MonotaRO Co.,Ltd.

3064 Tokyo Stock Exchange First Section

29-Feb.-16

Important disclosures and disclaimers appear at the end of this document.

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* Maintenance, Repair and Operating (MRO) products refers to products used in the manufacturing process such as abrasives, drills, and work gloves, which are for internal use by companies and not for resale. The nature of such materials is highly individual for each industry.

Largest MRO Online Direct Marketing Company Growing Sustainably with a Sixth Consecutive Period of Higher Sales and Profits

MonotaRO Co., Ltd. <3064>is headquartered in Amagasaki, Hyogo Prefecture. The Company conducts Online Direct marketing of maintenance, repair, and operating (MRO) products* as well as automotive after-market goods through the Internet. It supplies products for plants, construction, automotive after-market industries and other industries.

A key characteristic of the Company's business model is that it sells MRO products at a single price for all customers regardless of their scale or purchase amount. This policy has won the Company strong support from small to mid-size customers, who are usually forced to accept unfair prices from sellers in a conventional market. In this way the Company has become a unique Online Direct marketing operator in a niche market. As of end of December 2015, the number of registered accounts has exceeded 1.77 million.

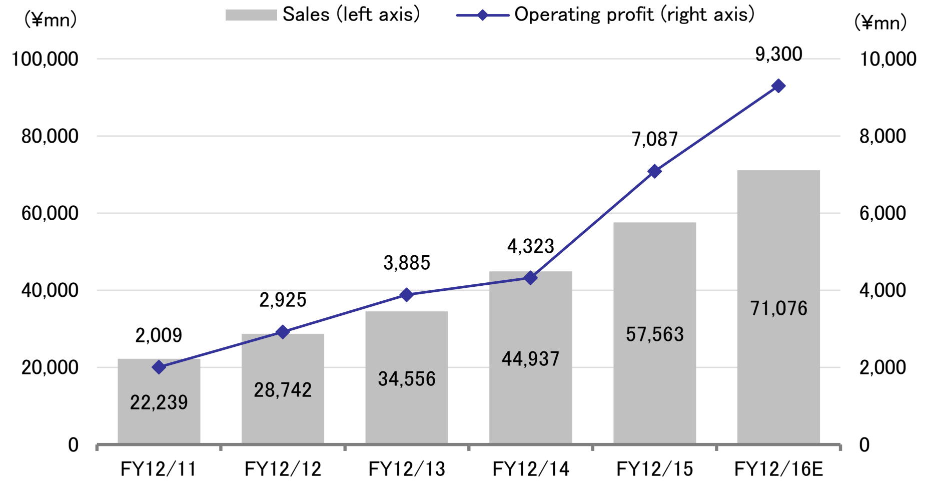
In its consolidated financial results for FY12/15 (January-December 2015), the Company recorded significant increases in sales and profits, with sales of ¥57,563mn, up 28.1% YoY, and operating profit of ¥7,087mn, up 63.9%. New customer acquisitions were boosted by aggressive promotion efforts, such as increasing the broadcast area and frequency of TV commercials and expanding listing advertisements. The Company also took steps to increase sales from existing customers, such as increasing the number of products handled (9 million items) and its inventory products (250,000 items), and publishing a spring catalog. For FY12/16, the Company is projecting sales of ¥71,076mn, up 23.5% YoY, and operating profit of ¥9,300mn, up 31.2%.

The Company has set a medium-term sales target of ¥100.0bn, and aims to achieve it in around FY12/18. The foundation for this is the plan for a next-generation distribution center in the Kanto region. The Company has acquired a site in Ibaraki Prefecture, and plans to complete construction in March 2017. The Company plans to conduct state-of-the-art operations using automated guided vehicles at the center.

Check Point

- Unrivalled scale effect with 9 million items handled and 1.77 million customer accounts
- Growth exceeding 20% planned for sales and gross profits in FY12/16 also
- Plans to employ automated guided vehicles to double productivity at the next-generation Kanto region distribution center

Consolidated operating Results



Source: Materials published by MonotaRO

Overview of Financial Results

Strong Performance Continued in H2 FY12/15 with Significant Increases in Sales and Profits

(1) Overview of consolidated financial results for FY12/15 (January – December 2015)

In its consolidated financial results for FY12/15, issued on January 29, 2016, the Company recorded significant increases in both sales and profits: sales was ¥57,563mn, up 28.1% YoY; operating profit was ¥7,087mn, up 63.9%, recurring profit was ¥7,120mn, up 63.6%, and net profit was ¥4,439mn, up 74.5%.

Sales received a strong boost from an increase in new customers as the Company increased the broadcast area and frequency of TV commercials and expanded listing advertising. For existing customers, sales per customer increased with the full-scale start of operations at Amagasaki Distribution Center, which increased convenience for customers (increase in inventory items, bulk deliveries, shorter delivery times, etc.), and the effect of publishing the spring catalogue.

In gross profits, the Company optimized procurement prices and sale prices, improved distribution efficiency through the expansion of inventory items, and increased royalty income to achieve a gross profit margin of 30.1%, up 1.3 percentage points YoY. In selling, general and administrative (SG&A) expenses, a strategic increase in advertising and promotion expenses was more than offset by a decrease in the ratio of distribution-related personnel costs and leasing fees to sales, resulting in an SG&A margin of 17.8%, improving by 1.4 percentage points YoY.

Consolidated Operating Results

(¥mn)

FY	Sales	Change YoY	Operating profit	Change YoY	Recurring profit	Change YoY	Net profit	Change YoY
FY12/11	22,239	-	2,009	-	2,045	-	1,148	-
FY12/12	28,742	29.2%	2,925	45.6%	2,941	43.8%	1,689	47.0%
FY12/13	34,556	20.2%	3,885	32.8%	3,901	32.6%	2,289	35.5%
FY12/14	44,937	30.0%	4,323	11.3%	4,351	11.6%	2,544	11.1%
FY12/15	57,563	28.1%	7,087	63.9%	7,120	63.6%	4,439	74.5%
FY12/16E	71,076	23.5%	9,300	31.2%	9,295	30.5%	6,051	36.3%

Source: Materials published by MonotaRO
Note: YoY change is not listed for FY12/11 since the Company started preparing consolidated financial statements in FY12/12

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Strong Performance Maintained through Q4 FY12/15

(2) Operating results for Q4 FY12/15

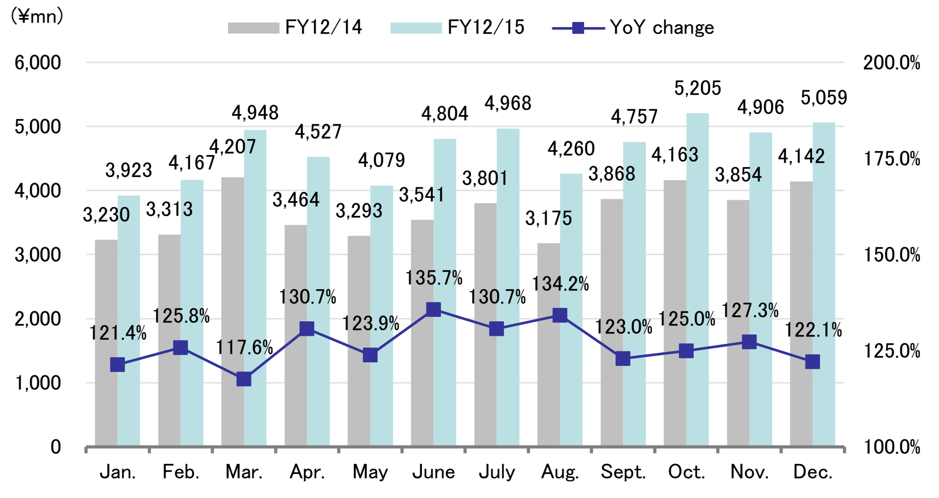
In Q4 FY12/15, the Company maintained growth with net sales of ¥15,765mn, up 25.9% YoY, and recurring profit of ¥1,946mn, up 66.3%. The Company has continued to mark YoY sales growth in excess of 20% every month in its monthly sales from October to December 2015, and shows no sign of dropping pace. Customer acquisitions have also maintained brisk growth.

Consolidated Quarterly Business Performance

	Sales					Recurring profit				
	FY12/13	FY12/14	Change YoY	FY12/15	Change YoY	FY12/13	FY12/14	Change YoY	FY12/15	Change YoY
1Q	7,739	10,831	39.9%	13,447	24.1%	956	1,229	28.6%	1,529	24.4%
2Q	8,251	10,473	26.9%	13,909	32.8%	1,118	1,014	-9.3%	1,915	88.9%
3Q	8,596	11,108	29.2%	14,441	30.0%	945	937	-0.8%	1,729	84.4%
4Q	9,968	12,524	25.6%	15,765	25.9%	881	1,170	32.8%	1946	66.3%

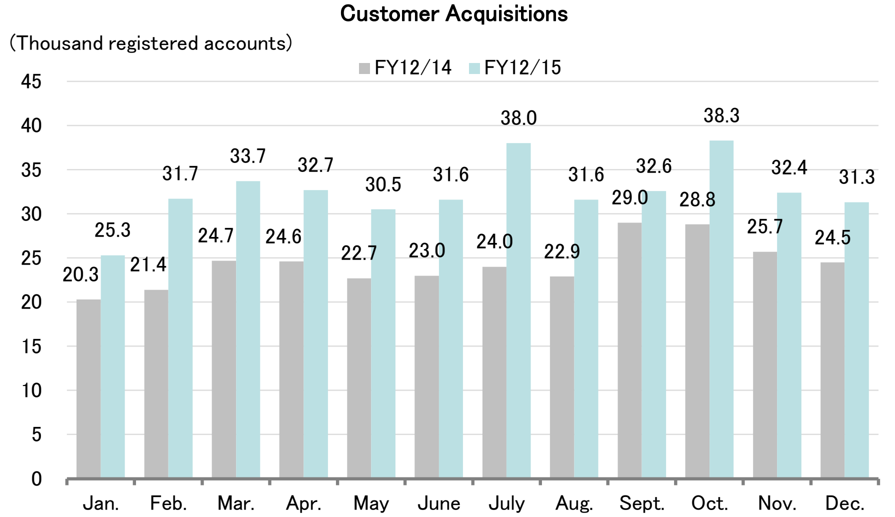
Source: Materials published by MonotaRO

Monthly Sales



Source: Materials published by MonotaRO

Customer Acquisitions



Source: Materials published by MonotaRO

Aiming for a Continued Increase in Sales for a 15th Consecutive Year and Record Profits for a 7th Consecutive Year

(3) Consolidated operating results targets for FY12/16

For FY12/16, the Company is targeting sales of ¥71,076mn, up 23.5% YoY, operating profit of ¥9,300mn, up 31.2%, recurring profit of ¥9,295, up 30.5%, and net profit at ¥6,051mn, up 36.3%, increasing in sales for a 15th consecutive year and setting a new record profit for a 7th consecutive year.

Consolidated Operating Results Targets

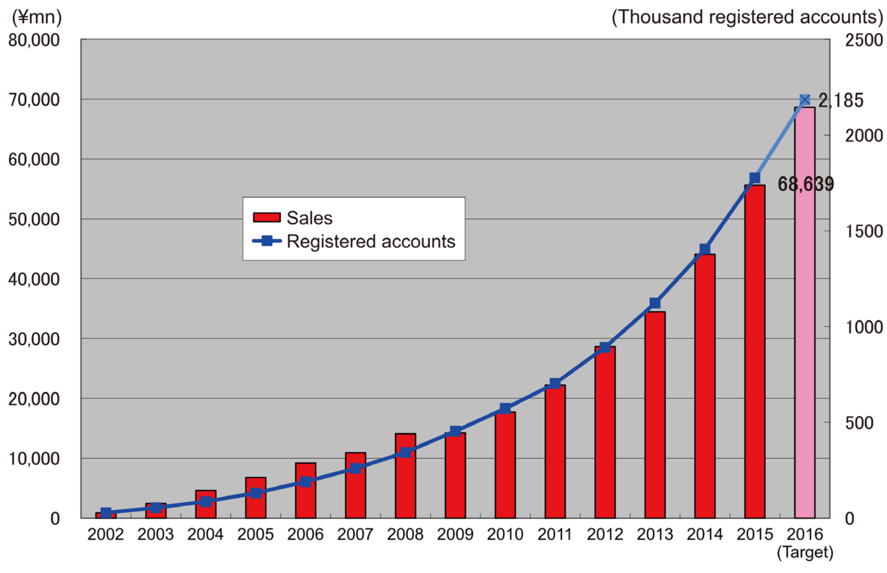
(¥mn)

	FY12/15 actual		FY12/16 target			FY12/16 H1 target		
	Amount	vs. sales	Amount	vs. sales	Change YoY	Amount	vs. sales	Change YoY
Sales	57,563	-	71,076	-	23.5%	33,748	-	23.4%
Gross profit	17,327	30.1%	21,746	30.6%	25.5%	10,324	30.6%	25.9%
SG&A expenses	10,239	17.8%	12,446	17.5%	21.5%	6,024	17.9%	26.4%
Operating profit	7,087	12.3%	9,300	13.1%	31.2%	4,300	12.7%	25.3%
Recurring profit	7,120	12.4%	9,295	13.1%	30.5%	4,296	12.7%	24.7%
Net profit	4,439	7.7%	6,051	8.5%	36.3%	2,800	8.3%	28.6%

a) MonotaRO business

The number of registered accounts for FY12/15 reached approximately 1,776,000 (up 371,000). Strong customer acquisitions followed aggressive promotion activities including an increase in the broadcast area and frequency of TV commercials and an expansion in listing advertising. Sales increased in step with customer acquisitions. The Company will continue its customer approaches in FY12/16, aiming to acquire over 400,000 accounts.

Sales and Number of Customers (MonotaRO Non-consolidated)



December 2014		December 2015		December 2016 (Target)
1,405,372 registered accounts	⇨	1,776,570 registered accounts (+371,198)	⇨	2,185,570 registered accounts (+409,000)

Source: Materials published by MonotaRO

In the factory automation components and construction materials categories the Company plans to start developing customized products. This initiative will evolve the system into one that allows users to order tailor-made items combining multiple component colors, shapes, sizes, and so on.

Private brand products made up approximately 23% of sales in FY12/15. The Company will progressively shift forwards private brands moving forward, pursuing attractive prices and higher profit margins.

b) Purchase management system business

The purchase management system business had 221 mainly major corporate clients (FY12/15 actual) linked to the existing system and 4 companies (FY12/15 actual) who had introduced the Company's in-house developed system "MonotaRO ONE SOURCE." The Company plans to continue promoting links between major companies and the system to drive product sales.

c) Overseas business

The South Korean subsidiary NAVIMRO steadily expanded its customer base to achieve full-year sales of around ¥195mn (FY12/15). It will continue investing in growth, and for FY12/16 aims to achieve sales of ¥2.40bn (up 48% YoY on a local currency basis, up 25% YoY on a yen basis).

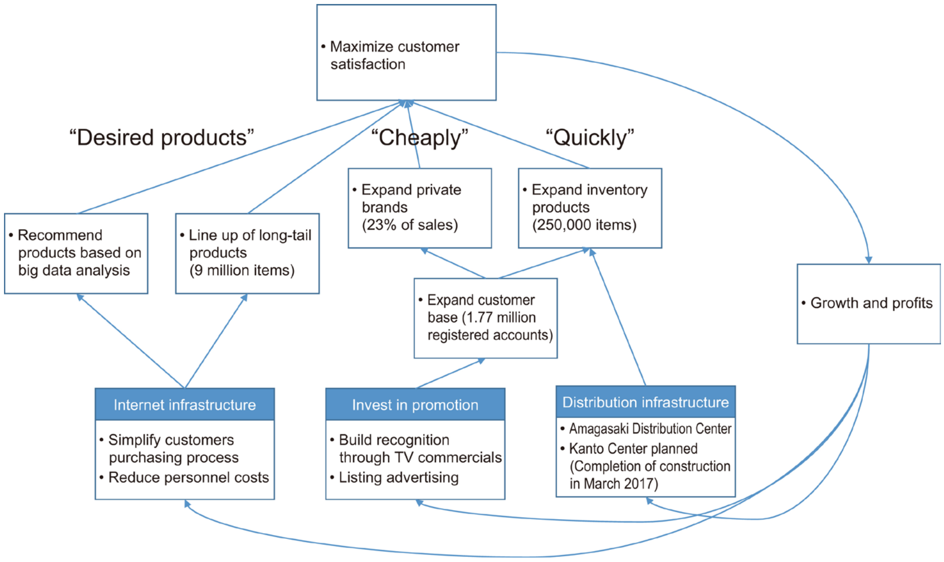
In the U.S., sales at Zoro Tools, Inc. in the U.S., which receives direct marketing expertise from the Company, are expected to grow from US$296mn (FY12/15 actual) to US$450mn (FY12/16 planned), with an attendant increase in royalty income.

Growth Strategies

Medium-term target of ¥100.0bn expected to be reached ahead of time in FY12/18

The Company's medium-term target is for consolidated sales of ¥100.0bn, more than double the actual result for FY12/14, and it is expected to be reached in FY12/18. The MRO market in which the Company operates is said to be between ¥5tn and 10tn, and as it undergoes a rapid transition to e-commerce, there should be plenty of room for the Company to grow in its position of market leader. The Company's strategy for achieving its targets is clear and consistent: "Provide the desired products quickly and cheaply,' obtain customer satisfaction, and secure profits through scale effects by sales growth. The Company invests these profits in expanding its product lines, upgrading its IT and distribution infrastructure, and other aspects, and promotion activities for acquiring customers. This positive cycle is the Company's strength. The Company is expected to achieve its target by FY12/18 through annual growth in the lower 20% range. Currently, we see no potential issues in this.

Business Model Strengths



Source: Created by FISCO based on Interviews

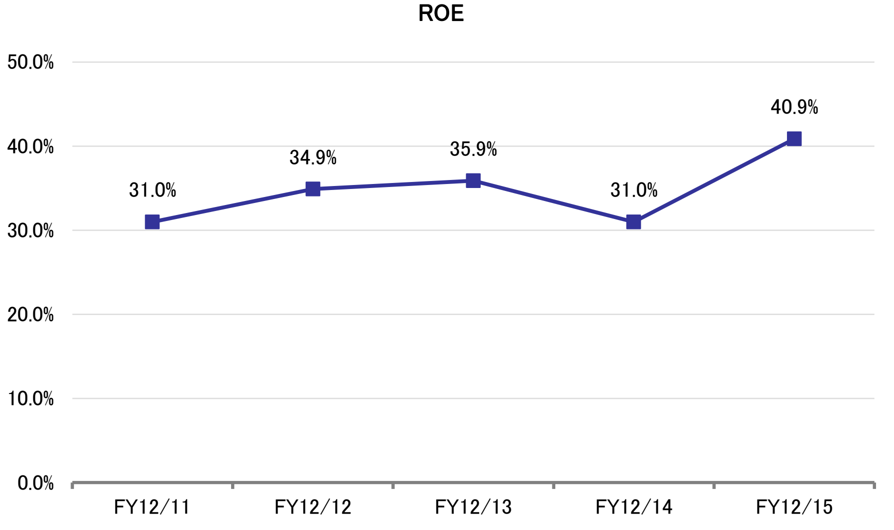
Planned Kanto Distribution Center with State-of-the-Art Self-Driving Transport Vehicles

To achieve sales of ¥100.0bn will require vital support in terms of inventory and shipping capacity. The Company has acquired an approximately 90,000 m2 site in Ibaraki Prefecture, and plans to construct a large-scale distribution center with an area of about 55,000 m2. The center will provide warehousing capacity for inventory of 500,000 items (currently 250,000 items), and together with the current Amagasaki Distribution Center, will enable the Company to handle sales of up to ¥150.0bn. The Company plans to start construction of the center in April 2016, and complete it in March 2017. To enable efficient picking up of long-tail products, the Company plans to use compact, low-bedded automated guided vehicles called “Racrew” developed by Hitachi, Ltd. <6501> in order to double productivity compared with the Amagasaki Center.

ROE

Established Reputation for Highly Efficient Management and High ROE Reaching 40%

The Company also has an established reputation for highly efficient management, with ROE notably in the extremely high range of 30% to 40% over the past several years. Considering the Company’s current state, where it has managed to keep the gross profit margin in a high range and control SG&A expenses, it seems likely that it will continue to maintain a high level of ROE



Source: Materials published by MonotaRO
ROE: Return on Equity

* The values take the effects of the stock split of October 2015 into account.

Shareholder Return Policy

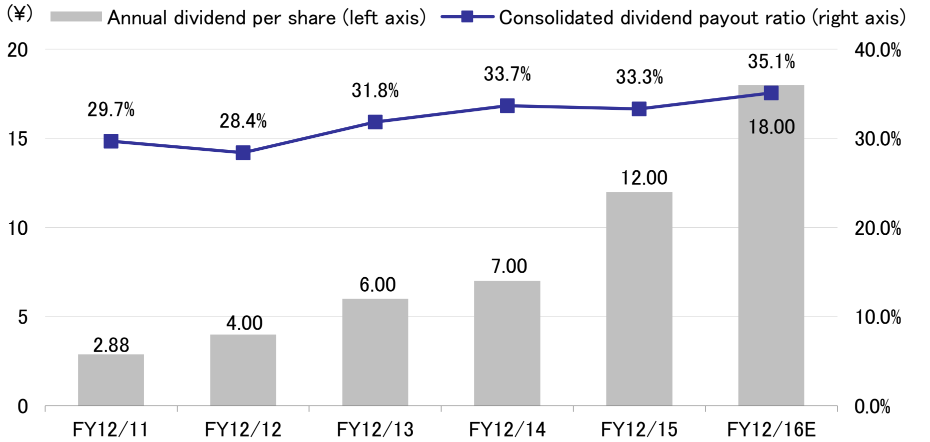
Projected dividend of ¥18 for FY12/16

The Company's policy on dividends is to pay a stable dividend in accordance with its operating results. The annual dividend was significantly increased in FY12/15 to ¥12 per share (up ¥5 YoY*), with a 1H dividend of ¥5 and a 2H dividend of ¥7. For FY12/16 the Company is projecting another dividend increase to ¥18 per share, comprising a 1H dividend of ¥9 and a 2H dividend of ¥9, due to a target increase in profit for the year.

The dividend payout ratio has been maintained at the 30% level over the past three years, and is projected to maintain the same level for FY12/16 at 35.1%.

The Company offers shareholder benefits in the form of private brand product gifts of a uniform ¥3,000 (excluding tax) in value for each shareholder holding 100 or more shares at the end of the fiscal year (December 31).

Dividends and Consolidated Dividend Payout Ratio



Note: The Company conducted 2-for-1 stock splits in FY12/11, FY12/13, and FY12/15, which have been reflected retroactively.

Source: Materials published by MonotaRO

Corporate Overview

Member of the Major US MRO Supplier Grainger Group, Expanded Overseas

(1) Corporate history

The Company was established in October 2000 with joint investment from Sumitomo Corporation <8053> and major US MRO supplier W.W.Grainger Inc. <GWW, NY>. as SC Grainger. The following year in 2001, the Company started the website MonotaRO.com (MonotaRO), specializing in Online Direct marketing of MRO products. Through its sales of MRO products through the website and catalogs, the Company has continued to expand its customer base, particularly among small to mid-size companies. As of December 2015 the number of registered accounts was approximately 1,776,000, the number of products for sale was over 9 million, and the number of the same day shipment products was over 380,000.

In 2006, the Company was listed on Tokyo Stock Exchange Mothers, and in 2009 on the First Section. The main shareholder as of December 2015 is Grainger, which effectively has a majority stake when combined with the holdings of Grainger Japan, Inc., putting the Company within Grainger's scope of consolidation.

Company History

October 2000	Established as SC Grainger with a joint investment from Sumitomo Corporation and US company W.W.Grainger Inc. (Capitalization ¥120mn)
November 2001	Nationwide launch of "MonotaRO," a business for selling factory MRO products through the Internet
March 2002	Opened a distribution center in Higashi Osaka, Osaka Prefecture
February 2006	Changed the Company name to MonotaRO Co., Ltd.
June 2006	Launched dedicated website for individual consumers, IHC.MonotaRO
December 2006	Listed on Tokyo Stock Exchange Mothers
January 2007	Relocated distribution center to Amagasaki, Hyogo Prefecture
March 2008	Relocated head office to Amagasaki, Hyogo Prefecture
May 2008	Entered the business for selling products to automotive-after-market Opened a distribution center in Suminoe-ku, Osaka
December 2009	Changed listing to First Section of the Tokyo Stock Exchange
April 2010	Started overseas export business
February 2011	Expanded distribution center in Amagasaki, Hyogo Prefecture (28,000 m²) Consolidated distribution center in Suminoe-ku, Osaka
May 2011	Established the Tagajo Distribution Center in Tagajo, Miyagi Prefecture (8,300 m²)
January 2013	Entered the South Korean MRO market
October 2013	Established a website for Southeast Asia
January 2014	Relocated head office within Amagasaki, Hyogo Prefecture
July 2014	Established the Amagasaki Distribution Center (44,000 m²) in Amagasaki, Hyogo Prefecture
May 2015	Entered the medical and nursing care equipment business

Source: Company website

Growing Support from Small to Mid-Size Companies As an E-Commerce Operation Selling MRO Products at a Single Price

(2) Business environment and points of differentiation

In procurement of MRO products, small to mid-size companies cannot match large companies for the size and frequency of orders. As a result, they have little negotiating power on prices and are obliged to purchase at a disadvantage. MonotaRO was launched in the market as a single channel selling items at a single price to companies regardless of their scale, transaction history, and number of items purchased. It has rapidly gained support from small to mid-size businesses.

While there are other companies operating e-commerce businesses with overlapping merchandise, such as ASKUL Corporation <2678> and MISUMI Corporation <9962>, in terms of MRO products alone there appears to be no other independent company suitable for comparison.

Business Overview

MonotaRO Business Grows through Increasing New Customers and Increasing Sales to Existing Customers

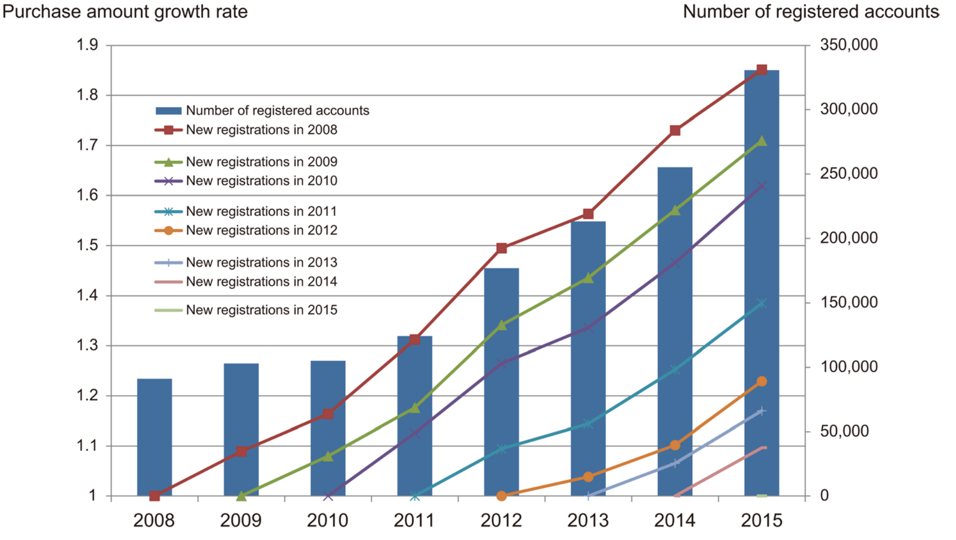
(1) The MonotaRO business for Online Direct marketing of MRO products

The Company's core business is the Online Direct marketing MRO product sales business MonotaRO. This business targets corporate users who purchase MRO products for use in their construction sites and factories.

The number of registered accounts is increasing at an accelerating pace. As of December 2015, the number of accounts stood at around 1,776,000, up from around 1,400,000 in December 2014. (Net increase of 371,000 accounts).

One of the strengths of the Company's business model is that the purchase amount of existing customers increases each year. The Company has seen customers' first-year order volumes increase by 1.2 to 1.3 times over three years. This is a result of a mechanism that can apply machine learning to similar customers' purchasing patterns and propose suitable products.

Growth in Purchase Amount of Existing Customers



The bar graph shows the number of registered accounts for each fiscal year (right axis)
The line graphs show the total sales per registered user for each fiscal year, taking the sales for the year of registration as 1 (left axis)

Source: Materials published by MonotaRO

Approaching Major Companies with a Purchase Management System to Streamline Customers' Internal Ordering Process

(2) Purchase management system business

In this business the Company integrates the MonotaRO product purchasing system into the internal platforms of large companies. As of December 31, 2015, 221 companies have connected (up 55 from FY12/14 year-end), with sales of ¥3.5bn, (up 70% YoY). Furthermore, on the Company's own platform, "MonotaRO ONE SOURCE," (released in July 2014), MonotaRO ONE SOURCE links product and supplier information databases managed by the customer with data of all products available from MonotaRO, enabling customers to search and compare across suppliers other than the Company. The system enables customers to perform all operations on a single platform, from selecting the optimal product from a product search, to ordering and making payment, streamlining the customers MRO product purchasing. (In operation at four companies, with two more planning to introduce the system).

Expanding Overseas with a Subsidiary in South Korea and Transferal of Expertise to Parent Company in the United States and Europe

(3) Overseas business

a) South Korean subsidiary NAVIMRO
The Company's only consolidated subsidiary, NAVIMRO of South Korea, started operating an MRO product e-commerce website similar to MonotaRO in April 2013. NAVIMRO's customer base has expanded steadily, and full-year sales were in the order of ¥195mn (FY12/15). The company is on a growth track, but growth is not strong enough to achieve profitability in a single month.

b) Royalty Business in the United States and Europe
In 2010 the Company's parent company in the United States, Grainger, established the MRO e-commerce company Zoro Tools, Inc., ("Zoro US") which achieved profitability one year and four months later. The Company provides expertise to Zoro US and receives royalties on the amount of its sales. Zoro US's sales are projected to increase from US$296mn (FY12/15 actual) to US$450mn (FY12/16 target). A similar business model is also being developed in Europe.

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