014, frontloaded investments associated with new distribution center are to increase and thus operating profit margin is to inevitably suffer from one-off adjustments.



Source: Company Data, WRJ Calculation

According to the statistics by Ministry of Internal Affairs and Communication (2012 Economic Consensus for Business Activity), the number of corporates whose headcounts are lower than 300 in Japan stands at 5,430,000. On top of this, many sole traders which are not included in here, as well as large corporates whose headcounts are 300 and/or more, have been customers for the Company. Given the fact that the number of registered accounts of the Company stands at no more than 1,328,143 as of end of Q3 FY12/2014 (up 25.3% YoY) and that a customer holds more than a single registered account to a reasonable extent, we have an impression that the number of registered accounts of the Company has a substantial upside potential.

Meanwhile, edging up operating profit margin, as a long-term trend, is expected to materialize by gradually decreasing ratio of SG&A expenses to sales, combined with gradually improving gross profit margin. The former is expected to be driven basically by persistent increases in sales, while the latter improvements of product mix.

Most recently, gross profit margin is under pressure in line with change of product mix, due to increasing emphasis upon national-brand merchandises to cultivate new customers and to additionally enhance sales of existing customers. However, it appears that the Company will eventually enter a stage to incorporate well-selling national-brand merchandises as own private-brand merchandises. Prospective progresses in here are to lead to improving gross profit margin at the end of the day.

On top of above-discussed domestic developments, overseas developments are also expected to contribute to prospective earnings of the Company in a long-term view. In the United States where the market is three times larger in volume than the domestic market in Japan, the Company runs a business to collect royalties by means of advising for an Internet store operator to deal with tools and other MRO merchandises. In detail, since 2010, the Company has been offering own knowhow, etc. for Zoro Tools Inc., a 100% subsidiary of W.W. Granger Inc. based in the United States, which is the Company's parent company. So far, Zolo Tools Inc. has turned profitable and the Company has been collecting royalties since FY12/2013, while prospects are even better in FY12/2014, according to the Company.

The other issue overseas is that the Company is running a business in Korea, where the Company carries out operations effectively the same as in the domestic market in Japan, given high similarities in market structure and merchandises to trade between the two countries. Effective market to be developed in here is estimated at only one tenth in volume compared with the domestic market in Japan, but high similarities of merchandises to trade minimize risks associated with holding inventory, which is one of the biggest risks at the initial stage of new operations from the scratch.

Thus, the overall picture in here is that the Company entered overseas business with no risks, by means of just advising first of all. Then, to date, given a visibility of this business, the Company has started up being involved with low risk operations overseas. It appears that the Company is now heading for steady progresses in cultivations overseas based on its scrupulously-planned agenda. Most recently, the Company is starting up locally running own ecommerce websites in European and Southeast Asian countries.

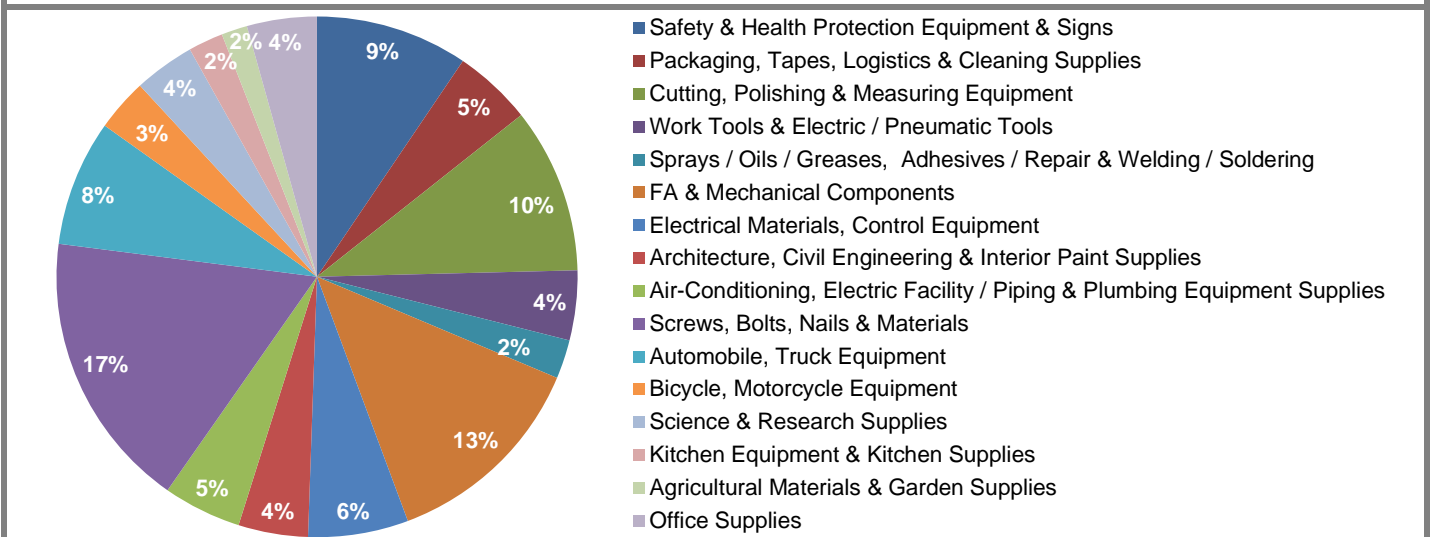
4.0 Business Model

Benefits as the Forerunner

The Company's business is to run Internet store "MonotaRO", a procurement supporter for manufacturers, etc. Since the inception in October 2000, the Company has been involved with retailing on Internet, mainly supplying small-&-medium-sized corporates, comprising manufacturing (47% of sales of the Company in FY12/2013, down 3% points YoY), automotive aftermarket (15%, up 1% point), construction & engineering (17%, up 1% point) and other (21%, up 1% point) by sector. The Company has materialized higher variety in its portfolio of items for merchandises to trade than any other competitors, while the platform offers high capability for searching and well encloses customers. With all those positive factors, the Company has developed its own business operations as the forerunner in the market.

"General Catalogue for Indirect Materials Volume 10":

Composition Ratio of the Number of Items for Merchandises to Trade for the 16 Domains



Source: Company Data, WRJ Calculation

The key characteristics of the Company's business model are to offer diverse merchandises at a fixed retailing price each, while providing customers with high conveniences. When small-&-medium-sized corporates or the mainstay customer base for the Company are defined as those with headcounts up to 100, they accounted for 85% of sales of the Company in FY12/2013, while 12% for those with headcounts between 101 and 1,000. The remaining 3% was accounted for by large corporates with headcounts more than 1,000. In other words, the Company has not penetrated into large corporates very much to date, but progresses have been made, as discussed in regards to aforementioned "Large Corporate Linking".

Merchandises to trade by the Company are diverse, currently comprising 8,000,000 items, including inventory items 140,000 to cope with day shipment (240,000, when day shipment by direct distribution included). Meanwhile, 370,000 items are posted on "General Catalogue for Indirect Materials Volume 10", issued in October 2014.

“General Catalogue for Indirect Materials Volume 10”:

The Number of Items for Merchandises to Trade & Major Constituents of the 16 Domains

Domain	No. of Items	Major Constituents
Safety & Health Protection Equipment & Signs	35,000	Gloves, Mask, Glasses, Safety Shoes / Work Shoes, Work Clothes, Safety Supplies & Safety Signs
Packaging, Tapes, Logistics & Cleaning Supplies	18,000	Cleaning Supplies / Detergent, Logistics / Storage Supplies, Tape, Packing Supplies & Seasonal Goods
Cutting, Polishing & Measuring Equipment	38,000	Cutting Tools, Abrasives & Measuring Equipment
Work Tools & Electric / Pneumatic Tools	16,000	Work Tools, Electric Tools, Engine Tools & Pneumatic Tools
Sprays / Oils / Greases, Adhesives / Repair & Welding / Soldering	9,000	Sprays / Oils / Greases, Adhesives & Repair Materials, Welding Equipment & Soldering-Related / Electrostatic Discharge Equipment
FA & Mechanical Components	48,000	Compressors, Couplers, Pneumatic Equipment, Hoses, Tubes, Bearings, Conductivity Instruments, Machine Parts, Materials (Cutting Board, Plate, Round Bar, Pipe and Sheet), Caster & Hydraulic Equipment / Hydraulic Hoses (High-Pressure Hoses)
Electrical Materials, Control Equipment	23,000	Electrical Materials, Control Equipment
Architecture, Civil Engineering & Interior Paint Supplies	16,000	Painting / Curing / Interior Supplies, Architectural Hardware, Building Materials / Exterior, Housing Equipment & Pumps / Blowers
Air-Conditioning, Electric Facility / Piping & Plumbing Equipment Supplies	18,000	Air-Conditioning / Electric Facilities Materials & Piping / Water Treatment Facility Equipment Parts
Screws, Bolts, Nails & Materials	64,000	Screws, Bolts, Nails & Materials
Automobile, Truck Equipment	29,000	Oils, Chemicals, Repairs, Car Wash & Cleaning, Sheet Metals & Paints, Car Supplies, Maintenance Tools & Storages, Electric & Pneumatic & Hydraulic Tools, Garage Equipment & Transportation, Tires, Suspensions, Auto Parts and Electrical & Harnesses
Bicycle, Motorcycle Equipment	12,000	Bicycle, Motorcycle Equip.
Science & Research Supplies	14,000	Glass & Plastic & Metal Containers, Volumeter & Dispensing & Syringe & Pipette & Dropper, Water-& Soil-Testing-Related (pH, etc.) & Pure Water Production & Pure-Water-Related
Kitchen Equipment & Kitchen Supplies	8,000	Cooking Utensils, Cookware, Kitchen Equipment / Facilities / Cooking Machinery, Packaging Materials / Disposable Container / Tableware, Banquet Ware Self-Service, Tabletop Equipment / Table Ware, Confectionery Goods / Bread Supplies, Picnic Supplies, Stores & Accounting Supplies
Agricultural Materials & Garden Supplies	6,000	Agriculture / Gardening Materials, Gardening, Work Supplies, Fertilizers / Pesticides, Seeds, Farming Tools, Agricultural Equipment & shipping / packaging materials
Office Supplies	16,000	Office Supplies, OA / PC Supplies, Inks & Toners, Lighting and Batteries
Total	370,000	

Source: Company Data

“General Catalogue for Indirect Materials Volume 10” : Front Covers of the 16 Domains

**Safety & Health
Protection Equipment &
Signs**

手袋 — P.8~
マスク — P.129~
メガネ — P.174~
安全靴・
安全シューズ — P.224~
作業服 — P.282~
安全眼鏡 — P.404~
安全ヘルメット — P.482~

¥33,800a 掲載!
¥7,200a 新規掲載!
¥4,000a 値下げ!

**Packaging, Tapes,
Logistics & Cleaning
Supplies**

清掃用品・洗剤 — P.8~
梱包・梱包用品 — P.170~
テープ — P.412~
梱包用品 — P.498~
季節用品 — P.672~

¥18,000a 掲載!
¥3,000a 新規掲載!
¥3,000a 値下げ!

**Cutting, Polishing &
Measuring Equipment**

切断工具 — P.8~
研削材 — P.849~
測定用品 — P.436~

¥38,000a 掲載!
¥7,000a 新規掲載!
¥7,000a 値下げ!

**Work Tools & Electric /
Pneumatic Tools**

内蔵工具 — P.8~
電動工具 — P.438~
電動工具 — P.438~
電動工具 — P.438~

¥16,000a 掲載!
¥4,000a 新規掲載!
¥3,000a 値下げ!

**Sprays / Oils / Greases,
Adhesives / Repair &
Welding / Soldering**

スプレー・オイル・
グリス — P.10~
接着剤・糊剤 — P.134~
接着剤 — P.220~
はんだ・溶剤・溶剤
接着剤 — P.288~

NEW

¥9,000a 掲載!
¥4,000a 新規掲載!
¥2,000a 値下げ!

**FA & Mechanical
Components**

コンプレッサー・
ガス・圧縮機・
ホース — P.8~
ホース — P.8~
マフリング・
各種部品 — P.180~
各種部品 — P.418~
キヤスター — P.618~
固定ホース・
(高圧ホース) — P.688~

¥48,000a 掲載!
¥18,000a 新規掲載!
¥13,000a 値下げ!

**Electrical Materials,
Control Equipment**

電気材料 — P.8~
制御機器 — P.198~

¥23,000a 掲載!
¥5,000a 新規掲載!
¥6,000a 値下げ!

**Architecture, Civil
Engineering & Interior
Paint Supplies**

塗料・塗料・
内装用品 — P.10~
内装用品 — P.122~
塗料・
エクステリア — P.334~
塗料・塗料 — P.448~
ペンキ・塗料 — P.472~

NEW

¥16,000a 掲載!
¥4,000a 新規掲載!
¥2,000a 値下げ!

**Air-Conditioning,
Electric Facility / Piping
& Plumbing Equipment
Supplies**

空調・電気材料 — P.8~
配管・水回り
設備材料 — P.188~

NEW

¥18,000a 掲載!
¥4,000a 新規掲載!
¥2,000a 値下げ!

**Screws, Bolts, Nails &
Materials**

ビス・ボルト・
ナット — P.66~
釘 — P.322~

¥64,000a 掲載!
¥9,000a 新規掲載!
¥13,000a 値下げ!

**Automobile, Truck
Equipment**

オイル・交換機 — P.8~
交換機 — P.102~
交換機 — P.146~
交換機 — P.184~
交換機・交換機 — P.286~
交換機・交換機 — P.388~
交換機・交換機 — P.376~
タイヤ・交換機 — P.482~
交換機・交換機 — P.510~
交換機・交換機 — P.648~

MonotaRS
エンジンオイル

¥29,000a 掲載!
¥4,000a 新規掲載!
¥4,000a 値下げ!

**Bicycle, Motorcycle
Equipment**

バイク用品 — P.8~
自転車用品 — P.222~

男前 MonotaRS
MATX4L-BS

¥12,000a 掲載!
¥3,000a 新規掲載!
¥2,000a 値下げ!

**Science & Research
Supplies**

ラボ用品・
実験器具 — P.8~
実験器具・小分け
キット・実験器具 — P.74~
実験器具・実験器具
実験器具 — P.84~
実験器具・実験器具 — P.116~
実験器具・
実験器具 — P.126~
実験器具・
実験器具 — P.148~
実験器具・
実験器具 — P.158~
実験器具・
実験器具 — P.172~
実験器具・
実験器具 — P.184~
実験器具・
実験器具 — P.204~
実験器具・
実験器具 — P.224~
実験器具・
実験器具 — P.232~

NEW

¥14,000a 掲載!
¥2,000a 新規掲載!
¥2,000a 値下げ!

**Kitchen Equipment &
Kitchen Supplies**

調理器具 — P.8~
調理器具 — P.54~
調理器具・調理器具 — P.104~
調理器具 — P.138~
調理器具・調理器具 — P.168~
調理器具・
調理器具 — P.174~
調理器具・
調理器具 — P.184~
調理器具 — P.190~
調理器具・調理器具 — P.198~

NEW

¥8,000a 掲載!
¥6,000a 新規掲載!
¥500a 値下げ!

**Agricultural Materials
& Garden Supplies**

農具・園芸材料 — P.8~
園芸材料 — P.104~
作業用品 — P.114~
肥料・園芸材料 — P.118~
肥料 — P.144~
肥料 — P.148~
肥料・園芸材料 — P.178~
出外・園芸材料 — P.194~

NEW

¥6,000a 掲載!
¥4,000a 新規掲載!
¥300a 値下げ!

Office Supplies

事務用品 — P.8~
OA/PC用品 — P.286~
インク・トナー — P.322~
電機 — P.416~
事務用品 — P.434~

NEW

¥16,000a 掲載!
¥4,000a 新規掲載!
¥3,000a 値下げ!

Source: Company Data

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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