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(Securities code 3064)
March 6, 2018

To Shareholders with Voting Rights:

Masaya Suzuki
President & CEO
MonotaRO Co., Ltd.
2-183, Takeyacho, Amagasaki, Hyogo

**NOTICE OF
THE 18TH GENERAL SHAREHOLDERS' MEETING**

You are cordially invited to attend the 18th General Shareholders' Meeting of MonotaRO Co., Ltd. (the "Company," and collectively with its subsidiaries, the "Group"). The meeting will be held for the purposes described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Shareholders' Meeting, indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it so that it is received by 6:00 p.m. on Monday, March 26, 2018, Japan time, or exercise your voting right on the website designated by the Company (<https://evote.tr.mufg.jp/>).

1. Date and Time: Tuesday, March 27, 2018 at 10:00 a.m., Japan time

2. Venue: Amagasaki Research Incubation Center (ARIC) 1st Floor, 7-1-3, Doicho, Amagasaki, Hyogo

3. Meeting Agenda:

- Matters to be reported:**
1. Business Report, Consolidated Financial Statements for the Company's 18th Term (January 1, 2017 - December 31, 2017) and results of audits of the Consolidated Financial Statements by the accounting auditor and the Audit Committee
 2. Non-consolidated Financial Statements for the Company's 18th Term (January 1, 2017 - December 31, 2017)

Proposals to be resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Seven (7) Directors

4. Decisions on Convocation:

Please refer to the Information on Exercise of Voting Rights which appears on the next page.

When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. Should the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements and the Reference Documents for the General Shareholders' Meeting require revisions, they will be posted on the Company's website (<https://www.monotaro.com>).

Information on Exercise of Voting Rights

When exercising voting rights via the Internet, shareholders are requested to confirm the following items beforehand.

If you are attending the meeting, there will be no need to exercise your voting rights by postal mail (Voting Rights Exercise Form) or via the Internet.

Notes

1. Website for exercising voting rights

- (1) You may exercise your voting rights via the Internet only by accessing the website designated by the Company for this purpose (<https://evote.tr.mufg.jp/>) from a personal computer, smartphone or mobile phone (i-mode, EZweb, Yahoo! Keitai)*. (However, please note that the website cannot be accessed between 2:00 a.m. and 5:00 a.m. each day.)

* “i-mode,” “EZweb” and “Yahoo!” are the trademarks or registered trademarks of NTT DOCOMO, INC., KDDI CORPORATION and Yahoo! Inc., U.S., respectively.

- (2) Depending on Internet usage environments, shareholders may not be able to exercise their voting rights using a personal computer or smartphone in the event of the use of a firewall, etc. for the Internet connection, the use of anti-virus software, the use of a proxy server, or in the event that TLS encrypted communication is not specified.
- (3) When exercising voting rights using a mobile phone, please use the services of either i-mode, EZweb or Yahoo! Keitai. For security purposes, only mobile phones capable of TLS encrypted communication and transmission of mobile phone information can be used to access the website.
- (4) Voting rights exercised via the Internet will be accepted until 6:00 p.m. on Monday, March 26, 2018, Japan time. However, you are respectfully requested to exercise your voting rights earlier and to contact the Help Desk if you have any inquiries.

2. Method of exercising voting rights via the Internet

- (1) To exercise voting rights via the Internet, access the website for exercising voting rights (<https://evote.tr.mufg.jp/>), enter the Login ID and Temporary Password shown on the Voting Rights Exercise Form, and indicate your vote for or against the proposal according to the directions on the screen.
- (2) In order to prevent unauthorized access by third parties other than shareholders (“spoofing”) and the falsification of shareholder votes, please note that shareholders exercising voting rights via the Internet will be asked to change the “Temporary Password” on the website for exercising voting rights.
- (3) Shareholders will be notified of their new “Login ID” and “Temporary Password” each time a General Shareholders’ Meeting is convened.

3. Multiple exercise of voting rights

- (1) Please note that in the event that voting rights have been exercised in duplicate through both postal mail (Voting Rights Exercise Form) and the Internet, the voting rights exercised via the Internet shall prevail.
- (2) In the event that voting rights are exercised multiple times via the Internet, the last exercised vote shall prevail. Furthermore, in the event that voting rights are exercised in duplicate through a personal computer, smartphone or mobile phone, the last exercised vote shall prevail.

4. Fees for accessing the website for exercising voting rights

Fees incurred for accessing the website for exercising voting rights (such as Internet connection fees) shall be borne by the shareholder. Please note that the package communication charges and other fees incurred when using a mobile phone shall also be borne by the shareholder.

Telephone: 0120-173-027 (9:00 a.m. – 9:00 p.m., toll free in Japan)

(Appendix)

Business Report

(January 1, 2017 - December 31, 2017)

1. Overview of the Group

(1) Business Progress and Results

The Japanese economy during the fiscal year ended December 31, 2017 gradually recovered with a recovery of overseas economies in the background, and government economic and fiscal policies providing some support, while concerns about the trend of political policies of the United States and the growth momentum of the Chinese economy made the outlook for the future Japanese economy uncertain.

Among mid-to-small manufacturers, the major customers of our industrial MRO products, economic conditions also recovered moderately reflecting the favorable economic circumstances.

In this economic environment, we have continually concentrated on acquiring new customers 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 aggressively 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 RED BOOK vol. 13 Spring Edition in late February, divided into 10 volumes with 182 thousand items and approximately 1.66 million issues available in total and RED BOOK vol. 13 Autumn Edition in late September, divided into 12 volumes with 338 thousand items and approximately 2.6 million issues available in total. In addition, we broadcasted TV commercials throughout Japan, except for a few specific geographic areas, to enhance our visibility much further.

Furthermore, the total number of our product lineup available on our website reached approximately 13 million items in total and 302 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 December 31, 2017. In addition, we started the full-scale operation of the "Kasama Distribution Center" in April with a total floor area of approximately 56,200 square meters aiming at promoting more effective warehouse operation such as the installation of an automatic mobile warehouse robotic system securing the maximum daily shipping volume and a high-capacity stock area.

On the other hand, 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. And also, we newly launched "MonotaRO ONE SOURCE Lite" in late March as our new purchase platform to enhance the business for large-sized customers.

Consequently, we have successfully obtained 530,393 newly registered accounts for the fiscal year ended December 31, 2017 and the number of registered accounts totaled 2,737,820 as of December 31, 2017.

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 88,347 million yen (26.9% increase from the previous fiscal year), operating income of 11,837 million yen (24.7% increase from the previous fiscal year), ordinary income of 11,858 million yen (24.6% increase from the previous fiscal year), and net income attributable to owners of the parent of 8,464 million yen, a corresponding 32.9% increase.

(Note) The number of accounts represents the number on a non-consolidated basis.

(2) Capital Investments

Capital investments were made in the amount of 1,426 million yen mainly for the construction and expansion of a distribution center, the core system to respond to the increase of the number of customers and orders as well as technological innovation, and software for purposes such as improving the usability of the website.

Borrowings from financial institutions and the Company's own funds were appropriated for the investments.

(3) Fund Procurement

Not applicable.

(4) Trends in Assets and Income**(i) Trends in assets and income of the Group**

Item		15th term ended December 31, 2014	16th term ended December 31, 2015	17th term ended December 31, 2016	18th term ended December 31, 2017 (Consolidated fiscal year under review)
Net sales	(Thousands of yen)	44,937,786	57,563,763	69,647,435	88,347,986
Net income attributable to owners of the parent	(Thousands of yen)	2,544,130	4,439,648	6,368,557	8,464,464
Net income per share	(Yen)	41.59	36.04	51.46	68.21
Total assets	(Thousands of yen)	17,868,714	28,744,705	36,353,410	42,861,596
Net assets	(Thousands of yen)	9,216,023	12,632,614	17,263,413	23,216,709
Net assets per share	(Yen)	148.98	101.87	137.32	185.92

- (Notes)
1. Net sales amount is net of consumption taxes, etc.
 2. In the 16th term, the Group implemented 2-for-1 share split effective on October 1, 2015, respectively. Net income per share was calculated based on the assumption that the share split was implemented at the beginning of that fiscal year, respectively.
 3. Net income per share and net assets per share were calculated excluding treasury stock.

(ii) Trends in assets and income of the Company

Item		15th term ended December 31, 2014	16th term ended December 31, 2015	17th term ended December 31, 2016	18th term ended December 31, 2017 (Consolidated fiscal year under review)
Net sales	(Thousands of yen)	44,057,501	55,607,925	67,105,665	84,656,679
Net income	(Thousands of yen)	2,843,669	4,718,489	6,631,226	8,699,358
Net income per share	(Yen)	46.49	38.30	53.59	70.11
Total assets	(Thousands of yen)	18,128,659	29,218,413	36,814,187	43,525,528
Net assets	(Thousands of yen)	9,645,446	13,374,512	18,081,858	24,320,216
Net assets per share	(Yen)	155.97	107.88	145.46	195.60

- (Notes)
1. Net sales amount is net of consumption taxes, etc.
 2. In the 16th term, the Group implemented 2-for-1 share split effective on October 1, 2015, respectively. Net income per share was calculated based on the assumption that the share split was implemented at the beginning of that fiscal year, respectively.
 3. Net income per share and net assets per share were calculated excluding treasury stock.

(5) Significant Parent Company and Subsidiaries

(i) Relationship with parent company

The Company's parent company is W.W. Grainger, Inc. which indirectly owns 62,528,000 shares of the Company (ratio against the total number of voting rights held by all shareholders: 50.37%) through its wholly-owned subsidiaries, Grainger International, Inc. and Grainger Japan, Inc. The Company purchases part of the products from W.W. Grainger, Inc.

(ii) Significant subsidiaries

Company name	Capital	The Company's percentage of equity participation	Principal business
NAVIMRO Co., Ltd.	17,000 million won	100.0%	Sale of industrial MRO products
PT MONOTARO INDONESIA	132,063 million rupiah	51.0%	Sale of industrial MRO products

(Notes) 1. NAVIMRO Co., Ltd. made a capital increase of 2,000 million won by way of third party allotment to the Company in April 2017, which made its capital 17,000 million won.

(6) Issues to Be Addressed

While economic conditions show a recovery trend to some extent, mid-to-small manufacturers, the Group's major customers still remain under a severe business environment. In order to continue strong growth in this economic environment, we have adopted the following strategies.

(i) Acquisition of new customers

For the Group, acquisition of new customers remain the largest source of growth. We will continuously acquire new customers aggressively based on our knowledge accumulated in association with the growth of the Group's business mainly through internet advertisements (paid listings) and internet search engine optimization (SEO). In addition, we aim to further acquire new customers by inducing customers via mass media such as TV and radio and multi-channels such as direct mail.

(ii) Management of products in consideration of both the satisfaction of customers' demand and profitability

Corresponding to the expansion of our customer base, products with demand also diversify. We will promote the expansion of our product lineup including the so-called long tail products that are purchased less frequently by accurately understanding diversifying customers' demand and consequently expand our product lineup into new categories to further expand our customer base.

We will also aggressively promote the adoption of private label items by capitalizing on our expanding product volume in line with the growth of the Group's business to offer products with stable qualities at low prices to customers and endeavor to improve the profitability of the Group.

(iii) More precise database marketing and provision of product searchability

We will accumulate knowledge of data mining in line with the growth of the Group's business and perform highly effective promotion activities that meet our customers' purchase needs by utilizing such knowledge. In addition, we will continuously improve the product searchability and convenience of the Group's website by absorbing advanced technologies in the rapidly-advancing internet field so that each of our customers can find and order required products as easily as possible.

(iv) Reinforcement of distribution infrastructure as basis of growth

Same-day dispatch of ordered products for quick delivery to our customers is one of our important advantages. Accordingly, as our business continues to grow, improving shipping capacity at our distribution centers and increasing the number of products in stock are essential for stable and prompt delivery of our products. The Group started full operation of "Amagasaki Distribution Center" in July 2014, followed by "Kasama Distribution Center" in Ibaraki which is equipped with self-guided robots and "Hokkaido Distribution Center" in 2017. We will further establish distribution bases such as transfer centers in other regions in order to develop a distribution network that brings forth higher levels of convenience.

(v) Promotion of overseas business

NAVIMRO Co., Ltd., which is our Korean subsidiary, has aggressively promoted customer

acquisition activities since the start of its business in 2013. It has successfully expanded its customer base and promoted the expansion of its product lineup and products in stock. We will aim to expand our business and promote strategies to achieve profitability at an early stage. PT MONOTARO INDONESIA, our subsidiary in Indonesia that we acquired shares in 2016 will further promote its efforts to establish and expand its business base. Currently we also plan to start business in China sometime in mid-2018.

(7) Principal Business (As of December 31, 2017)

Sale of industrial MRO products mainly through the internet.

(8) Principal Business Locations (As of December 31, 2017)

(i) The Company

Headquarters: 2-183, Takeyacho, Amagasaki, Hyogo

Amagasaki Distribution Center: 75-1, Nishimukoujimacho, Amagasaki, Hyogo

Kasama Distribution Center: 1877-3, Tairamachi, Kasama, Ibaraki

(ii) Subsidiaries

NAVIMRO Co., Ltd., the Seoul Special City, the Republic of Korea

PT MONOTARO INDONESIA, Jakarta, the Republic of Indonesia

(9) Employees (As of December 31, 2017)

(i) Employees of the Group

Number of employees	Increase/decrease from previous consolidated fiscal year-end	Average age	Average years of service
1,398	+294	36.0 years old	4.7 years

- (Notes)
1. The number of employees shown above includes 1,021 temporary employees such as part-time employees.
 2. The average age and the average years of service exclude those of temporary employees such as part-time employees.
 3. The increase of 294 employees from the previous consolidated fiscal year-end was due to new hiring in association with the expansion of our business.
 4. In addition to the above, 241 dispatched employees work for the Group.

(ii) Employees of the Company

Number of employees	Increase/decrease from previous fiscal year-end	Average age	Average years of service
1,297	+299	36.7 years old	5.6 years

- (Notes)
1. The number of employees shown above includes 1,019 temporary employees such as part-time employees.
 2. The average age and the average years of service exclude those of temporary employees such as part-time employees.
 3. The increase of 299 employees from the previous fiscal year-end was due to new hiring in association with the expansion of our business.
 4. In addition to the above, 162 dispatched employees work for the Group.

(10) Principal Lenders (As of December 31, 2017)

Lender	Amount borrowed
The Jyo Bank, Ltd.	4,000,000 thousand yen
Resona Bank, Limited	2,000,000 thousand yen
The Nanto Bank, Ltd.	500,000 thousand yen
Mitsubishi UFJ Trust and Banking Corporation	125,000 thousand yen
Total	6,625,000 thousand yen

2. Status of Shares (As of December 31, 2017)

- | | |
|---|--------------------|
| (1) Total Number of Shares Authorized to be Issued | 168,960,000 shares |
| (2) Total Number of Shares Outstanding | 125,234,200 shares |

(Note) Total number of shares outstanding increased by 218,800 shares due to the exercise of stock options.

(3) Number of Shareholders 16,009 persons

(4) Major Shareholders (Top Ten Shareholders)

Shareholder name	Number of shares held	Shareholding ratio
GRAINGER INTERNATIONAL INC.	56,448,000 shares	45.47%
STATE STREET BANK AND TRUST COMPANY	6,158,481 shares	4.96%
GRAINGER JAPAN INC.	6,080,000 shares	4.89%
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	3,514,060 shares	2.83%
CITIBANK, N.A.-NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	3,497,742 shares	2.81%
The Master Trust Bank of Japan, Ltd. (trust account)	3,162,600 shares	2.54%
Japan Trustee Services Bank, Ltd. (trust account)	3,070,000 shares	2.47%
MSIP CLIENT SECURITIES	2,604,200 shares	2.09%
Japan Trustee Services Bank, Ltd. (trust account 5)	1,333,700 shares	1.07%
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	1,149,900 shares	0.92%

(Note) The Company's treasury stock (1,091,033 shares) was excluded from the calculation of the shareholding ratio.

3. Subscription Rights to Shares, Etc.

(1) Subscription Rights to Shares, Etc. Held by Company Officers Issued As Compensation for Their Execution of Duties (As of December 31, 2017)

		6th Subscription Rights to Shares	7th Subscription Rights to Shares
Date of resolution of issuance		March 24, 2011	January 27, 2012
Number of subscription rights to shares		185	229
Class and number of shares to be issued upon exercise of subscription rights to shares		Common stock 148,000 shares (800 shares per subscription right to shares)	Common stock 91,600 shares (400 shares per subscription right to shares)
Amount paid for subscription rights to shares		No consideration	No consideration
Value of property to be contributed upon exercise of subscription rights to shares		800 yen per subscription right to shares (1 yen per share)	400 yen per subscription right to shares (1 yen per share)
Amount to be incorporated into the stated capital when issuing shares upon exercise of subscription rights to shares		53 yen per share	109 yen per share
Exercise period		From April 1, 2013 to February 28, 2021	From February 1, 2014 to December 31, 2021
Conditions for exercise of subscription rights to shares		(Note)	(Note)
Officer holdings	Directors and Executive Officers	Number of subscription rights to shares 22	Number of subscription rights to shares 51
		Number of shares to be issued upon exercise of subscription rights to shares 17,600 shares	Number of shares to be issued upon exercise of subscription rights to shares 20,400 shares
		Number of holders 1	Number of holders 1

		8th Subscription Rights to Shares	9th Subscription Rights to Shares
Date of resolution of issuance		April 27, 2012	June 21, 2013
Number of subscription rights to shares		19	76
Class and number of shares to be issued upon exercise of subscription rights to shares		Common stock 7,600 shares (400 shares per subscription right to shares)	Common stock 15,200 shares (200 shares per subscription right to shares)
Amount paid for subscription rights to shares		No consideration	No consideration
Value of property to be contributed upon exercise of subscription rights to shares		400 yen per subscription right to shares (1 yen per share)	200 yen per subscription right to shares (1 yen per share)
Amount to be incorporated into the stated capital when issuing shares upon exercise of subscription rights to shares		153 yen per share	674 yen per share
Exercise period		From May 1, 2014 to March 31, 2022	From July 1, 2015 to May 31, 2023
Conditions for exercise of subscription rights to shares		(Note)	(Note)
Officer holdings	Directors and Executive Officers	Number of subscription rights to shares 9	Number of subscription rights to shares 15
		Number of shares to be issued upon exercise of subscription rights to shares 3,600 shares	Number of shares to be issued upon exercise of subscription rights to shares 3,000 shares
		Number of holders 1	Number of holders 2

		10th Subscription Rights to Shares	11th Subscription Rights to Shares
Date of resolution of issuance		July 29, 2014	July 29, 2015
Number of subscription rights to shares		69	24
Class and number of shares to be issued upon exercise of subscription rights to shares		Common stock 13,800 shares (200 shares per subscription right to shares)	Common stock 4,800 shares (200 shares per subscription right to shares)
Amount paid for subscription rights to shares		No consideration	No consideration
Value of property to be contributed upon exercise of subscription rights to shares		200 yen per subscription right to shares (1 yen per share)	200 yen per subscription right to shares (1 yen per share)
Amount to be incorporated into the stated capital when issuing shares upon exercise of subscription rights to shares		705 yen per share	1,493 yen per share
Exercise period		August 15, 2017 to June 30, 2024	From August 21, 2018 to June 30, 2025
Conditions for exercise of subscription rights to shares		(Note)	(Note)
Officer holdings	Directors and Executive Officers	Number of subscription rights to shares 15	Number of subscription rights to share 21
		Number of shares to be issued upon exercise of subscription rights to shares 3,000 shares	Number of shares to be issued upon exercise of subscription rights to shares 4,200 shares
		Number of holders 3	Number of holders 5

	12th Subscription Rights to Shares	13th Subscription Rights to Shares
Date of resolution of issuance	July 28, 2016	July 28, 2017
Number of subscription rights to shares	44	34
Class and number of shares to be issued upon exercise of subscription rights to shares	Common stock 4,400 shares (100 shares per subscription right to shares)	Common stock 3,400 shares (100 shares per subscription right to shares)
Amount paid for subscription rights to shares	No consideration	No consideration
Value of property to be contributed upon exercise of subscription rights to shares	100 yen per subscription right to shares (1 yen per share)	100 yen per subscription right to shares (1 yen per share)
Amount to be incorporated into the stated capital when issuing shares upon exercise of subscription rights to shares	1,284 yen per share	1,633 yen per share
Exercise period	From August 26, 2019 to June 30, 2026	From August 25, 2020 to June 30, 2027
Conditions for exercise of subscription rights to shares	(Note)	(Note)
Officer holdings	Directors and Executive Officers Number of subscription rights to shares 39 Number of shares to be issued upon exercise of subscription rights to shares 3,900 shares Number of holders 5	Number of subscription rights to shares 34 Number of shares to be issued upon exercise of subscription rights to shares 3,400 shares Number of holders 5

(Notes) Conditions for exercise of subscription rights to shares

- Subscription rights to shares must be exercised by persons who have been granted such subscription rights to shares upon issuance thereof; provided, however, that persons who have acquired such subscription rights to shares by inheritance may exercise such subscription rights to shares.
 - Persons who are Executive Officers of the Company at the time of issuance of subscription rights to shares must remain Executive Officer of the Company at the time of exercise of such subscription rights to shares unless such persons resign from the position due to the expiration of term of office, retire from the Company or have any other justifiable reason, or have acquired such subscription rights to shares by inheritance.
 - Pledging or any other disposal of subscription rights to shares is not permitted.
- Other conditions shall be as set forth in the "Agreement for Granting of Subscription Rights to Shares of MonotaRO Co., Ltd." entered into by and between the Company and each of the relevant Executive Officers pursuant to a resolution of the Board of Directors of the Company.

(2) Subscription Rights to Shares, Etc. Issued to Employees, Etc. As Compensation for Their Execution of Duties during the Fiscal Year under Review

Not applicable.

4. Company Officers

(1) Directors and Executive Officers (As of December 31, 2017)

Name	Position and responsibilities at the Company	Significant concurrent positions
Kinya Seto	Director & Chairman Compensation Committee Member	Director, President & CEO, LIXIL Corporation Director, Representative Executive Officer, President & CEO of LIXIL Group Corporation
Masaya Suzuki	Director, President & CEO	
Masanori Miyajima	Director Nomination Committee Member Chairperson, Compensation Committee Member	
Yasuo Yamagata	Director Chairperson, Audit Committee	Partner, Legal Professional Corporation Kansai Law & Patent Office
Haruo Kitamura	Director Chairperson, Nomination Committee Audit Committee Member	Certified Public Accountant, Chief, Kitamura Certified Public Accountant Office
Masahiro Kishida	Director Compensation Committee Member Audit Committee Member	CEO and Representative Director, AT Kearney, K.K.
David L. Rawlinson II	Director Nomination Committee Member	Vice President and President, Online Business, W.W. Grainger, Inc. President, Grainger Global Online Business, Ltd. Director, Zoro, Inc.
Kohei Shibagaki	Executive Officer General Manager of Customer Support Department	
Hiroki Yoshino	Executive Officer General Manager of Logistics Department	
Tetsuya Koda	Executive Officer General Manager of Administration Department	
Masaaki Hashihara	Executive Officer General Manager of Merchandising Department	

(Notes) 1. Directors Masanori Miyajima, Yasuo Yamagata, Haruo Kitamura and Masahiro Kishida are Outside Directors as prescribed in Article 2, Item 15 of the Companies Act.

2. The following Officer resigned from the position in the fiscal year under review.

Name	Date	Grounds of Resignation	Position prior to Resignation
Taku Yasui	March 24, 2017	Expiration of term of office	Executive Officer General Manager of IT Department

3. The following responsibility changes occurred in the fiscal year under review.

Name	Former responsibilities	New responsibilities	Date
Haruo Kitamura	Nomination Committee Member	Chairperson, Nomination Committee	March 24, 2017
David L. Rawlinson II	Chairperson, Nomination Committee	Nomination Committee Member	March 24, 2017

4. Director Masahiro Kishida assumed the positions of Member of the Board, A.T. Kearney Ltd. on January 1, 2018.
5. Director David L. Rawlinson II was promoted to the position of Senior Vice President and President, Online Businesses, W.W. Grainger, Inc. on January 1, 2018 from the position of Vice President and President, Online Business, W.W. Grainger, Inc.
6. Mr. Haruo Kitamura, Director and Audit Committee Member, is a certified public accountant and has considerable financial and accounting knowledge.
7. The Company has designated Directors Masanori Miyajima, Yasuo Yamagata, Haruo Kitamura and Masahiro Kishida as independent officers in accordance with the provisions of the Tokyo Stock Exchange, and registered them as such at the Exchange.
8. As the Company appoints full-time employees who support the duties of the Audit Committee at the Internal Audit Office, the Company has not selected full-time Audit Committee Members.

(2) Total Amount of Compensation, Etc. Paid to Directors and Executive Officers

Classification	No. of recipients	Amount paid
Directors	6	74,350 thousand yen
Executive Officers	5	111,633 thousand yen
Total	11	185,984 thousand yen

- (Notes)
1. The above amounts of compensation, etc. include the amount of directors' bonuses paid in the fiscal year under review, the amount transferred to the provision for directors' retirement benefits in the fiscal year under review and the amount recognized as stock option compensation. In addition, the above amounts include the compensation amounts paid to an executive officer who resigned on March 24, 2017.
 2. Resolutions of the Compensation Committee are adopted by a majority of votes of the members present at a meeting of the Compensation Committee, where a majority of the members of the Compensation Committee is present, through discussion of the following matters in accordance with the Rules of the Compensation Committee:
 - (i) Details of each Director's and Executive Officer's compensation, bonus, retirement benefits ("Compensation, etc.")
 - If the amount of Compensation, etc. is fixed, the amount of Compensation, etc. for each Director and Executive Officer
 - If the amount of Compensation, etc. is not fixed, specific calculation methods of Compensation, etc. for each Director and Executive Officer
 - If Compensation, etc. is paid by property other than money, specific details of the Compensation, etc. for each Director and Executive Officer
 - (ii) Preparation of a policy of determination of Compensation, etc. for Directors and Executive Officers and establishment and revision of the standards of Compensation, etc.
 - (iii) Other matters prescribed in the Rules of the Compensation Committee and matters deemed necessary to be discussed in the course of the implementation of business
 3. Policy of determination of Compensation, etc. of Directors and Executive Officers
The Company has established the Compensation Committee for "contributing to the improvement of the Company's business results by establishing the compensation structure that enhances incentives of Directors and Executive Officers and by properly evaluating their performance." The Committee consists of three (3) Directors including two (2) Outside Directors, who do not participate in the resolutions of their own Compensation, etc. in accordance with the Rules of the Compensation Committee of the Company.
Compensation for Directors and Executive Officers consists of fixed compensation, performance-based compensation (bonus), stock option and directors' retirement benefits. The levels of fixed compensation are set appropriately by taking into consideration such factors as the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization, in accordance with each Director's and Executive Officer's position and responsibility. Performance-based compensation is determined based on business results (the level of achievement of the indicator of operating income) and the level of achievement of business strategies set at the beginning of a fiscal year. Performance-based compensation may significantly vary depending on the Company's business results. Stock option is determined by the Board of Directors through discussion at the Compensation Committee based on the Company's business results and individual evaluation.
We have newly adopted directors' retirement benefits based on the resolution of the meeting of the Compensation Committee held on March 17, 2010 for the purpose of avoiding the increase of temporary disbursement at the time of payment in the future as well as promoting adjustment of periodic profit and loss and financial soundness in order to compensate Directors and Executive Officers for their efforts while in office.

(3) Matters Regarding Outside Directors

(i) Matters regarding Outside Directors

a. Outside Directors' significant concurrent positions and relationship with the Company

Classification	Name	Significant concurrent positions	Relationship with the Company
Outside Director	Yasuo Yamagata	Partner, Legal Professional Corporation Kansai Law & Patent Office	The Company has executed legal advisory agreement with Legal Professional Corporation Kansai Law & Patent Office.
Outside Director	Haruo Kitamura	Certified Public Accountant Chief, Kitamura Certified Public Accountant Office	The Company has no business relationship with Kitamura Certified Public Accountant Office.
Outside Director	Masahiro Kishida	CEO and Representative Director, AT Kearney, K.K.	The Company has no business relationship with AT Kearney, K.K.

b. Major activities in the fiscal year under review

Classification	Name	Major activities
Outside Director	Masanori Miyajima	Mr. Miyajima attended all eleven (11) meetings of the Board of Directors held in the fiscal year under review. He made advice and proposals to secure the validity and appropriateness of decision-makings of the Board of Directors by presenting his opinions mainly based on his extensive knowledge and experience, etc. of corporate management at the meetings of the Board of Directors.
Outside Director (Audit Committee Member)	Yasuo Yamagata	Mr. Yamagata attended all eleven (11) meetings of the Board of Directors and all nine (9) meetings of the Audit Committee held in the fiscal year under review. He made advice and proposals to secure the validity and appropriateness of decision-makings of the Board of Directors by presenting his opinions mainly from a professional viewpoint as an attorney-at-law at the meetings of the Board of Directors. He also presented his opinions mainly from a professional viewpoint as an attorney-at-law, exchanged views on the audit results and made discussions on important matters concerning audit at the meetings of the Audit Committee.
Outside Director (Audit Committee Member)	Haruo Kitamura	Mr. Kitamura attended all eleven (11) meetings of the Board of Directors and all nine (9) meetings of the Audit Committee held in the fiscal year under review. He made advice and proposals to secure the validity and appropriateness of decision-makings of the Board of Directors by presenting his opinions mainly from a professional viewpoint as a certified public accountant at the meetings of the Board of Directors. He also presented his opinions mainly from a professional viewpoint as a certified public accountant, exchanged views on the audit results and made discussions on important matters concerning audit at the meetings of the Audit Committee.
Outside Director (Audit Committee Member)	Masahiro Kishida	Mr. Kishida attended ten (10) meetings of the Board of Directors and all nine (9) meetings of the Audit Committee held in the fiscal year under review. He made advice and proposals to secure the validity and appropriateness of decision-makings of the Board of Directors by presenting his opinions mainly from a professional viewpoint as a management consultant on business management at the meetings of the Board of Directors. He also exchanged views on the audit results and made discussions on important matters concerning audit at the meetings of the Audit Committee.

(Note) If any Director cannot attend in person, the relevant meeting is held by way of a telephone conference.

(ii) Summary of the Agreement on Limitation of Liability

The Company has not entered into agreements with Outside Directors that are stipulated in Article 427, Paragraph 1 of the Companies Act.

(iii) Total amount of Compensation, etc.

Classification	No. of recipients	Amount paid
Outside Director	4	14,400 thousand yen

5. Accounting Auditor

(1) **Accounting Auditor's Name** Ernst & Young ShinNihon LLC

(2) **Amount of Accounting Auditor's Compensation, Etc.**

	Amount paid
Amount of Accounting Auditor's compensation, etc. for the fiscal year under review	18,000 thousand yen
Total amount of money and other property benefits payable by the Company to Accounting Auditor	18,000 thousand yen

(Note) Under the audit agreement between the Company and its Accounting Auditor, compensation for audits pursuant to the Companies Act and that for audits pursuant to the Financial Instruments and Exchange Act are not clearly distinguished, and cannot be substantially distinguished. Consequently, the above amount reflects the total amount of compensation, etc. for the fiscal year under review.

(3) **Reasons for the Audit Committee's Consent on Accounting Auditor's Compensation, Etc.**

The Audit Committee of the Company has given the consent of its members, as set forth in Article 399, Paragraph 1 of the Companies Act, with respect to the Accounting Auditor's compensation, etc., as a result of confirmation of the number of hours of audit by auditing item and the transition of audit compensation and the previous years' audit plan and results, and review of the appropriateness of the number of hours of audit for the fiscal year under review and the compensation estimate, by taking into account the "Practical Guidelines for Cooperation with Accounting Auditors" released by the Japan Audit & Supervisory Board Members Association.

(4) **Policy on Decisions of Dismissal or Non-reappointment of Accounting Auditor**

In the event that the Accounting Auditor is deemed to fall under any of the items set forth in Article 340, Paragraph 1 of the Companies Act, the Audit Committee of the Company dismisses the Accounting Auditor with the consent of all Audit Committee members. In this case, the Audit Committee member selected by the Audit Committee reports the dismissal of the Accounting Auditor and the reason therefor at the first general shareholders' meeting to be held after the dismissal.

If the Accounting Auditor is deemed to have violated or conflicted with laws and regulations or that the Accounting Auditor is deemed not capable of maintaining the quality of audit generally required, the Audit Committee decides the content of the proposal for the non-reappointment of the Accounting Auditor to be submitted to a general shareholders' meeting.

(5) **Issuance in the Past Two Years of an Order for Accounting Auditor to Suspend Operations**

Summary of the disciplinary action announced by the Financial Services Agency as of December 22, 2015:

(i) Entity subject to the disciplinary action

Ernst & Young ShinNihon LLC

(ii) Content of the action

Partial suspension of operations for three (3) months (suspension of any operations concerning the conclusion of new contracts from January 1, 2016 to March 31, 2016)

Business improvement order (improvement of the business management system)

Administrative monetary penalty (2,111,000,000 yen)

(6) **Summary of the Agreement on Limitation of Liability**

The Company has not entered into an agreement with the Accounting Auditor that is stipulated in Article 427, Paragraph 1 of the Companies Act.

6. Basic Policy for Frameworks to Ensure Properness of Operations (Internal Control System), Etc.

The Company sets forth the basic policy for the matters “necessary for the execution of the duties of the Audit Committee,” as prescribed in Article 416, Paragraph 1, Item 1, (b) of the Companies Act and the “systems necessary to ensure the properness of operations,” as prescribed in the same Item, (e) of the same act as follows.

[Matters necessary for the execution of the duties of the Audit Committee]

1 Matters regarding Directors and employees who are required to support the Audit Committee of the Company in execution of duties (Article 112, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act)

In the event that the Audit Committee needs to conduct an investigation on matters pertaining to the execution of duties of any other committee in order to perform its own duty, the Director who is Chairperson of the related committee shall be obliged to cooperate actively in such investigation. With respect to employees who are required to support duties, two (2) or more members of the Internal Audit Office shall support the duty of the Audit Committee.

2 Matters regarding independence of Directors and employees stated in 1 above from Executive Officers of the Company (Item 2)

The President & CEO decides on matters regarding appointment of employees who belong to the Internal Audit Office, their personnel changes, wages and employment conditions such as other compensation, etc. with approval of the Audit Committee.

3 Matters regarding ensuring the effectiveness of instructions by the Audit Committee of the Company to Directors and employees stated in 1 above (Item 3)

In the event that the Audit Committee requires an investigation on matters pertaining to the execution of duties of any other committee to perform its own duty, but cooperation of the Director who is Chairperson of the related committee is deemed insufficient, the Audit Committee shall actively request cooperation by informing all Directors by reporting such event at a meeting of the Board of Directors in a timely manner.

The President & CEO shall inform all Executive Officers and employees that the employees who support the Audit Committee’s duties follow instructions and orders of the Audit Committee and have the authority to collect information necessary to conduct audits.

4 The following frameworks and other matters regarding reporting to the Audit Committee of the Company (Item 4)

- (1) Framework for reporting to the Audit Committee of the Company by Directors (excluding those who are Audit Committee Members), Executive Officers and employees (Item 4, (a))
 - (i) The President & CEO shall report the issues discussed and reported at a meeting of General Managers of Divisions held by Executive Officers and General Managers of Divisions to the Audit Committee and exchange views with Audit Committee Members as necessary.
 - (ii) The President & CEO shall secure a framework to report the results of internal audits conducted by the Internal Audit Office to the Audit Committee.
 - (iii) The Company shall develop a framework for a whistle-blowing system to facilitate discovery of misconduct related to the performance of duties by Executive Officers, Directors or employees, etc., a threat of violation of laws and regulations or the Articles of Incorporation, or the facts that may give significant damage to the Company, and shall establish a framework that such circumstances are also properly reported to the Audit Committee.
- (2) Framework for reporting to the Audit Committee of the Company by Directors, Corporate Auditors, Executive Officers, executive employees and other persons equivalent thereto and employees of the Company’s subsidiaries or persons who receive reports from any of the above persons (Item 4, (b))
 - (i) Directors and employees of the Company’s subsidiaries shall promptly make appropriate reports upon request from the Audit Committee of the Company regarding the matters concerning the execution of operations.

- (ii) The President & CEO shall cause the Company's subsidiaries to develop a framework for a whistle-blowing system to facilitate discovery of misconduct related to the performance of duties by Directors or employees, etc. of the Company's subsidiaries, a threat of violation of laws and regulations or the Articles of Incorporation, or the facts that may give significant damage to the Company or a subsidiary of the Company by securing a framework under which reports through such whistle-blowing system are made to not only the Company's subsidiaries' relevant organs but also the Audit Committee of the Company and the compliance supervisory department of the Company, and shall establish a framework that such circumstances are also properly reported to the Audit Committee.
- (iii) The President & CEO must secure a framework to report the results of internal audits on the Company's subsidiaries conducted by the Internal Audit Office of the Company also to the Audit Committee of the Company.

5 Frameworks for ensuring that a person who made a report in the above 4 shall not be subject to any unfavorable treatment due to having made such report (Item 5)

The President & CEO shall prohibit any unfavorable treatment of a person who made a report to the Audit Committee of the Company due to having made such report, and inform all Executive Officers and employees of the Company and Directors and employees of the Company's subsidiaries accordingly.

6 Matters regarding the policy for handling expenses or payables in relation to execution of duties of Audit Committee Members of the Company (limited to those related to the execution of duties of the Audit Committee), such as procedures for advance payment or reimbursement in relation to execution of such duties (Item 6)

When an Audit Committee Member of the Company requests advance payment, etc. of expenses necessary for the execution of his or her duties, such expenses or payables shall be promptly processed unless they are unnecessary for the execution of such member's duties.

[Systems necessary to ensure the properness of operations]

1 Framework regarding information storage and management related to execution of duties of Executive Officers of the Company (Article 112, Paragraph 2, Item 1 of the Ordinance for Enforcement of the Companies Act)

The President & CEO shall store and manage information in accordance with the internal rules of the Company and take necessary measures to prevent leakage of information to outside the Company.

2 Rules and other frameworks regarding management of risk of loss of the Company (Item 2)

- (i) The President & CEO shall establish and operate an appropriate management framework by establishing the Risk Management Rules and determining persons responsible for addressing risks by type of risks and the procedures to manage risks pursuant to a manual.
- (ii) The Internal Audit Office shall confirm and report the status of operation of the risk management framework to the President & CEO and the Audit Committee of the Company at least annually.
- (iii) In the event that a new risk arises, the President & CEO shall promptly serve as the responsible person to address such risk and respond to such risk.

3 Frameworks to ensure that execution of duties of Executive Officers and employees of the Company is in compliance with laws, regulations and the Articles of Incorporation of the Company and is made effectively (Items 3 and 4)

- (i) The President & CEO shall establish and operate the "Compliance Manual" so that Executive Officers and employees of the Company can strictly comply with related laws and regulations and the Articles of Incorporation of the Company in all aspects of business activities and act in accordance with social norms based on high ethical values and morals. The President & CEO shall also establish and promote the Compliance Committee.
- (ii) The President & CEO shall establish a whistle-blowing system.
- (iii) The President & CEO shall discuss important matters on normal business operations at meetings of General Managers of Divisions and report the content of such discussion to the Audit Committee of the Company on a regular basis.
- (iv) The President & CEO shall develop the Rules on Division of Authority and promote efficient execution of duties.

- (v) The internal Audit Office shall conduct internal audits and report the results of such audits to the President & CEO and the Audit Committee of the Company.

4 The following frameworks and other frameworks to ensure properness of operations by the Group comprised of the Company, its parent company and its subsidiaries (the “Group”) (Item 5)

- (1) Framework for reporting the matters regarding the execution of duties of Directors, Executive Officers, executive employees and other persons equivalent thereto of the Company’s subsidiaries (“Directors, Etc.” in (3) and (4) below) to the Company (Item 5, (b))
 - (i) In order to accurately understand the content of business of the Company’s subsidiaries, The President & CEO shall request its subsidiaries to submit related materials, etc. as necessary in accordance with the Subsidiary Management Rules.
 - (ii) The President & CEO shall request President and Director, Directors or employees of the Company’s subsidiaries to attend the meeting of the Board of Directors of the Company held on a regular basis in order for the subsidiaries to report their business results, financial status and other important information to the Company.
- (2) Rules and other frameworks regarding management of risk of loss of the Company’s subsidiaries (Item 5, (b))
 - (i) The President & CEO shall develop the Risk Management Rules that provide for risk management of the entire Group and require that the Company’s subsidiaries manage risks under such rules. The President & CEO shall, at the same time, manage the entire Group’s risks in a comprehensive and supervisory manner.
 - (ii) The Internal Audit Office shall confirm and report the status of operation of the risk management framework of the Company’s subsidiaries to The President & CEO and the Audit Committee of the Company on a regular basis.
- (3) Framework for ensuring efficient execution of duties by Directors, Etc. of the Company’s subsidiaries (Item 5, (c))
 - (i) The President & CEO shall develop the Subsidiary Management Rules to contribute to the efficient operation of the Group while respecting the autonomy and independence of business management of the Company’s subsidiaries.
 - (ii) The Company’s subsidiaries shall develop the Rules on Division of Authority and promote efficient execution of duties.
- (4) Frameworks to ensure that execution of duties of Directors, Etc. and employees of the Company’s subsidiaries is in compliance with laws, regulations and their Articles of Incorporation (Items 5, (d))
 - (i) The President & CEO shall cause the Company’s subsidiaries to establish a framework to appoint the appropriate number of Corporate Auditors and persons in charge of promotion of compliance based on the content of business and the scale of the subsidiaries.
 - (ii) The President & CEO shall cause the Company’s subsidiaries to establish a framework for audit by Corporate Auditors of the Company’s subsidiaries over the execution of duties of Directors, Etc. and employees of the Company’s subsidiaries, including the status of establishment and operation of the internal control system.
 - (iii) The Company’s subsidiaries shall be the companies with Board of Directors and adopt a framework under which the Company can monitor the properness of operations of the subsidiaries by appointing the Company’s officers and employees as Directors of the subsidiaries.
 - (iv) The President & CEO shall cause the Company’s subsidiaries to establish a whistle-blowing system.

[Summary of the status of operation of a framework to ensure the properness of operations]

The Internal Audit Office conducts operational audits for each division on a regular basis to verify from an independent position whether the internal control system properly functions, any misconduct is made, or there is a matter that should be improved, etc. The Company has reported any issue that was found through audits to the Audit Committee and Representative Executive Officers and made improvement in a timely manner, in addition to advising the audited division to make improvement simultaneously upon finding such issue. The management division and the Internal Audit Office serve as the hub to seek to enhance the related divisions' and the Company's subsidiaries' awareness of the importance of the internal control system and compliance through training and audits conducted on a regular basis.

7. Policy for Decisions on Dividends from Surplus, Etc.

The Company acknowledges that profit returns to shareholders is one of the important policies of business management and adopts the basic policy of conducting stable and continuous dividends from surplus in line with growth of its consolidated business results. Pursuant to such basic policy, the Company decided that the year-end dividend for the fiscal year under review be 11 yen per share and that the annual dividend for the fiscal year under review aggregated with the interim dividend of 11 yen per share be 22 yen per share.

The Company intends to further improve its business results by allocating internal reserves to strategies to develop business aggressively to respond to the changes in the Company's business environment while securing its financial soundness.

Consolidated balance sheet

As of December 31, 2017

(Thousands of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	30,736,132	Current liabilities	14,203,878
Cash and deposits	8,688,091	Accounts payable-trade	6,829,108
Notes and accounts receivable - trade	9,106,999	Long-term loans payable - current portion	2,125,666
Electronically recorded monetary claims	932,322	Lease obligations	751,805
Merchandise	7,781,451	Accounts payable-other	2,054,153
Goods in transit	196,407	Income taxes payable	1,994,418
Supplies	104,139	Provision for employees bonuses	68,899
Accounts receivable-other	3,595,394	Provision for directors' bonuses	30,104
Deferred income taxes	145,927	Other	349,722
Other	236,166	Non-current liabilities	5,441,009
Allowance for doubtful accounts	(50,769)	Long-term loans payable	4,499,334
Non-current assets	12,125,464	Lease obligations	798,884
Property and equipment	9,881,557	Provision for directors' retirement benefits	67,893
Buildings	4,238,887	Provision for retirement benefits	22,560
Structures	471,553	Other	52,336
Machinery and equipment	350,910		
Vehicles	3,440	Total liabilities	19,644,887
Tools, furniture and fixtures	227,308		
Land	1,814,147	Net assets	
Leased assets	2,775,310	Shareholders' equity	23,004,683
Intangible assets	1,347,873	Common stock	1,968,189
Goodwill	103,642	Capital surplus	772,727
Software	1,180,743	Retained earnings	20,470,185
Other	63,487	Treasury stock	(206,417)
Investments and other assets	896,033	Accumulated other comprehensive income	76,246
Guarantee deposits	692,868	Foreign currency translation adjustment	76,796
Deferred income taxes	139,136	Remeasurements of defined benefit plans	(550)
Other	96,470	Subscription rights to shares	38,294
Allowance for doubtful accounts	(32,442)	Non-controlling interests	97,484
		Total net assets	23,216,709
Total assets	42,861,596	Total liabilities and net assets	42,861,596

Consolidated statement of income

For the year ended December 31, 2017

(Thousands of yen)

Account	Amount	
Net sales		88,347,986
Cost of sales		61,418,845
Gross profit		26,929,140
Selling, general and administrative expenses		15,091,418
Operating income		11,837,722
Non-operating income:		
Interest income	16,207	
Foreign exchange gains	65,288	
Commission fee	6,805	
Compensation income	3,864	
Gain on sale of materials	13,571	
Other	19,257	124,993
Non-operating expenses:		
Interest expenses	69,280	
Loss on disposal of inventories	33,500	
Other	1,763	104,543
Ordinary income		11,858,172
Extraordinary income:		
Gain on sale of non-current assets	30	30
Extraordinary losses:		
Loss on sale of non-current assets	358	
Loss on disposal of non-current assets	3,872	4,231
Income before income taxes		11,853,971
Income taxes:		
Current	3,440,597	
Deferred	35,362	3,475,960
Net income		8,378,011
Net income attributable to:		
Non-controlling interests		(86,452)
Owners of the parent		8,464,464

Consolidated statement of changes in net assets

For the year ended December 31, 2017

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of the beginning of the year	1,943,569	748,107	14,486,042	(193,786)	16,983,932
Changes of items during the year					
Issuance of new shares	24,619	24,619			49,239
Dividends			(2,480,321)		(2,480,321)
Net income attributable to owners of the parent			8,464,464		8,464,464
Purchase of treasury stock				(12,631)	(12,631)
Net changes of items other than shareholders' equity					
Total changes of items during the year	24,619	24,619	5,984,142	(12,631)	6,020,751
Balance as of the end of the year	1,968,189	772,727	20,470,185	(206,417)	23,004,683

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of the beginning of the year	35,532	(1,408)	34,123	55,582	189,774	17,263,413
Changes of items during the year						
Issuance of new shares						49,239
Dividends						(2,480,321)
Net income attributable to owners of the parent						8,464,464
Purchase of treasury stock						(12,631)
Net changes of items other than shareholders' equity	41,264	857	42,122	(17,287)	(92,289)	(67,454)
Total changes of items during the year	41,264	857	42,122	(17,287)	(92,289)	5,953,296
Balance as of the end of the year	76,796	(550)	76,246	38,294	97,484	23,216,709

Notes to consolidated financial statements

1. Summary of basis for preparation of consolidated financial statements

(1) Scope of consolidation

Number of consolidated subsidiaries	2
Names of consolidated subsidiaries:	NAVIMRO Co., Ltd. PT MONOTARO INDONESIA

(2) Fiscal year-end of subsidiaries

The fiscal year-end for both subsidiaries is December 31.

(3) Summary of significant accounting policies

1. Valuation policies and method of accounting for assets:

Inventories

* Merchandise	Lower of cost or market, cost being determined by the first-in, first-out method for the Company
	Lower of cost or market, cost being determined by the moving average method for both subsidiaries
* Goods in transit and supplies	Lower of cost or market, cost being determined by the specific identification method

2. Methods of depreciation and amortization of fixed assets:

1) Property and equipment (other than leased assets)

* Buildings (other than attachments to buildings)	Straight-line method
* Other fixed assets	Declining-balance method (straight-line method for attachments to buildings and structures acquired on or after April 1, 2016)

2) Intangible assets (other than leased assets)

Straight-line method

Software intended for internal use is amortized over its estimated useful life of five years.

3) Leased assets

Leased assets under finance lease contracts are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

3. Accounting for allowances and provisions

* Allowance for doubtful accounts	The allowance for doubtful accounts is provided based on past experience of bad debts and an estimate of uncollectible amounts determined after an analysis of specific individual receivables.
* Provision for employees' bonuses	The provision for employees' bonuses is provided as the estimated amount of the bonuses to be paid to the employees in the following year, which are attributable to the current fiscal year.
* Provision for directors' bonuses	The provision for directors' bonuses is provided as the estimated amount of the bonuses to be paid to the directors in the following year, which are attributable to the current fiscal year.
* Provision for directors' retirement benefits	The provision for directors' retirement benefits is provided as the estimated amount of the retirement benefits to be paid to the directors based on the resolution of the compensation committee meeting.

4. Accounting for net defined benefit liability

Net defined benefit liability is provided only for the subsidiaries based on the estimated amount of the projected retirement benefit obligation less the plan assets as of the end of the fiscal year. In the calculation of the projected retirement benefit obligation, one subsidiary uses a simplified method in which the projected benefit obligation equals the amount to be paid if all eligible employees voluntarily terminated their employment as of the end of the fiscal year.

The other subsidiary uses a projected benefit method for the calculation of projected retirement benefit expenses to be attributable to the period before the current fiscal year.

The actuarial gain and loss are amortized by the straight-line method over a certain period within the average remaining service years for employees at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

5. Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and the resulting exchange gains and losses are included in the consolidated statement of income.

Assets and liabilities of foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date and revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences resulting from translating the foreign currency financial statements are presented as foreign currency translation adjustment in net assets in the consolidated balance sheet.

6. Amortization method of goodwill

Goodwill is amortized by the straight-line method over 10 years.

7. Other information on the preparation of the consolidated financial statements

* Consumption taxes All amounts in the accompanying consolidated financial statements are stated exclusive of consumption taxes.

(Additional information)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, March 28, 2017) was applied from the fiscal year ended December 31, 2017.

2. Consolidated balance sheet

(1) Accumulated depreciation of property and equipment	1,504,297 thousand yen
(2) Direct reduction in the amount of property and equipment	
Land	318,660 thousand yen
Machinery and equipment	171,760 thousand yen
Tools, furniture and fixtures	328,240 thousand yen

3. Consolidated statement of changes in net assets

(1) Total number of shares issued

Type of shares	Number of shares as of Jan. 1, 2017	Increase	Decrease	Number of shares as of Dec. 31, 2017
Common Stock	125,015,400	218,800	-	125,234,200

Note. The increase in the number of shares of 218,800 was due to the exercise of stock options.

(2) Total number of treasury stock

Type of shares	Number of shares as of Jan. 1, 2017	Increase	Decrease	Number of shares as of Dec. 31, 2017
Common Stock	1,087,633	3,400	-	1,091,033

Note. The increase in the number of treasury stock of 3,400 shares was due to the purchase based on a resolution of the board of directors.

(3) Dividends

1. Dividends paid

Resolution	Type of shares	Total dividends (thousands of yen)	Dividends per share (yen)	Record date	Effective date
Shareholders' meeting on March 24, 2017	Common stock	1,115,349	9.0	December 31, 2016	March 31, 2017
Board meeting on July 28, 2017	Common stock	1,364,972	11.0	June 30, 2017	September 11, 2017

2. Dividends with a record date in the year ended December 31, 2017 and the effective date in the year ending December 31, 2018

Resolution	Type of shares	Total dividends (thousands of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Shareholders' meeting on March 27, 2018	Common stock	1,365,574	Retained earnings	11.0	December 31, 2017	March 28, 2018

(4) Stock options outstanding as of December 31, 2017

	Resolution at board meeting on May 18, 2010	Resolution at board meeting on March 24, 2011	Resolution at board meeting on January 27, 2012
Type of shares	Common stock	Common stock	Common stock
Number of shares	27,200	17,600	20,400
Stock options outstanding	17	22	51

	Resolution at board meeting on April 27, 2012	Resolution at board meeting on June 21, 2013	Resolution at board meeting on July 29, 2014
Type of shares	Common stock	Common stock	Common stock
Number of shares	3,600	5,400	3,000
Stock options outstanding	9	27	15

Note: The table above does not include stock options whose initial exercise dates are subsequent to December 31, 2017.

4. Financial instruments

(1) Policy for financial instruments

The policy of the Company is to manage excess cash by investing in short-term deposits and obtain debt financing from financial institutions. In addition, the Company does not utilize any derivative financial instruments.

Trade receivables, such as trade and other accounts receivable, are exposed to customers' credit risk. The Company manages this risk by applying internal credit limits to each customer in accordance with the Company rules, and by requiring customers to pay excess amounts over the credit limit in advance in order to prevent losses from bad debts. In addition, the Company carefully monitors customers if payment is overdue.

Payment terms of payables, such as trade and other accounts payable, are due mostly within one year. Payables denominated in foreign currencies are exposed to foreign currency risk.

Loans mainly consist of borrowings for capital investments.

Trade accounts payable and loans are exposed to liquidity risk. The Company monitors and manages it by controlling the cash positions as a part of daily operations.

(2) Fair value of financial instruments

The carrying value, fair value and the difference between them of financial instruments as of December 31, 2017 were as follows:

	(Thousands of yen)		
	Carrying value	Fair value	Difference
Assets			
(1) Cash and deposits	8,688,091	8,688,091	-
(2) Notes and accounts receivable-trade	9,106,999	9,106,999	-
(3) Electronically recorded monetary claims	932,322	932,322	-
(4) Accounts receivable-other	3,595,394	3,595,394	-
(5) Doubtful receivables *1	32,442		
Allowance for doubtful accounts *2	(32,442)		
	-		
Total assets	22,322,808	22,322,808	-
Liabilities			
(1) Accounts payable-trade	6,829,108	6,829,108	-
(2) Accounts payable-other	2,054,153	2,054,153	-
(3) Income taxes payable	1,994,418	1,994,418	-
(4) Long-term loans payable (included due within one year)	6,625,000	6,600,646	(24,353)
Total liabilities	17,502,680	17,478,325	(24,353)

*1 Doubtful receivables are included in "Other" in investments and other assets on the consolidated balance sheet.

*2 Doubtful receivables are offset by a specific allowance.

Notes: Methods to determine the estimated fair value of financial instruments

Assets

- (1) Cash and deposits, (2) Notes and accounts receivable-trade, (3) Electronically recorded monetary claims and (4) Accounts receivable-other

Carrying value approximates fair value since these are settled in the short term.

- (5) Doubtful receivables

Fair value of doubtful receivables is calculated based on the net amount of the nominal receivable and an allowance for doubtful accounts based on uncollectible amounts determined after an analysis of specific individual receivables.

Liabilities

(1) Accounts payable-trade, (2) Accounts payable-other, (3) Income taxes payable

Carrying value approximates fair value since these are settled in the short term.

(4) Long-term loans payable

Fair value of long-term loans payable is stated as the present value of the total amount of principal and interest discounted by the applicable rate based on the assumption that a similar loan is newly executed.

(3) Repayment schedules for monetary receivables and payables after December 31, 2017

	Within one year	1-2 years	2-3 years	3-4 years	4-5 years	Over five years
Cash and deposits	8,688,091	-	-	-	-	-
Notes and accounts receivable-trade	9,106,999	-	-	-	-	-
Electronically recorded monetary claims	932,322	-	-	-	-	-
Accounts receivable-other	3,595,394	-	-	-	-	-
Total assets	22,322,808	-	-	-	-	-
Accounts payable-trade	6,829,108	-	-	-	-	-
Accounts payable-other	2,054,153	-	-	-	-	-
Income taxes payable	1,994,418	-	-	-	-	-
Long-term loans payable (included due within one year)	2,125,666	2,000,666	2,498,668	-	-	-
Total liabilities	13,003,345	2,000,666	2,498,668	-	-	-

5. Per share information (as of and for the year ended December 31, 2017)

(1) Net assets per share

185.92 yen

(2) Earnings per share (basic)

68.21 yen

6. Subsequent events

Not applicable

Non-consolidated balance sheet

As of December 31, 2017

(Thousands of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	29,626,641	Current liabilities	13,786,863
Cash and deposits	8,097,519	Accounts payable-trade	6,510,346
Notes receivable-trade	9,692	Long-term loans payable - current portion	2,125,666
Accounts receivable-trade	9,035,516	Lease obligations	751,805
Electronically recorded monetary claims	932,322	Accounts payable-other	1,972,751
Merchandise	7,384,729	Accrued expenses	246,458
Goods in transit	200,700	Income taxes payable	1,994,418
Supplies	104,199	Advances received	11,456
Advance payments	4,164	Deposits received	70,080
Prepaid expenses	164,723	Provision for employees bonuses	68,899
Accounts receivable-other	3,576,072	Provision for directors' bonuses	30,104
Deferred income taxes	145,764	Other	4,876
Other	21,376		
Allowance for doubtful accounts	(50,140)		
Non-current assets	13,898,886	Non-current liabilities	5,418,448
Property and equipment	9,852,634	Long-term loans payable	4,499,334
Buildings	4,238,688	Lease obligations	798,884
Structures	471,553	Provision for directors' retirement benefits	67,893
Machinery and equipment	350,910	Other	52,336
Vehicles	3,440		
Tools, furniture and fixtures	198,585		
Land	1,814,147		
Leased assets	2,775,310		
		Total liabilities	19,205,312
Intangible assets	1,218,520	Net assets	
Trademarks	17,116	Shareholders' equity	24,246,965
Software	1,155,033	Common stock	1,968,189
Telephone rights	35	Capital surplus	772,727
Software in progress	46,335	Legal capital surplus	772,727
Investments and other assets	2,827,730	Retained earnings	
Investments in a subsidiaries	1,984,091	Other retained earnings	21,747,422
Doubtful receivables	32,442	Retained earnings brought forward	21,747,422
Long-term prepaid expenses	60,234	Treasury stock	(206,417)
Guarantee deposits	652,461	Subscription rights to shares	38,294
Deferred income taxes	130,944		
Allowance for doubtful accounts	(32,442)		
		Total net assets	24,320,216
Total assets	43,525,528	Total liabilities and net assets	43,525,528

Non-consolidated statement of income

For the year ended December 31, 2017

(Thousands of yen)

Account	Amount	
Net sales		84,656,679
Cost of sales		58,452,143
Gross profit		26,204,535
Selling, general and administrative expenses		14,035,706
Operating income		12,168,829
Non-operating income:		
Interest income	138	
Foreign exchange gains	70,154	
Commission fee	6,805	
Compensation income	2,092	
Gain on sale of materials	13,571	
Other	18,525	111,287
Non-operating expenses:		
Interest expenses	69,280	
Loss on disposal of inventories	31,569	
Other	1,519	102,369
Ordinary income		12,177,747
Extraordinary income:		
Gain on sale of non-current assets	30	30
Extraordinary losses:		
Loss on sale of non-current assets	342	
Loss on disposal of non-current assets	2,317	2,659
Income before income taxes		12,175,117
Income taxes		
Current	3,440,597	
Deferred	35,161	3,475,758
Net income		8,699,358

Non-consolidated statement of changes in net assets

For the year ended December 31, 2017

(Thousands of yen)

	Shareholders' equity						Subscription rights to shares	Total net assets
	Common stock	Capital surplus	Retained earnings		Treasury stock	Total shareholders' equity		
		Legal capital surplus	Other retained earnings	Total retained earnings				
			Retained earnings brought forward					
Balance as of the beginning of the year	1,943,569	748,107	15,528,385	15,528,385	(193,786)	18,026,275	55,582	18,081,858
Changes of items during the year								
Issuance of new shares	24,619	24,619				49,239		49,239
Dividends			(2,480,321)	(2,480,321)		(2,480,321)		(2,480,321)
Net income			8,699,358	8,699,358		8,699,358		8,699,358
Purchase of treasury stock					(12,631)	(12,631)		(12,631)
Net changes of items other than shareholders' equity							(17,287)	(17,287)
Total changes of items during the year	24,619	24,619	6,219,037	6,219,037	(12,631)	6,255,645	(17,287)	6,238,357
Balance as of the end of the year	1,968,189	772,727	21,747,422	21,747,422	(206,417)	24,281,921	38,294	24,320,216

Notes to non-consolidated financial statements

1. Summary of significant accounting policies

(1) Valuation policies and method of accounting for assets:

Investment securities

- * Investments in subsidiaries At cost being determined by the moving average method

Inventories

- * Merchandise Lower of cost or market, cost being determined by the first-in, first-out method

- * Goods in transit and supplies Lower of cost or market, cost being determined by the specific identification method

(2) Methods of depreciation and amortization of fixed assets:

1) Property and equipment (other than leased assets)

- * Buildings (other than attachments to buildings) Straight-line method
- * Other fixed assets Declining-balance method (straight-line method for attachments to buildings and structures acquired on or after April 1, 2016)

2) Intangible assets (other than leased assets)

Straight-line method

Software intended for internal use is amortized over its estimated useful life of five years.

3) Leased assets

Leased assets under finance lease contracts are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

(3) Accounting for allowances and provisions

- * Allowance for doubtful accounts The allowance for doubtful accounts is provided based on past experience of bad debts and an estimate of uncollectible amounts determined after an analysis of specific individual receivables.

- * Provision for employees' bonuses The provision for employees' bonuses is provided as the estimated amount of the bonuses to be paid to the employees in the following year, which are attributable to the current fiscal year.

- * Provision for directors' bonuses The provision for directors' bonuses is provided as the estimated amount of the bonuses to be paid to the directors in the following year, which are attributable to the current fiscal year.

- * Provision for directors' retirement benefits The provision for directors' retirement benefits is provided as the estimated amount of the retirement benefits to be paid to the directors based on the resolution of the compensation committee meeting.

(4) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the non-consolidated statement of income.

(5) Other information on the preparation of non-consolidated financial statements

- * Consumption taxes All amounts in the accompanying non-consolidated financial statements are stated exclusive of consumption taxes.

(Additional information)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, March 28, 2017) was applied from the fiscal year ended December 31, 2017.

2. Non-consolidated balance sheet

(1) Accumulated depreciation of property and equipment	1,406,442 thousand yen
(2) Direct reduction in the amount of property and equipment	
Land	318,660 thousand yen
Machinery and equipment	171,760 thousand yen
Tools, furniture and fixtures	328,240 thousand yen
(3) Monetary receivables and payables to related parties	
Monetary receivables	5,600 thousand yen
Monetary payables	19,166 thousand yen

3. Non-consolidated statement of income

Transactions with related parties

Business transactions:

Sales	16,866 thousand yen
Purchases	266,873 thousand yen
Selling, general and administrative expenses	16,293 thousand yen
Transactions other than ordinary course of business	1,236 thousand yen

4. Non-consolidated statement of changes in net assets

Number of shares of treasury stock as of December 31, 2017

Common stock	1,091,033 shares
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5. Income taxes

(1) Deferred income tax assets:	(thousands of yen)
(Deferred tax assets)	
Accrued enterprise taxes	81,450
Provision for employees' bonuses	21,227
Provision for directors' retirement benefits	20,761
Allowance for doubtful accounts	25,443
Provision for retirement benefits	61,835
Asset retirement obligations	36,301
Subscription rights to shares	11,710
Accrued facility taxes	15,033
Others	12,604
Total deferred tax assets	286,369
(Deferred tax liabilities)	
Asset retirement obligations	9,660
Total deferred tax liabilities	9,660
Total deferred tax assets - net	276,708

(2) Reconciliation of statutory income tax rate to effective tax rate for the fiscal year ended December 31, 2017

was as follows:

Statutory rate	30.8 %
(Reconciliation)	
Non-deductible expenses	0.2
Tax credits regarding equipment for productivity enhancement	(0.9)
Tax credits regarding salary growth enhancement	(1.2)
Others	(0.3)
<hr/>	
Effective tax rate	28.6 %

6. Per share information (as of and for the year ended December 31, 2017)

(1) Net assets per share	195.60 yen
(2) Earnings per share (basic)	70.11 yen

7. Subsequent events

Not applicable

Accounting Auditor's Report for Consolidated Financial Statements

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

February 8, 2018

The Board of Directors
MonotaRO Co., Ltd.:

Ernst & Young ShinNihon LLC

Kaname Matsumoto
Certified Public Accountant
Designated and Engagement Partner

Daiji Tokuno
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of MonotaRO Co., Ltd. (the "Company") applicable to the fiscal year from January 1, 2017 through December 31, 2017.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair

presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the MonotaRO Group, which consisted of the Company and the consolidated subsidiary, applicable to the fiscal year ended December 31, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Accounting Auditor's Report for Non-Consolidated Financial Statements

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

February 8, 2018

The Board of Directors
MonotaRO Co., Ltd.:

Ernst & Young ShinNihon LLC

Kaname Matsumoto
Certified Public Accountant
Designated and Engagement Partner

Daiji Tokuno
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of MonotaRO Co., Ltd. (the "Company") applicable to the 18th fiscal year from January 1, 2017 through December 31, 2017.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the

entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 18th fiscal year ended December 31, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Audit Report by the Audit Committee

Audit Report

Audit Committee (hereinafter called as the "Committee") audited job execution of directors for the 18th fiscal year from January 1, 2017 to December 31, 2017 and submits the following audit report.

1. Summary of auditing method and its contents.

- (1) The Committee audited the resolution of Board of Directors Meeting and the internal control system established according to the said resolution stipulated in the Article 416-1-1-RO & HO of the Companies Act.
- (2) The Committee, according to the auditing policy and allocation of responsibilities set by the Committee, conducted the audit having close coordination with Internal Auditing Office as follows:
 - (i) Attended the Board of Directors Meeting and other important management meetings.
 - (ii) Received business reports from Directors and other managements on their execution of their duties.
 - (iii) Reviewed important documents for making decisions.
 - (iv) Investigated into business and assets situations at the headquarter and other main offices.
 - (v) Communicated and exchanged information with the Director of subsidiary, and asked the progress of business performance if necessary.
- (3) The Committee received the report and explanation from independent accounting auditor on their execution of duties accompanied by the monitoring and examining whether they are keeping independent position performing appropriate audit. Also, the Committee received the notice from independent accounting auditor that they have established the "System to ensure the fair execution of duties"(Issues stipulated in the Article 131 of the Corporate Accounting Rules) according to "Quality Control Standard Code of Audit " (October 28, 2005 Business Accounting Council) and requested the explanation where appropriate
- (4) Based on the above methods, the Committee, in a cautious manner, examined the financial statements (Balance Sheet, Profit and Loss Statement and Statement of the Changes in Shareholders' Equity together with explanatory notes) including supporting schedules and consolidated financial statements (Consolidated Balance Sheet, Consolidated Profit and Loss, Consolidated Statement of the Changes in Stockholders' Equity together with explanatory notes).

2. Results of Audit

(1) Results of audit on Business Report and its supporting documents.

- (i) The Committee recognized that Business Report and its supporting documents of the Company fairly showed the Company's situation in accordance with the relevant legislations and the Articles of Incorporation.
- (ii) The Committee did not see any directors' or Shikkoyakus' dishonesty or serious fact violating to the relevant laws & legislations and the Articles of Incorporation on their execution of duties.
- (iii) The Committee recognized that the resolution of Board of Directors Meeting on the internal control system of the Company was appropriate. Also, the Committee did not see any issue to be pointed out on the directors' or Shikkoyakus' job execution pertinent to internal control system.

(2) Results of audit on the financial statements and its supporting schedules.

The Committee affirmed that the auditing method and the conclusions of the audit conducted by Independent Accounting Auditor, Ernst & Young ShinNihon Limited Liability Company were appropriate.

(3) Results of audit on the consolidated financial statements.

The Committee affirmed that the auditing method and the conclusions of the audit conducted by Independent Accounting Auditor, Ernst & Young ShinNihon Limited Liability Company were appropriate.

February 15, 2018

Audit Committee, MonotaRO Co., Ltd.

Committee Chairman: Yasuo Yamagata

Committee Member: Haruo Kitamura

Committee Member: Masahiro Kishida

(Note) All of the Audit Committee Members are Outside Directors as prescribed in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

Reference Documents for the General Shareholders' Meeting

Proposals and References

Proposal 1: Appropriation of Surplus

Appropriation of surplus is proposed as described below.

Matters relating to the year-end dividend

The year-end dividend for the 18th term is proposed as described below in consideration of the business performance for the current fiscal year and future business expansion.

1. Type of dividend property:

Cash

2. Allotment of dividend property to shareholders and the total amount thereof:

11 yen per share of the Company's common stock at a total amount of 1,365,574,837 yen

3. Effective date of dividends from surplus:

March 28, 2018

Proposal 2: Election of Seven (7) Directors

The terms of office of all seven (7) Directors will expire at the conclusion of this General Shareholders' Meeting. Accordingly, the election of seven (7) Directors is proposed in accordance with the decision made by the Nomination Committee.

The candidates for Director are as follows:

No.	Name (Date of birth) Responsibilities	Career summary and positions (Significant concurrent positions)	Number of shares of the Company held
1	Kinya Seto (June 25, 1960) Compensation Committee Member	<p>April 1983 Joined Sumitomo Corporation</p> <p>July 1990 Specialty Iron & Steel Products Mgr., Sumitomo Corporation of Americas</p> <p>July 1992 Vice President, Sales Dept., Precision Bar Service, INC.</p> <p>May 1997 President & Representative Director, Iron Dynamics Process International LLC</p> <p>September 1999 E-commerce Team Mgr., Business Planning Dept., Iron & Steel Div., No. 1, Sumitomo Corporation</p> <p>October 2000 Director, the Company</p> <p>June 2001 President & Representative Director, the Company</p> <p>March 2006 Director, President & CEO, the Company</p> <p>November 2010 Director (part-time), Zoro Tools, Inc. (present Zoro, Inc.)</p> <p>August 2011 President & Representative Director, K-engine Corporation</p> <p>March 2012 President & Representative Director, Grainger Asia Pacific K.K.</p> <p>March 2012 Director, Chairman & CEO, the Company</p> <p>October 2013 Senior Vice President, W.W. Grainger, Inc.</p> <p>December 2013 CEO, GWW UK Online Ltd. (present Razor Occam, Ltd.)</p> <p>March 2014 Director & Chairman, the Company (to present)</p> <p>January 2016 Director, President & CEO, LIXIL Corporation (to present) Representative Executive Officer & COO, LIXIL Group Corporation</p> <p>February 2016 Director, Grainger Asia Pacific K.K. (to present)</p> <p>June 2016 Director, Representative Executive Officer, President & CEO, LIXIL Group Corporation (to present)</p> <p>(Grounds for nominating Mr. Kinya Seto as a candidate for Director) Mr. Seto is the founder of the Company and led the business as President & CEO for over ten years (He held the position of President & Representative Director of the Company before it became a company with Nomination Committees and other committees.). Mr. Seto has insight into business and abundant experience as a leader of several companies, and the Company requests that he continue to serve as a Director of the Company and utilize his experience for its business.</p>	653,200

No.	Name (Date of birth) Responsibilities	Career summary and positions (Significant concurrent positions)	Number of shares of the Company held
2	Masaya Suzuki (July 24, 1975)	<p>April 1998 Joined Sumitomo Corporation</p> <p>November 2000 Seconded to the Company; System Team Manager, the Company</p> <p>March 2006 Advanced Materials and Specialty Iron & Steel Trade Dept., Sumitomo Corporation</p> <p>May 2006 EC Business Dept., No. 2, Rakuten, Inc.</p> <p>November 2006 Marketing Team Manager, Bookmedia Dept., Rakuten, Inc.</p> <p>April 2007 General Manager, Marketing Dept., the Company</p> <p>March 2008 Executive Officer and General Manager, Marketing Dept., the Company</p> <p>August 2011 Director, K-engine Corporation</p> <p>March 2012 Director, President & COO, the Company</p> <p>January 2013 Director, NAVIMRO Co., Ltd. (to present)</p> <p>March 2014 Director, President & CEO, the Company (to present)</p> <p>August 2016 Director, PT Sumisho E-Commerce Indonesia (present PT MONOTARO INDONESIA) (to present)</p> <p>(Grounds for nominating Mr. Masaya Suzuki as a candidate for Director) Mr. Suzuki has been leading the Company as President & COO since 2012 (President & CEO since 2014), and has appropriately explained and reported on the Company's strategies and execution thereof. Further, Mr. Suzuki has sufficiently fulfilled his role as Director and CEO of the Company as he supervised the execution of business of the other Executive Officers of the Company. Therefore, the Company requests that Mr. Suzuki continue to serve as a Director of the Company.</p>	446,000

No.	Name (Date of birth) Responsibilities	Career summary and positions (Significant concurrent positions)	Number of shares of the Company held
3	Masanori Miyajima (January 13, 1953) Nomination Committee Member and Chairperson, Compensation Committee	<p>April 1977 Joined Nissan Motor CO., LTD.</p> <p>January 1989 Manager, Nissan European Technology Center Ltd.</p> <p>July 1996 General Manager, Business Development Dept., General Electric Company Japan</p> <p>May 1998 Executive Officer, GE Edison Life Insurance Co., Ltd.</p> <p>November 2000 President & Representative Director, WIT Japan Investment Inc. (present Works Capital Inc.)</p> <p>July 2001 Director, the Company (to present)</p> <p>November 2004 Representative Director, Johnson Controls Automotive Systems, K.K.</p> <p>April 2007 CEO & Representative Director, Japan Kantar Research Inc. (present Kantar Japan Inc.)</p> <p>November 2014 Point Partner Business Senior Advisor, Rakuten, Inc.</p> <p>(Grounds for nominating Mr. Masanori Miyajima as a candidate for Outside Director) The Company proposes the election of Mr. Masanori Miyajima as an Outside Director in the expectation that he will apply his deep insight and extensive experience as a manager gained through the management of multiple companies to the management of the Company.</p>	—
4	Yasuo Yamagata (June 27, 1971) Chairperson, Audit Committee	<p>April 2000 Admitted to the bar Joined Kansai Law & Patent Office</p> <p>March 2003 Corporate Auditor, the Company</p> <p>April 2005 Partner, Legal Professional Corporation Kansai Law & Patent Office (to present)</p> <p>September 2005 Director, the Company (to present)</p> <p>September 2006 Director, Osaka City Dome Co., Ltd. (to present)</p> <p>March 2016 Outside director, Toyo Tanso Co., Ltd.(to present)</p> <p>(Grounds for nominating Mr. Yasuo Yamagata as a candidate for Outside Director) The Company proposes the election of Mr. Yasuo Yamagata as an Outside Director in the expectation that he will apply his expertise and extensive experience as an attorney-at-law to the management of the Company. Although Mr. Yamagata has not previously been directly involved in management, the Company deems that he will properly carry out his duties as an Outside Director for the reasons stated above.</p>	—

No.	Name (Date of birth) Responsibilities	Career summary and positions (Significant concurrent positions)	Number of shares of the Company held
5	<p data-bbox="199 562 399 618">Haruo Kitamura (August 21, 1958)</p> <p data-bbox="212 656 386 831">Chairperson, Nomination Committee and Audit Committee Member</p>	<p data-bbox="432 331 1219 387">September 1983 Joined Arthur Andersen Konin Kaikeishi Kyodo Jimusho (present KPMG AZSA LLC)</p> <p data-bbox="432 394 1062 421">March 1987 Registered as a certified public accountant</p> <p data-bbox="432 427 1150 454">May 1994 Partner, Asahi & Co. (present KPMG AZSA LLC)</p> <p data-bbox="432 461 1286 517">December 1996 Established Asahi Arthur Andersen Ltd.; Director, Asahi Arthur Andersen Ltd.</p> <p data-bbox="432 524 1286 580">August 2002 Established Kitamura Certified Public Accountant Office; Chief, Kitamura Certified Public Accountant Office (to present)</p> <p data-bbox="432 586 1262 669">February 2003 Established Charles's Wain Consulting Co., Ltd. (present CerWin Consulting K.K.); Representative Director, Charles's Wain Consulting Co., Ltd.</p> <p data-bbox="432 676 1214 703">June 2004 Outside Corporate Auditor, ROHM Co., Ltd. (to present)</p> <p data-bbox="432 710 991 736">December 2005 Director, the Company (to present)</p> <p data-bbox="432 743 1222 799">May 2006 Supervisory Director (part-time), MID REIT Inc. (present MCUBS MidCity Investment Corporation) (to present)</p> <p data-bbox="432 806 1134 833">June 2009 Outside Corporate Auditor, Yamaha Corporation</p> <p data-bbox="432 840 1031 866">June 2010 Outside Director, Yamaha Corporation</p> <p data-bbox="432 873 1206 900">June 2015 Outside Corporate Auditor, ASMO Co., Ltd. (to present)</p> <p data-bbox="432 907 1270 934">June 2016 Outside Corporate Auditor, Toyo Aluminium K.K. (to present)</p> <p data-bbox="432 940 1278 1061">(Grounds for nominating Mr. Haruo Kitamura as a candidate for Outside Director) The Company proposes the election of Mr. Haruo Kitamura as an Outside Director in the expectation that he will apply his expertise and extensive experience as a certified public accountant to the management of the Company.</p>	—

No.	Name (Date of birth) Responsibilities	Career summary and positions (Significant concurrent positions)	Number of shares of the Company held
6	Masahiro Kishida (March 30, 1961) Compensation Committee Member and Audit Committee Member	<p>April 1983 Joined PARCO CO., LTD. May 1992 Joined The Japan Research Institute, Limited July 1996 Joined Booz, Allen & Hamilton Inc. (present Booz & Company Inc.) October 2002 Partner, Roland Berger Ltd. September 2006 Partner, Booz, Allen & Hamilton Inc. (present Booz & Company Inc.) March 2012 Director, the Company (to present) April 2013 Partner, AT Kearney, K.K. January 2014 CEO and Representative Director, AT Kearney, K.K. (to present) January 2018 Member of the Board, A.T. Kearney Ltd. (to present)</p> <p>(Grounds for nominating Mr. Masahiro Kishida as a candidate for Outside Director) The Company proposes the election of Mr. Masahiro Kishida as an Outside Director in the expectation that he will apply his expertise and extensive experience in corporate management and marketing policies as a management consultant to the management of the Company.</p>	-
7	David L. Rawlinson II (January 19, 1976) Nomination Committee Member	<p>July 2000 Government Relations Representative, South Carolina Association of Counties November 2001 Attorney-at-law, Locke Load Bissell & Liddell, LLP August 2004 Attorney-at-law, K&L Gates, LLP January 2008 White House Fellow, Office of the White House Chief of Staff July 2009 Vice President and General Counsel, ITT Exelis, Inc. August 2013 Vice President, Deputy General Counsel and Corporate Secretary, W.W. Grainger, Inc. March 2014 Director, the Company (to present) January 2016 Vice President and President, Online Business, W.W. Grainger, Inc. President, Razor Occam, Ltd. (present Grainger Global Online Business Ltd.) (to present) Director (part-time), Zoro, Inc. (to present) February 2017 Director (part-time), Nielson Holdings PLC (to present) January 2018 Senior Vice President and President, Online Businesses, W.W. Grainger, Inc. (to present)</p> <p>(Grounds for nominating Mr. David L. Rawlinson II as a candidate for Director) Mr. Rawlinson II has considerable knowledge of and experience in the field of corporate governance which he gained as a U.S. attorney, as well as experience overseeing the online business at W.W. Grainger, Inc., the parent company of the Company. The Company requests that he continue to serve as a Director of the Company and utilize his experience for its business. The Company notes that Mr. Rawlinson II has been sent to the Company from W.W. Grainger, Inc., the parent company of the Company.</p>	-

(Notes)

1. Mr. Kinya Seto is the Director, President & CEO, LIXIL Corporation and Representative Executive Officer President & CEO, LIXIL Group Corporation. The Company engages in merchandise sales, purchasing and other transactions with LIXIL Corporation; however, the amount of transactions is insignificant in view of the scale of the Company's sales. There are no special relationships between the other candidates and the Company.
2. Mr. David L. Rawlinson II, a candidate for Director, is a business executive at W.W. Grainger, Inc., which is the parent company of the Company, and his positions and responsibilities are as stated above under "Career summary, positions and responsibilities at the Company (Significant concurrent positions).
3. Messrs. Masanori Miyajima, Yasuo Yamagata, Haruo Kitamura and Masahiro Kishida, candidates for Director, are candidates for Outside Director. The Company has designated the above four (4) persons as independent officers in accordance with the provisions of the Tokyo Stock Exchange, and registered them as such at the Exchange.
4. At the conclusion of this General Shareholders' Meeting, the terms of office held as Outside Director will be 16 years and 9 months for Mr. Masanori Miyajima, 12 years and 7 months for Mr. Yasuo Yamagata, 12 years and 4 months for Mr. Haruo Kitamura, and 6 years for Mr. Masahiro Kishida.