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(Securities code 3064)

March 5, 2021

To Shareholders with Voting Rights:

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

**NOTICE OF
THE 21ST GENERAL SHAREHOLDERS' MEETING**

We are pleased to announce the 21st 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.

You can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Shareholders' Meeting and exercise your voting rights.

- 1. Date and Time:** Friday, March 26, 2021 at 10:00 a.m., Japan time
- 2. Venue:** HO-OH, MIYAKO HOTEL AMAGASAKI 3rd Floor,
2-7-1, Showa-dori, Amagasaki, Hyogo
*Please note that the venue is different from that of the previous year.
- 3. Meeting Agenda:**
Matters to be reported:
 1. Business Report, Consolidated Financial Statements for the Company's 21st Term (January 1, 2020 - December 31, 2020) 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 21st Term (January 1, 2020 - December 31, 2020)

Proposals to be resolved:

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

4. Exercise of Voting Rights

Please refer to "Exercise of Voting Rights" on page 3.

5. Disclosure on the Internet

Among the documents that should be provided in conjunction with this notice, the items below are not attached hereto, but posted on the Company's website (see URL below) pursuant to the provisions of laws and regulations and Article 13 of the Articles of Incorporation of the Company. Accordingly, the documents attached hereto are part of the information audited by the Audit Committee and the Accounting Auditor as part of their preparation of their audit reports.

Non-consolidated Statement of Changes in Net Assets and Notes to Non-consolidated Financial Statements

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.

The Company's website: <https://www.monotaro.com>

Exercise of Voting Rights

Voting rights exercisable at a general shareholders' meeting are important rights of shareholders. Shareholders are requested to exercise their voting rights after reviewing the attached Reference Documents for the General Shareholders' Meeting. Voting rights can be exercised in the following three ways:

By mail

Indicate your vote for or against each proposal in the enclosed Voting Rights Exercise Form and return it without affixing a stamp.

Exercise cut-off time: To be received no later than 6:00 p.m., Thursday, March 25, 2021, Japan time

By the Internet

Enter your vote for or against each proposal in accordance with the instructions on the next page.

Exercise cut-off time: All data entry to be completed no later than 6:00 p.m., Thursday, March 25, 2021, Japan time

By attending the General Shareholders' Meeting

Submit the enclosed Voting Rights Exercise Form at the reception desk.

Date and time: Friday, March 26, 2021 at 10:00 a.m., Japan time

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.

Exercise of Voting Rights via the Internet, etc.

Log in via QR Code

You can log in to the website for exercising voting rights without having to enter the Login ID and Temporary Password presented on the Voting Rights Exercise Form.

- 1 Please scan the QR code printed on the Voting Rights Exercise Form.
* QR code is a registered trademark of DENSO WAVE INCORPORATED.
- 2 Please indicate your vote for or against the proposal according to the directions on the screen.

The QR Code may only be used once when logging in.

If you wish to redo your vote or exercise your voting rights without using QR Code, please refer to “Entering Login ID and Temporary Password” on the right.

Entering Login ID and Temporary Password

- 1 Please access the website for exercising voting rights.

Website for exercising voting rights:

<https://evote.tr.mufg.jp/>

- 2 Enter the Login ID and Temporary Password shown on the Voting Rights Exercise Form, then click “Log in.”
- 3 Register a new password.
- 4 Please indicate your vote for or against the proposal according to the directions on the screen.

Reference Documents for the General Shareholders' Meeting

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 21st term is proposed as described below in consideration of the business performance for the current fiscal year and future business expansion.

Type of dividend property	Cash
Allotment of dividend property to shareholders and the total amount thereof:	9.5 yen per share of the Company's common stock Total dividends: 2,359,887,514 yen
Effective date of dividends from surplus:	March 29, 2021

Proposal 2: Election of Seven (7) Directors

The terms of office of all eight (8) 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	Position and responsibilities at the Company	Significant concurrent positions	
1	Kinya Seto	Director & Chairman Compensation Committee Member	Director, Representative Executive Officer, President & CEO, LIXIL Corporation	<u>Reelection</u>
2	Masaya Suzuki	Director President & CEO	Managing Director, Endless Assortment Business, W.W. Grainger, Inc.	<u>Reelection</u>
3	Haruo Kitamura	Director Chairperson, Nomination Committee Audit Committee Member	Chief, Kitamura Certified Public Accountant Office Certified Public Accountant	<u>Reelection</u> <u>Outside</u> <u>Independent</u>
4	Masahiro Kishida	Director Chairperson, Compensation Committee Nomination Committee Member	Representative in Japan, Russell Reynolds Associates Japan, Inc.	<u>Reelection</u> <u>Outside</u> <u>Independent</u>
5	Tomoko Ise	Director Audit Committee Member	Counsel, TMI Associates	<u>Reelection</u> <u>Outside</u> <u>Independent</u>
6	Mari Sagiya	Director Audit Committee Member	–	<u>Reelection</u> <u>Outside</u> <u>Independent</u>
7	Barry Greenhouse	Director Nomination Committee Member	Senior Vice President, Global Supply Chain & Customer Experience, W.W. Grainger, Inc.	<u>Reelection</u>

Reelection


Candidate for Director to be reelected



Outside




Candidate for outside Director


Independent

Candidate for independent officer as defined by the Tokyo Stock Exchange

No.	Name (Date of birth) Responsibilities	Career summary and positions (Significant concurrent positions)	Number of shares of the Company held
1	<p data-bbox="236 712 400 770">Kinya Seto (June 25, 1960)</p>  <p data-bbox="185 1043 453 1102">Compensation Committee Member</p> <p data-bbox="261 1128 376 1160"><u>Reelection</u></p>	<p data-bbox="472 264 1302 689"> April 1983 Joined Sumitomo Corporation July 1990 Specialty Iron & Steel Products Mgr., Sumitomo Corporation of Americas July 1992 Vice President, Sales Dept., Precision Bar Service, INC. May 1997 President & Representative Director, Iron Dynamics Process International LLC September 1999 E-commerce Team Mgr., Business Planning Dept., Iron & Steel Div., No. 1, Sumitomo Corporation October 2000 Director, the Company June 2001 President & Representative Director, the Company March 2006 Director, President & CEO, the Company November 2010 Director (part-time), Zoro Tools, Inc. August 2011 President & Representative Director, K-engine Corporation March 2012 President & Representative Director, Grainger Asia Pacific K.K. October 2013 Director, Chairman & CEO, the Company December 2013 Senior Vice President, W.W. Grainger, Inc. CEO, GWW UK Online Ltd. (present Grainger Global Online Business Ltd.) March 2014 Director & Chairman, the Company (to present) January 2016 Representative Executive Officer & COO, LIXIL Group Corporation February 2016 Director, President & CEO, LIXIL Corporation June 2016 Director, Grainger Asia Pacific K.K. June 2016 Director, Representative Executive Officer, President & CEO, LIXIL Group Corporation November 2018 Director, Representative Executive Officer, President, LIXIL Group Corporation April 2019 Director, LIXIL Group Corporation June 2019 Director, Representative Executive Officer, President & CEO, LIXIL Group Corporation (present LIXIL Corporation) (to present) Representative Director, Chairman, and Chairperson of the Board, LIXIL Corporation April 2020 Representative Director, Chairman, President & CEO, and Chairperson of the Board, LIXIL Corporation </p> <p data-bbox="472 1366 1302 1601"> (Reasons for nominating Mr. Kinya Seto as a candidate for Director) Mr. Seto is the founder of the Company and led the management as President & CEO for over 10 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 deep 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 management. </p>	1,187,200

No.	Name (Date of birth) Responsibilities	Career summary and positions (Significant concurrent positions)	Number of shares of the Company held
2	<p>Masaya Suzuki (July 24, 1975)</p>  <p>Reelection</p>	<p>April 1998 Joined Sumitomo Corporation November 2000 Seconded to the Company; System Team Manager, the Company March 2006 Advanced Materials and Specialty Iron & Steel Trade Dept., Sumitomo Corporation May 2006 EC Business Dept., No. 2, Rakuten, Inc. November 2006 Marketing Team Manager, Bookmedia Dept., Rakuten, Inc. April 2007 General Manager, Marketing Dept., the Company March 2008 Executive Officer and General Manager, Marketing Dept., the Company August 2011 Director, K-engine Corporation March 2012 Director, President & COO, the Company January 2013 Director, NAVIMRO Co., Ltd. (to present) March 2014 Director, President & CEO, the Company (to present) August 2016 Director, PT Sumisho E-Commerce Indonesia (present PT MONOTARO INDONESIA) (to present) February 2018 Chairman, ZORO Shanghai Co., Ltd (to present) July 2018 Outside director, Smaregi, Inc. February 2020 Managing Director, Endless Assortment Business, W.W. Grainger, Inc. (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). Further, Mr. Suzuki possesses abundant knowledge and experience in businesses and operations of the Company and has sufficiently fulfilled his role as Director and CEO. Therefore, the Company requests that Mr. Suzuki continue to serve as a Director of the Company.</p>	806,400
3	<p>Haruo Kitamura (August 21, 1958)</p>  <p>Chairperson, Nomination Committee and Audit Committee Member</p> <p>Reelection Outside Independent</p>	<p>September 1983 Joined Arthur Andersen Konin Kaikeishi Kyodo Jimusho (present KPMG AZSA LLC) March 1987 Registered as a certified public accountant May 1994 Partner, Asahi & Co. (present KPMG AZSA LLC) December 1996 Established Asahi Arthur Andersen Ltd.; Director, Asahi Arthur Andersen Ltd. August 2002 Established Kitamura Certified Public Accountant Office; Chief, Kitamura Certified Public Accountant Office (to present) February 2003 Established Charles's Wain Consulting Co., Ltd. (present CerWin Consulting K.K.); Representative Director, Charles's Wain Consulting Co., Ltd. June 2004 Outside Corporate Auditor, ROHM Co., Ltd. December 2005 Director, the Company (to present) June 2006 Supervisory Director (part-time), MID REIT Inc. (present MCUBS MidCity Investment Corporation) June 2009 Outside Corporate Auditor, Yamaha Corporation June 2010 Outside Director, Yamaha Corporation June 2015 Outside Corporate Auditor, ASMO Co., Ltd. October 2015 Outside Corporate Auditor, LEGAL CORPORATION (present LeTech Corporation) (to present) June 2016 Outside Corporate Auditor, Toyo Aluminium K.K. (to present) June 2019 Outside Corporate Auditor, DENSO CORPORATION (to present) October 2019 Outside Corporate Auditor, MISUZU CO., LTD. (to present)</p> <p>(Grounds for nominating Mr. Haruo Kitamura as a candidate for Outside Director) The Company proposes the re-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>	0

No.	Name (Date of birth) Responsibilities	Career summary and positions (Significant concurrent positions)	Number of shares of the Company held
4	<p>Masahiro Kishida (March 30, 1961)</p>  <p>Chairperson, Compensation Committee and Nomination Committee Member</p> <p>Reelection Outside Independent</p>	<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, A.T. Kearney, K.K. January 2014 CEO and Representative Director, A.T. Kearney, K.K. January 2018 Member of the Board, A.T. Kearney Ltd. January 2021 Representative in Japan, Russell Reynolds Associates Japan, Inc. (to present)</p> <p>(Grounds for nominating Mr. Masahiro Kishida as a candidate for Outside Director) The Company proposes the re-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>	0
5	<p>Tomoko Ise (June 18, 1978)</p>  <p>Audit Committee Member</p> <p>Reelection Outside Independent</p>	<p>October 2004 Admitted to the bar Joined TMI Associates August 2014 Joined Pillsbury Winthrop Shaw Pittman LLP June 2015 Returned to TMI Associates January 2019 Counsel, TMI Associates (to present) March 2020 Director, the Company (to present)</p> <p>(Grounds for nominating Ms. Tomoko Ise as a candidate for Outside Director) The Company proposes the re-election of Ms. Tomoko Ise as an Outside Director in the expectation that she will apply her expertise and abundant experience as a lawyer to the management of the Company. Although Ms. Ise has not previously been directly involved in management of a company, the Company deems that she will properly carry out her duties as an Outside Director for the reasons stated above.</p>	0
6	<p>Mari Sagiya (November 16, 1962)</p>  <p>Audit Committee Member</p> <p>Reelection Outside Independent</p>	<p>April 1985 Joined IBM Japan, Ltd. July 2002 Director, IBM Japan, Ltd. July 2005 Vice President, IBM Japan, Ltd. July 2014 Vice President, SAP Japan Co., Ltd. January 2016 Vice President, salesforce.com Co., Ltd. June 2019 Outside Director, Mizuho Leasing Company, Limited (to present) Outside Director, Kokusai Pulp & Paper Co., Ltd. (to present) March 2020 Director, the Company (to present)</p> <p>(Grounds for nominating Ms. Mari Sagiya as a candidate for Outside Director) The Company proposes the re-election of Ms. Mari Sagiya as an Outside Director in the expectation that she will apply her broad insight and abundant experience gained at senior management positions in multiple IT companies to the management of the Company.</p>	0

No.	Name (Date of birth) Responsibilities	Career summary and positions (Significant concurrent positions)	Number of shares of the Company held
7	<p>Barry Greenhouse (October 5, 1973)</p>  <p>Nomination Committee Member</p> <p><u>Reelection</u></p>	<p>July 1996 Joined Heinz Pet Products July 1997 Joined McMaster-Carr Supply Company January 2000 Joined Webvan January 2001 Joined McMaster-Carr Supply Company September 2004 Joined W.W. Grainger, Inc. December 2005 Director, W.W. Grainger, Inc. August 2012 Senior Director, W.W. Grainger, Inc. September 2013 Vice President, W.W. Grainger, Inc. September 2017 Senior Vice President, Global Supply Chain, W.W. Grainger, Inc. November 2019 Senior Vice President, Global Supply Chain & Customer Experience, W.W. Grainger, Inc. (to present) March 2020 Director, the Company (to present)</p> <p>(Grounds for nominating Mr. Barry Greenhouse as a candidate for Director) Mr. Barry Greenhouse has expertise and abundant experience in the field of distribution, as well as overseeing the global supply chain department at W.W. Grainger, Inc., the parent company of the Company. The Company proposes his re-election as a Director of the Company to utilize his experience for its business. The Company notes that Mr. Greenhouse has been sent to the Company from W.W. Grainger, Inc., the parent company of the Company.</p>	0

(Notes)

1. Mr. Kinya Seto, a candidate for Director, is a Director, Representative Executive Officer, President & CEO at LIXIL Corporation. The Company engages in selling and purchasing products with LIXIL Corporation; however, the amount of transactions is only below 1% of consolidated net sales (or consolidated sales revenue) of the Company or LIXIL Corporation, which is quite small.
There are no special relationships between the other candidates and the Company.
2. Mr. Masaya Suzuki and Mr. Barry Greenhouse, candidates for Director, are business executives at W.W. Grainger, Inc., which is the parent company of the Company, and their positions and responsibilities are as stated above under “Career summary, positions and responsibilities at the Company (Significant concurrent positions).”
3. The legal name of Ms. Tomoko Ise, a candidate for Director, registered in the family register is Tomoko Tanaka.
4. The legal name of Ms. Mari Sagiya, a candidate for Director, registered in the family register is Mari Itaya.
5. The Company has concluded liability limitation agreements with Mr. Haruo Kitamura, Mr. Masahiro Kishida, Ms. Tomoko Ise, and Ms. Mari Sagiya, candidates for Director, pursuant to Article 427, paragraph (1) of the Companies Act to limit the liability for damages under Article 423, paragraph (1) of that Act. The Company will continue these agreements with Mr. Haruo Kitamura, Mr. Masahiro Kishida, Ms. Tomoko Ise, and Ms. Mari Sagiya, candidates for Director, subject to the approval of their reelection as Director. The upper limit on liability for damages under these agreements will be the total of the amounts prescribed in the items of Article 425, paragraph (1) of the Companies Act.
6. The Company has entered into a contract of Directors and Officers Liability Insurance (D&O Insurance) with an insurance agency, as provided for in Article 430-3, paragraph (1) of the Companies Act. This insurance policy covers damages arising when an insured person, which includes Directors of the Company, receives a claim for compensation for damages originating from actions in the execution of their duties and bears legal responsibility for the compensation for damages (however, this excludes such situations in which the claim originates from actions carried out with full knowledge that such actions were unlawful, etc.). If each candidate for Director is elected and assumes office as Director, they will be insured persons under this insurance policy. Furthermore, the Company plans to renew the insurance policy with the same details at the time of the next renewal in March 2022.
7. Mr. Haruo Kitamura, Mr. Masahiro Kishida, Ms. Tomoko Ise, and Ms. Mari Sagiya, candidates for Director, are candidates for Outside Directors. The Company has designated candidates for Director Mr. Haruo Kitamura, Mr. Masahiro Kishida, Ms. Tomoko Ise, and Ms. Mari Sagiya as independent officers in accordance with the provisions of the Tokyo Stock Exchange, and registered them as such at the Exchange.
8. At the conclusion of this General Shareholders’ Meeting, the terms of office held as Outside Director will be 15 years and four (4) months for Mr. Haruo Kitamura, nine (9) years for Mr. Masahiro Kishida, one (1) year for Ms. Tomoko Ise, and one (1) year for Ms. Mari Sagiya.

Business Report

(January 1, 2020 - December 31, 2020)

1. Overview of the Group

(1) Business Progress and Results

The Japanese economy during the fiscal year ended December 31, 2020 remained uncertain in its outlook due to concerns about the global COVID-19 pandemic, the policy trend in the United States, and the continuity of the growth momentum of the Chinese economy, although government economic and monetary policies provided some support.

In this economic environment, the Group has continually concentrated on acquiring new customers aggressively mainly through internet advertisements (paid listings) and internet search engine optimization (SEO), which can improve the position of the Company's website on the search engines. We also conducted promotion activities including direct mail using e-mail and mail flyers, daily special prices, and the publication and distribution of catalogs. In terms of catalogs, we newly published REDBOOK vol. 16 Spring Edition in late February, divided into 11 volumes with 194 thousand items and approximately 2.6 million issues available in total and we also published REDBOOK vol. 16 Autumn Edition in late September, divided into 10 volumes with 270 thousand items and approximately 2.9 million issues available in total.

Furthermore, the total number of product lineup of the Group reached approximately 18 million items in total and 476 thousand items in stock which are available for the same day shipment to meet the increase in demand corresponding to the expansion of our customer base as of the end of the fiscal year ended December 31, 2020.

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

Consequently, we have successfully obtained 1,391,073 newly registered accounts for the fiscal year ended December 31, 2020 and the number of registered accounts totaled 5,500,774 as of the end of the fiscal year ended December 31, 2020.

In addition, NAVIMRO Co., Ltd., which is our Korean subsidiary, 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 157,337 million yen (19.7% increase from the previous fiscal year), operating income of 19,607 million yen (23.8% increase from the previous fiscal year), ordinary income of 19,671 million yen (23.8% increase from the previous fiscal year), and net income attributable to owners of the parent of 13,771 million yen, a corresponding 25.4% increase.

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

(2) Capital Investments

The amount of investments of the Company for the fiscal year totaled 9,719 million yen which consists of the capability enhancement of the distribution center, software improvement for increasing the number of customers and orders and improvements of core system and usability of our website corresponding to technological innovation.

The payments for these investments are made by our own funds and long-term loans payable.

(3) Fund Procurement

During the fiscal year ended December 31, 2020, the Company raised 9,000 million yen as long-term loans payable from a financial institution to fund the construction of its new distribution center.

The Company did not raise funds by other methods, such as incremental investment or issuance of bonds.

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

Item		18th term ended December 31, 2017	19th term ended December 31, 2018	20th term ended December 31, 2019	21st term ended December 31, 2020 (Consolidated fiscal year under review)
Net sales	(Millions of yen)	88,347	109,553	131,463	157,337
Net income at- tributable to owners of the parent	(Millions of yen)	8,464	9,515	10,984	13,771
Net income per share	(Yen)	34.11	38.32	44.23	55.44
Total assets	(Millions of yen)	42,861	50,706	59,691	81,263
Net assets	(Millions of yen)	23,216	29,838	37,512	47,658
Net assets per share	(Yen)	92.96	119.07	149.15	188.25

- (Notes)
1. Net sales do not include any consumption taxes.
 2. In the 19th term, the Company implemented a 2-for-1 share split on October 1, 2018, and net income per share and net assets per share were calculated on the assumption that the share split was made at the beginning of the 18th term.
 3. Net income per share and net assets per share are calculated by excluding the number of treasury stock.

(ii) Trends in assets and income of the Company

Item		18th term ended December 31, 2017	19th term ended December 31, 2018	20th term ended December 31, 2019	21st term ended December 31, 2020 (Fiscal year under re- view)
Net sales	(Millions of yen)	84,656	105,331	126,543	151,798
Net income	(Millions of yen)	8,699	9,825	11,309	13,139
Net income per share	(Yen)	35.05	39.56	45.53	52.89
Total assets	(Millions of yen)	43,525	51,585	60,605	80,962
Net assets	(Millions of yen)	24,320	31,166	39,000	48,138
Net assets per share	(Yen)	97.80	125.35	156.81	193.50

- (Notes)
1. Net sales do not include any consumption taxes.
 2. In the 19th term, the Company implemented a 2-for-1 share split on October 1, 2018, and net income per share and net assets per share were calculated on the assumption that the share split was made at the beginning of the 18th term.
 3. Net income per share and net assets per share are calculated by excluding the number of treasury stock.

(5) Significant Parent Company and Subsidiaries

(i) Relationship with parent company

Our parent company is W.W. Grainger, Inc. which, indirectly through its wholly owned subsidiary Grainger Global Holdings, Inc., holds 125,056,000 shares of the Company (percentage of the total number of voting rights held by shareholders is 50.35%). We have been purchasing some of our products from W.W. Grainger, Inc.

(ii) Significant subsidiaries

Company name	Capital	The Company's percentage of equity participation	Principal business
NAVIMRO Co., Ltd.	KRW 17 billion	100.0%	Selling MRO products
PT MONOTARO INDONESIA	IDR 241.428 billion	51.0%	Selling MRO products
IB MONOTARO PRIVATE LIMITED	INR 30 million	50.0%	Selling MRO products
ZORO Shanghai Co., Ltd.,	RMB 55 million	66.0%	Selling MRO products

- (Notes)
1. The Company decided to dissolve and liquidate ZORO Shanghai Co., Ltd. at a meeting of the Board of Directors held on September 18, 2020.
 2. On November 12, 2020, the Company acquired 50% of shares of IB MONOTARO PRIVATE LIMITED by means of a capital increase through third-party allotment of shares and converted the company to a consolidated subsidiary.

(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 and improvement of customer lifetime value

For the Group, acquisition of new customers remains the largest source of growth. We will strive to acquire new customers aggressively based on our data and knowledge accumulated in association with the growth of the Group's business mainly through internet advertisements on the search engines and internet search engine optimization (SEO), which can improve our website's position on search results. In addition, based on customer lifetime value predictions from product search trends and other data, we will strive to improve lifetime value of our new customers through optimization of resources invested in marketing.

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

As our customer base continues to grow, the products that are in high demand have diversified. Thus, we will expand our product lineup including the so-called long tail products that are purchased less frequently by accurately grasping the customers' diversifying demands, and will expand into new categories to further grow 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

By utilizing the data accumulated in line with the growth of the Group's business and conducting deeper analysis of such data, we will strive to further meet our customers' purchase needs and conduct promotion activities with higher effectiveness. In addition, we will continuously improve product searchability and usability of the Group's website by using advanced technologies in the rapidly-advancing information and data analysis field so that each of our customers can find and order the products they need 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 in 2017. The “Ibaraki Chuou Satellite Center” and the “Inagawa Distribution Center” will be operated from 2021 and 2022, respectively. We will further establish distribution bases such as transfer centers in other regions while controlling costs appropriately 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 continue to implement measures to achieve business growth. As for PT MONOTARO INDONESIA, our subsidiary in Indonesia of which we acquired shares in 2016, and IB MONOTARO PRIVATE LIMITED, our subsidiary in India of which we acquired shares in 2020, we will further promote our efforts to establish and expand their respective business bases.

(7) **Principal Business** (As of December 31, 2020)

Sale of industrial MRO products mainly through the internet.

(8) **Principal Business Locations** (As of December 31, 2020)

(i) The Company

Headquarters: 2-183, Takeyacho, Amagasaki, Hyogo

Amagasaki Distribution Center: 75-1, Nishimukoujicho, 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

IB MONOTARO PRIVATE LIMITED, New Delhi, India

ZORO Shanghai Co., Ltd., Shanghai, the People’s Republic of China

(9) **Employees** (As of December 31, 2020)

(i) Employees of the Group

Number of employees	Increase/decrease from previous consolidated fiscal year-end	Average age	Average years of service
2,070	+286	32.2 years old	3.8 years

- (Notes)
1. Number of employees includes the number of part-time workers of 1,305.
 2. Average age and Average years of service are calculated based on only the permanent employees.
 3. The increase of 286 employees was due to the new hiring corresponding to the sales growth and converted IB MONOTARO PRIVATE LIMITED to a consolidated subsidiary.
 4. Other than above, the Company Group had 549 temporary workers.

(ii) Employees of the Company

Number of employees	Increase/decrease from previous fiscal year-end	Average age	Average years of service
1,795	+186	37.0 years old	5.0 years

- (Notes)
1. Number of employees includes the number of part-time workers of 1,305.
 2. Average age and Average years of service are calculated based on only the permanent employees.

3. The increase of 186 employees was due to the new hiring corresponding to the sales growth.
4. Other than above, the Company had 445 temporary workers.

(10) Principal Lenders (As of December 31, 2020)

Lender	Amount borrowed
MUFG Bank, Ltd.	9,000 million yen
Total	9,000 million yen

2. Status of Shares (As of December 31, 2020)

(1) **Total Number of Shares Authorized to be Issued** 337,920,000 shares

(2) **Total Number of Issued Shares** 250,631,000 shares
(Note) The total number of issued shares increased by 7,800 shares in total due to the exercise of stock option.

(3) **Number of Shareholders** 20,356 persons

(4) Major Shareholders (Top Ten Shareholders)

Shareholder name	Number of shares held	Shareholding ratio
GRAINGER GLOBAL HOLDINGS, INC.	125,056,000 shares	50.34%
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,451,500 shares	4.61%
SSBTC CLIENT OMNIBUS ACCOUNT	8,500,376 shares	3.42%
Custody Bank of Japan, Ltd. (Trust Account)	5,949,400 shares	2.39%
J.P. MORGAN BANK LUXEMBOURG S.A. 384513	4,106,701 shares	1.65%
JP MORGAN CHASE BANK 385632	2,650,161 shares	1.07%
STATE STREET BANK WEST CLIENT - TREATY 505234	2,600,800 shares	1.05%
Custody Bank of Japan, Ltd. (Trust Account 5)	2,221,800 shares	0.89%
STATE STREET BANK AND TRUST COMPANY 505103	2,114,081 shares	0.85%
Custody Bank of Japan, Ltd. (Trust Account 7)	2,035,700 shares	0.82%

(Note) Shareholding ratio is calculated after treasury shares (2,221,788 shares) are deducted.

3. Subscription Rights to Shares, Etc.

(1) Subscription Rights to Shares Held by Officers of the Company Issued as Compensation for Their Execution of Duties (As of December 31, 2020)

		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 15,200 shares (800 shares per subscription right to shares)	Common stock 30,400 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		77 yen per share	337 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 shares to be issued upon exercise of subscription rights to shares 7,200 shares Number of holders 1	Number of subscription rights to shares 11 Number of shares to be issued upon exercise of subscription rights to shares 4,400 shares Number of holders 1

		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 27,600 shares (400 shares per subscription right to shares)	Common stock 9,600 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		400 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		353 yen per share	747 yen per share
Exercise period		From 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 5 Number of shares to be issued upon exercise of subscription rights to shares 2,000 shares Number of holders 1	Number of subscription rights to shares 3 Number of shares to be issued upon exercise of subscription rights to shares 1,200 shares Number of holders 1

		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 8,800 shares (200 shares per subscription right to shares)	Common stock 6,800 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		643 yen per share	817 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 11 Number of shares to be issued upon exercise of subscription rights to shares 2,200 shares Number of holders 2	Number of subscription rights to shares 34 Number of shares to be issued upon exercise of subscription rights to shares 6,800 shares Number of holders 5

		14th Subscription Rights to Shares	15th Subscription Rights to Shares
Date of resolution of issuance		March 27, 2018	March 26, 2019
Number of subscription rights to shares		51	85
Class and number of shares to be issued upon exercise of subscription rights to shares		Common stock 10,200 shares (200 shares per subscription right to shares)	Common stock 8,500 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		200 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		938 yen per share	1,251 yen per share
Exercise period		From April 26, 2020 to February 28, 2028	From April 25, 2021 to February 28, 2029
Conditions for exercise of subscription rights to shares		(Note)	(Note)
Officer holdings	Directors and Executive Officers	Number of subscription rights to shares 17 Number of shares to be issued upon exercise of subscription rights to shares 3,400 shares Number of holders 3	Number of subscription rights to shares 85 Number of shares to be issued upon exercise of subscription rights to shares 8,500 shares Number of holders 7

		16th Subscription Rights to Shares	17th Subscription Rights to Shares
Date of resolution of issuance		March 26, 2020	April 24, 2020
Number of subscription rights to shares		77	131
Class and number of shares to be issued upon exercise of subscription rights to shares		Common stock 7,700 shares (100 shares per subscription right to shares)	Common stock 13,100 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		1,563 yen per share	1,978 yen per share
Exercise period		From April 24, 2022 to February 28, 2030	From May 22, 2022 to March 31, 2030
Conditions for exercise of subscription rights to shares		(Note)	(Note)
Officer holdings	Directors and Executive Officers	Number of subscription rights to shares 77 Number of shares to be issued upon exercise of subscription rights to shares 7,700 shares Number of holders 7	Number of subscription rights to shares 131 Number of shares to be issued upon exercise of subscription rights to shares 13,100 shares Number of holders 1

(Notes) Conditions for exercise of subscription rights to shares

(8th Subscription Rights to Shares - 13th 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 such subscription rights to shares have been acquired 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.

(14th Subscription Rights to Shares - 17th 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 be a member of the Company or its subsidiaries until the inception of exercise of such subscription rights and also remain Executive Officer of the Company at the time of exercise of such subscription rights to shares. However, persons who do not hold the position of Executive Officer at the time of exercise may exercise the subscription rights to shares after the inception of the exercise period, if the reason for not holding the position is due to them resigning from the position at the expiration of their term of office or any other justifiable reason, or if the persons 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 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, 2020)

Name	Position and responsibilities at the Company	Significant concurrent positions
Kinya Seto	Director & Chairman Compensation Committee Member	Director, Representative Executive Officer, President & CEO, LIXIL Corporation
Masaya Suzuki	Director, President & CEO	Managing Director, Endless Assortment Business, W.W. Grainger, Inc.
Yasuo Yamagata	Director Chairperson, Audit Committee Compensation Committee Member	Partner, Legal Professional Corporation Kansai Law & Patent Office
Haruo Kitamura	Director Chairperson, Nomination Committee Audit Committee Member	Chief, Kitamura Certified Public Accountant Office Certified Public Accountant
Masahiro Kishida	Director Chairperson, Compensation Committee Nomination Committee Member	Partner, A.T. Kearney, K.K. Member of the Board, A.T. Kearney Ltd.
Tomoko Ise	Director Audit Committee Member	Counsel, TMI Associates
Mari Sagiya	Director Audit Committee Member	
Barry Greenhouse	Director Nomination Committee Member	Senior Vice President, Global Supply Chain & Customer Experience, W.W. Grainger, Inc.
Tetsuya Koda	Senior Executive Officer General Manager of Administration Department	
Masaaki Hashihara	Senior Executive Officer General Manager of Sales Planning Department	
Kohei Shibagaki	Executive Officer General Manager of Customer Support Department	
Hiroki Yoshino	Executive Officer General Manager of Logistics Department	
Masato Kubo	Executive Officer General Manager of Data Marketing Department	
Hidetoshi Taura	Executive Officer General Manager of Global Business Department	

- (Notes)
1. Directors Mr. Yasuo Yamagata, Mr. Haruo Kitamura, Mr. Masahiro Kishida, Ms. Tomoko Ise, and Ms. Mari Sagiya are Outside Directors as prescribed in Article 2, Item 15 of the Companies Act.
 2. Ms. Tomoko Ise, Ms. Mari Sagiya, and Mr. Barry Greenhouse were newly elected as Directors at the 20th General Shareholders' Meeting held on March 26, 2020 and assumed office.
 3. Changes in the position and responsibilities of Director that occurred during the fiscal year ended December 31, 2020 are as follows:

Name	Former positions	New positions	Date
Yasuo Yamagata	Director Chairperson, Audit Committee Nomination Com- mittee Member	Director Chairperson, Audit Com- mittee Compensation Committee Member	March 26, 2020
Masahiro Kishida	Director Compensation Com- mittee Member Audit Committee Member	Director Chairperson, Compensation Committee Nomination Committee Member	March 26, 2020

4. Mr. Kinya Seto, Director & Chairman, assumed office as Representative Director, Chairman, President and Chief Executive Officer (CEO), and Chairperson of the Board of LIXIL Corporation in April 2020. As a result of an absorption-type merger between LIXIL Group Corporation (present LIXIL Corporation) and LIXIL Corporation in which the former is the surviving company, Mr. Seto retired from his position as Representative Director, Chairman, President and Chief Executive Officer (CEO), and Chairperson of the Board of LIXIL Corporation on December 1, 2020. LIXIL Group Corporation changed its trade name to LIXIL Corporation on the same day. The Company engages in selling and purchasing products with LIXIL Corporation; however, the amount of transactions is only below 1% of consolidated net sales (or consolidated sales revenue) of the Company or LIXIL Corporation, which is quite small.
5. Mr. Masaya Suzuki, Director, President & CEO, assumed office as Managing Director of Endless Assortment Business at W.W. Grainger, Inc. on February 1, 2020.
6. Mr. Masahiro Kishida, Director, retired from his position as Partner at A.T. Kearney, K.K. and as Board Member at A.T. Kearney Ltd. on December 31, 2020. Mr. Kishida assumed office as Representative in Japan at Russell Reynolds Associates Japan, Inc. on January 1, 2021.
7. Mr. Haruo Kitamura, Director and Audit Committee Member, is a certified public accountant and has considerable financial and accounting knowledge.
8. The Company has designated Directors Mr. Yasuo Yamagata, Mr. Haruo Kitamura, Mr. Masahiro Kishida, Ms. Tomoko Ise, and Ms. Mari Sagiya as independent officers in accordance with the provisions of the Tokyo Stock Exchange, and registered them as such at the Exchange.
9. 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.
10. The legal name of Ms. Tomoko Ise, Director, registered in the family register is Tomoko Tanaka.
11. The legal name of Ms. Mari Sagiya, Director, registered in the family register is Mari Itaya.

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

Classification	No. of recipients	Amount paid
Director	8	152 million yen
Executive Officer	6	156 million yen
Total	14	309 million yen

- (Notes)
1. The above amounts of compensation, etc. include the amount of directors' bonuses paid in the fiscal year under review and the amount recognized as stock option compensation.
 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 ("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) and stock option. 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.
Regarding executive officers' retirement benefits, although the retirement benefit plan was abolished according to the resolution of the Compensation Committee held on January 12, 2018, the accumulated amount up to 2017 will be paid at the time of their retirement.

(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 but the amount paid by the Company is less than 0.01% of the consolidated amount of selling, general and administrative expenses as well as less than 2.5 million yen. Therefore, it is insignificant.
Outside Director	Haruo Kitamura	Chief, Kitamura Certified Public Accountant Office Certified Public Accountant	The Company has no special relationship with Kitamura Certified Public Accountant Office.
Outside Director	Masahiro Kishida	Partner, AT Kearney, K.K. Member of the Board, A.T. Kearney Ltd.	The Company has no special relationship with A.T. Kearney, K.K. and A.T. Kearney Ltd.
Outside Director	Tomoko Ise	Counsel, TMI Associates	The Company has no special relationship with TMI Associates.

b. Major activities in the fiscal year under review

Classification	Name	Major activities
Outside Director	Yasuo Yamagata	Mr. Yamagata attended all twelve (12) meetings of the Board of Directors and thirteen (13) meetings of the Audit Committee held in the fiscal year under review. He provided advice and made proposals to secure the validity and appropriateness of decisions made by 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	Haruo Kitamura	Mr. Kitamura attended all twelve (12) meetings of the Board of Directors and twelve (12) meetings of the Audit Committee held in the fiscal year under review. He provided advice and made proposals to secure the validity and appropriateness of decisions made by 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	Masahiro Kishida	Mr. Kishida attended all twelve (12) meetings of the Board of Directors held in the fiscal year under review and all two (2) meetings of the Audit Committee held during his term of office as Audit Committee Member through March 26, 2020. He provided advice and made proposals to secure the validity and appropriateness of decisions made by 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.
Outside Director	Tomoko Ise	Ms. Ise attended all ten (10) meetings of the Board of Directors and all twelve (12) meetings of the Audit Committee held in the fiscal year under review after assuming office following her election at the General Shareholders' Meeting held on March 26, 2020. She provided advice and made proposals to secure the validity and appropriateness of decisions made by the Board of Directors by presenting her opinions mainly from a professional viewpoint as an attorney-at-law at the meetings of the Board of Directors. She also presented her 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	Mari Sagiya	Ms. Sagiya attended all ten (10) meetings of the Board of Directors and eleven (11) meetings of the Audit Committee held in the fiscal year under review after assuming office following her election at the General Shareholders' Meeting held on March 26, 2020. She provided advice and made proposals to secure the validity and appropriateness of decisions made by the Board of Directors by presenting her opinions based on her extensive knowledge and experience, etc. of corporate management at the meetings of the Board of Directors. She 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 entered into liability limitation agreements with Outside Directors, pursuant to Article 427, paragraph (1) of the Companies Act to limit the liability for damages under Article 423, paragraph (1) of that Act.

The upper limit on liability for damages under these agreements will be the total of the amounts prescribed in the items of Article 425, paragraph (1) of the Companies Act.

(iii) Total amount of Compensation, etc.

Classification	No. of recipients	Amount paid
Outside Director	6	28 million 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 compensation	33 million yen
Total amount of money and other property benefits payable by the Company and its subsidiaries to Accounting Auditor	33 million 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) **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 (i), (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 (i) 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, one (1) 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 principal 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 of the Company.

- (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 the expenses or payables related to such request 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 (i) 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, (a))
 - (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 as needed 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. Any issue that is found through audits will be improved in a timely manner, ensuring that advice to make the improvement is given to the audited division immediately upon the issue’s discovery, and that reports to the Audit Committee and Representative Executive Officers are also given. 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 9.5 yen per share and that the annual dividend for the fiscal year under review aggregated with the interim dividend of 8.5 yen per share be 18 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 statement of income

For the year ended December 31, 2020

(Millions of yen)

Account	Amount	
Net sales		157,337
Cost of sales		112,643
Gross profit		44,694
Selling, general and administrative expenses		25,086
Operating income		19,607
Non-operating income:		
Interest income	17	
Foreign exchange gains	67	
Commission fee	8	
Compensation income	6	
Gain on sale of materials	13	
Other	44	158
Non-operating expenses:		
Interest expenses	35	
Loss on disposal of inventories	35	
Other	23	94
Ordinary income		19,671
Extraordinary income:		
Gain on sale of non-current assets	1	1
Extraordinary losses:		
Loss on liquidation of business	124	
Impairment loss	65	
Loss on disposal of non-current assets	9	199
Income before income taxes		19,473
Income taxes:		
Current	6,124	
Deferred	(124)	5,999
Net income		13,473
Net income attributable to:		
Non-controlling interests		(297)
Owners of the parent		13,771

Consolidated statement of changes in net assets

For the year ended December 31, 2020

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of the beginning of the year	1,986	809	34,513	(247)	37,062
Changes of items during the year					
Issuance of new shares	7	7			14
Dividends			(3,974)		(3,974)
Net income attributable to owners of the parent			13,771		13,771
Purchase of treasury stock				(68)	(68)
Net changes of items other than shareholders' equity					
Total changes of items during the year	7	7	9,797	(68)	9,743
Balance as of the end of the year	1,993	816	44,311	(315)	46,805

	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	(15)	4	(10)	44	416	37,512
Changes of items during the year						
Issuance of new shares						14
Dividends						(3,974)
Net income attributable to owners of the parent						13,771
Purchase of treasury stock						(68)
Net changes of items other than shareholders' equity	(20)	(11)	(32)	27	407	402
Total changes of items during the year	(20)	(11)	(32)	27	407	10,145
Balance as of the end of the year	(35)	(7)	(43)	72	823	47,658

Notes to consolidated financial statements

1. Summary of basis for preparation of consolidated financial statements

(1) Scope of consolidation

Number of consolidated subsidiaries:	4
Names of consolidated subsidiaries:	NAVIMRO Co., Ltd. PT MONOTARO INDONESIA IB MONOTARO PRIVATE LIMITED ZORO Shanghai Co., Ltd.

IB MONOTARO PRIVATE LIMITED of which the Company newly acquired shares is included in the scope of consolidation from the fiscal year ended December 31, 2020. As the deemed acquisition date is December 31, 2020, only the balance sheet as of December 31, 2020 has been consolidated.

(2) Fiscal year-end of subsidiaries

Of the consolidated subsidiaries, the fiscal year-end for IB MONOTARO PRIVATE LIMITED is March 31.

The consolidated financial statements are prepared using the financial statements of IB MONOTARO PRIVATE LIMITED prepared on the basis of the provisional settlement of account as of the consolidated fiscal year-end date. The fiscal year-end for all other consolidated subsidiaries coincides with the end of the consolidated fiscal year.

(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 (the book value in the balance sheet is written down based on the decline in profitability) Lower of cost or market, cost being determined by the moving average method for all subsidiaries (the book value in the balance sheet is written down based on the decline in profitability)
* Goods in transit and supplies	Lower of cost or market, cost being determined by the specific identification method (the book value in the balance sheet is written down based on the decline in profitability)

2. Methods of depreciation and amortization of non-current assets:

- 1) Property and equipment (other than leased assets) Straight-line method
- 2) Intangible assets (other than leased assets) Straight-line method
Software intended for internal use is amortized using the straight-line method over its estimated useful life of five (5) 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

- 1) Allowance for doubtful accounts To prepare for potential credit losses on receivables, allowance for doubtful account is provided based on past bad-debt ratio for general receivables, and based on an estimate of uncollectible amount determined after individual analysis for specific receivables such as highly doubtful receivables.
- 2) 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.
- 3) Provision for directors' bonuses The provision for directors' bonuses is provided as the estimated amount of the bonuses to be paid to the

4) Provision for accident related loss:

directors in the following year, which are attributable to the current fiscal year.

Provision for accident related loss is recognized for a reasonable amount of accident related loss that is estimated to be necessary as of December 31, 2020.

4. Accounting for net defined benefit liability

To prepare for retirement benefits to employees, net defined benefit liability is provided as the difference between the projected retirement benefit obligation and plan assets based on estimated amounts at the end of the fiscal year.

The Company Group mainly uses a straight-line attribution 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.

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.

5. Standards for the translation of major assets or liabilities denominated in foreign currencies

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 into yen at the average rate of exchange in effect during the year. Differences resulting from translating the foreign currency are presented as foreign currency translation adjustment in net assets in the consolidated balance sheet.

6. Amortization method and period of goodwill

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

7. Other significant 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.

2. Consolidated balance sheet

(1) Accumulated depreciation of property and equipment	3,886 million yen
(2) Direct reduction in the amount of property and equipment	
Land	318 million yen
Machinery and equipment	171 million yen
Tools, furniture and fixtures	328 million yen

3. Consolidated statement of income

Loss on liquidation of business	This is loss related to the liquidation of ZORO Shanghai Co., Ltd. It consists of 46 million yen in impairment loss on non-current assets from business liquidation, 41 million yen in economic compensation for employees, and 37 million yen in other.
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4. Consolidated statement of changes in net assets

(1) Total number of shares issued

Type of shares	Number of shares as of Jan. 1, 2020	Increase	Decrease	Number of shares as of Dec. 31, 2020
Common Stock	250,623,200	7,800	—	250,631,000

Note: The increase in the number of shares of 7,800 was due to the exercise of stock options.

(2) Total number of treasury stock

Type of shares	Number of shares as of Jan. 1, 2020	Increase	Decrease	Number of shares as of Dec. 31, 2020
Common Stock	2,200,988	20,800	–	2,221,788

Note: The increase in the number of treasury stock of 20,800 was due to the purchase of treasury stock based on a resolution of the Board of Directors.

(3) Dividends

1. Dividends paid

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
General Shareholders' Meeting on March 26, 2020	Common stock	1,863	7.5	December 31, 2019	March 27, 2020
Meeting of the Board of Directors on July 31, 2020	Common stock	2,111	8.5	June 30, 2020	September 10, 2020

2. Dividends with a record date in the year ended December 31, 2020 and the effective date in the year ending December 31, 2021

The following will be proposed at the 21st General Shareholders' Meeting to be held on March 26, 2021:

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
General Shareholders' Meeting on March 26, 2021	Common stock	2,359	Retained earnings	9.5	December 31, 2020	March 27, 2021

(4) Subscription rights to shares as of December 31, 2020

	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	7,200	4,400	2,000
Unexercised subscription rights to shares	9	11	5

	Resolution at board meeting on July 29, 2015	Resolution at board meeting on July 28, 2016	Resolution at board meeting on July 28, 2017
Type of shares	Common stock	Common stock	Common stock
Number of shares	1,200	2,200	6,800
Unexercised subscription rights to shares	3	11	34

	Resolution at board meeting on March 27, 2018
Type of shares	Common stock
Number of shares	3,400
Unexercised subscription rights to shares	17

Note: The table above does not include subscription rights to shares for which the first day of the exercise period has not yet arrived.

5. Financial instruments

(1) Policy for financial instruments

The policy of the Group is to limit the fund management method to short-term deposits, etc. raise funds through bank loans. In addition, the Group does not utilize any derivative financial instruments. Trade receivables, such as trade and other accounts receivable, are exposed to customers' credit risk. The Group manages this risk by applying internal credit limits to each customer in accordance with the Group rules, and by requiring customers to pay excess amounts over the credit limit in advance in order to prevent losses from bad debts. The Group carries out initiatives to improve the collectability rate of accounts receivable by putting in place measures such as issuing reminder letters at fixed intervals to customers whose due dates for payment have passed.

Accounts payable - trade, accounts payable - other, and income taxes payable, which are operating payables, are due mostly within one year. Some of those are denominated in foreign currencies due to the import of merchandise, and although they are exposed to the risk of currency fluctuation.

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, 2020 were as follows:

	(Millions of yen)		
	Carrying value	Fair value	Difference
(1) Cash and deposits	18,843	18,843	-
(2) Notes and accounts receivable - trade	17,766		
(3) Electronically recorded monetary claims	501		
(4) Accounts receivable - other	4,901		
Allowance for doubtful accounts *1	(82)		
	23,087	23,087	-
(5) Doubtful receivables *2	49		
Allowance for doubtful accounts *3	(49)		
	-	-	-
Total assets	41,931	41,931	-
(1) Accounts payable - trade	11,643	11,643	-
(2) Accounts payable - other	3,931	3,931	-
(3) Income taxes payable	4,185	4,185	-
(4) Long-term loans payable (included due within one year)	9,000	8,962	(37)
Total liabilities	28,760	28,723	(37)

*1 Notes and accounts receivable - trade, electronically recorded monetary claims and accounts receivable - other are offset by a specific allowance.

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

*3 The amount of allowance for doubtful accounts, which is recorded individually for doubtful receivables, is deducted.

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. Allowance for doubtful accounts on notes and accounts receivable - trade, electronically recorded monetary claims and accounts receivable - other has been deducted.

(5) Doubtful receivables

For doubtful receivables, the estimated write-off amounts are calculated based on the estimated unrecoverable amount for each claim separately. Accordingly, the fair value is equivalent to the amount after deducting the estimated write-off amount from the balance sheet value, and said value is shown as the fair value.

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, 2020

(Millions of yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and deposits	18,843	–	–	–	–	–
Notes and accounts receivable - trade	17,766	–	–	–	–	–
Electronically recorded monetary claims	501	–	–	–	–	–
Accounts receivable - other	4,901	–	–	–	–	–
Total assets	42,013	–	–	–	–	–
Accounts payable - trade	11,643	–	–	–	–	–
Accounts payable - other	3,931	–	–	–	–	–
Income taxes payable	4,185	–	–	–	–	–
Long-term loans payable (included due within 1 year)	–	–	4,500	4,500	–	–
Total liabilities	19,760	–	4,500	4,500	–	–

6. Per share information (as of and for the year ended December 31, 2020)

- (1) Net assets per share 188.25 yen
(2) Earnings per share (basic) 55.44 yen

7. Subsequent events

At a meeting of the Board of Directors held on February 2, 2021, the Company resolved to implement a share split and make partial amendment to the Articles of Incorporation as follows.

(1) Purpose of the share split

The share split is for the purpose of increasing the liquidity of the Company's shares by reducing the price per investment unit, creating an environment where it is easier for all investors to invest, and broadening the investor base.

(2) Overview of the share split

1. Method of the split

The Company will implement a 2-for-1 share split of common stock owned by shareholders listed or recorded in the closing register of shareholders on March 31, 2021, the record date.

2. Increase in the number of shares due to the split

The increase is the total number of issued shares as of closing on March 31, 2021 multiplied by 1.

3. Date of the split

Record date March 31, 2021 (Wednesday)

Effective date April 1, 2021 (Thursday)

Note The number of shares to be issued through the share split is not concretely specified because it is not possible to confirm the total number of issued shares as of the record date of the split as there is a possibility that the total number of issued shares will increase in the time up until the record date of the split due to the exercise of subscription rights to shares (stock options). The increase in the number of shares due to the share split calculated using December 31, 2020, as the record date is as follows.

Total number of issued shares as of December 31, 2020	250,631,000 shares
Increase in the number of shares due to this split	250,631,000 shares
Total number of issued shares after the share split	501,262,000 shares
Total number of shares authorized to be issued after the share split	675,840,000 shares

(3) Effect on per-share information

Per-share information on the premise that the share split was conducted at the beginning of the previous fiscal year is as follows.

Items	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net assets per share	74.57 yen	94.12 yen
Net income per share	22.11 yen	27.72 yen

(4) Partial amendment to the Articles of Incorporation

1. Reason for the amendment

In conjunction with the share split, partial amendment will be made to the Company's Articles of Incorporation by resolution of the Board of Directors effective April 1, 2021 (Thursday), in accordance with the provisions in Article 184, paragraph (2) of the Companies Act.

- 1) In consideration of the share split, the Company shall amend Article 6 of the current Articles of Incorporation in order to increase the total number of shares authorized to be issued.
- 2) The Company shall newly establish Article 1 of the Supplementary Provision in order to stipulate the effective date of the amendment of Article 6.

2. Details of the amendments to the Articles of Incorporation

The details of the amendments are as follows.

(Amendments are underlined)

Current Articles of Incorporation	After Amendments
<p>Article 6 (Total Number of Shares Authorized to Be Issued)</p> <p>The total number of shares authorized to be issued by the Company shall be <u>337,920,000</u>.</p> <p>(Newly established)</p>	<p>Article 6 (Total Number of Shares Authorized to Be Issued)</p> <p>The total number of shares authorized to be issued by the Company shall be <u>675,840,000</u>.</p> <p>Supplementary Provision</p> <p>Article 1</p> <p>(i) <u>The effective date of the amendment to Article 6 shall be April 1, 2021.</u></p> <p>(ii) <u>Article 1 of the Supplementary Provision shall be deleted after the effective date above.</u></p>

Non-consolidated balance sheet

As of December 31, 2020

(Millions of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	51,271	Current liabilities	21,810
Cash and deposits	16,691	Accounts payable - trade	11,165
Notes receivable - trade	18	Lease obligations	639
Accounts receivable - trade	17,609	Accounts payable - other	3,808
Electronically recorded monetary claims	501	Accrued expenses	289
Merchandise	10,863	Income taxes payable	4,176
Goods in transit	329	Accrued consumption taxes	1,414
Supplies	102	Advances received	37
Advance payments	25	Deposits received	100
Prepaid expenses	291	Provision for employees' bonuses	100
Accounts receivable - other	4,894	Provision for directors' bonuses	45
Other	23	Provision for accident related loss	9
Allowance for doubtful accounts	(78)	Other	22
Non-current assets	29,690	Non-current liabilities	11,013
Property and equipment	19,052	Long-term loans payable	9,000
Buildings	4,285	Lease obligations	591
Structures	353	Provision for retirement benefits	296
Machinery and equipment	428	Other	1,124
Vehicles	11		
Tools, furniture and fixtures	468	Total liabilities	32,823
Land	2,238		
Leased assets	3,791		
Construction in progress	7,474		
		Net assets	
Intangible assets	4,008	Shareholders' equity	48,066
Software	1,548	Common stock	1,993
Software in progress	2,236	Capital surplus	798
Other	223	Legal capital surplus	798
Investments and other assets	6,629	Retained earnings	45,589
Investments in subsidiaries	3,333	Other retained earnings	45,589
Doubtful receivables	49	Retained earnings brought forward	45,589
Bonds of subsidiaries and associates	100	Treasury stock	(315)
Long-term prepaid expenses	688	Subscription rights to shares	72
Guarantee deposits	1,419		
Insurance funds	364		
Deferred income taxes	722		
Allowance for doubtful accounts	(49)		
		Total net assets	48,138
Total assets	80,962	Total liabilities and net assets	80,962

Non-consolidated statement of income

For the year ended December 31, 2020

(Millions of yen)

Account	Amount	
Net sales		151,798
Cost of sales		108,323
Gross profit		43,475
Selling, general and administrative expenses		23,325
Operating income		20,149
Non-operating income:		
Interest income	0	
Foreign exchange gains	70	
Commission fee	8	
Compensation income	3	
Gain on sale of materials	13	
Other	37	134
Non-operating expenses:		
Interest expenses	34	
Loss on disposal of inventories	34	
Other	21	89
Ordinary income		20,194
Extraordinary income:		
Gain on sale of non-current assets	0	0
Extraordinary losses:		
Loss on valuation of shares of subsidiaries	1,251	
Loss on disposal of non-current assets	9	1,261
Income before income taxes		18,933
Income taxes		
Current	6,115	
Deferred	(321)	5,794
Net income		13,139

Non-consolidated statement of changes in net assets

For the year ended December 31, 2020

(Millions 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	1,986	791	36,425	36,425	(247)	38,955	44	39,000
Changes of items during the year								
Issuance of new shares	7	7				14		14
Dividends			(3,974)	(3,974)		(3,974)		(3,974)
Net income			13,139	13,139		13,139		13,139
Purchase of treasury stock					(68)	(68)		(68)
Net changes of items other than shareholders' equity							27	27
Total changes of items during the year	7	7	9,164	9,164	(68)	9,110	27	9,138
Balance as of the end of the year	1,993	798	45,589	45,589	(315)	48,066	72	48,138

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 for the Company (the book value in the balance sheet is written down based on the decline in profitability)
* Goods in transit and supplies	Lower of cost or market, cost being determined by the specific identification method (the book value in the balance sheet is written down based on the decline in profitability)

(2) Methods of depreciation and amortization of non-current assets:

- 1) Property and equipment (other than leased assets) Straight-line method
- 2) Intangible assets (other than leased assets) Straight-line method
Software intended for internal use is amortized using the straight-line method over its estimated useful life of five (5) 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

- 1) Allowance for doubtful accounts
To prepare for potential credit losses on receivables, allowance for doubtful account is provided based on past bad-debt ratio for general receivables, and based on an estimate of uncollectible amount determined after individual analysis for specific receivables such as highly doubtful receivables.
- 2) Provision for employees' bonuses
To prepare for potential credit losses on receivables, allowance for doubtful account is provided based on past bad-debt ratio for general receivables, and based on an estimate of uncollectible amount determined after individual analysis for specific receivables such as highly doubtful receivables.
- 3) 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.
- 4) Provision for retirement benefits
The provision for retirement benefits is provided as the estimated amount of the retirement benefits to be paid to the employees in the following year, which are attributable to the end of the current fiscal year.
- 5) Provision for accident related loss:
Provision for accident related loss is recognized for a reasonable amount of accident related loss that is estimated to be necessary as of December 31, 2020.

(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 the resulting exchange gains and losses 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.

2. Non-consolidated balance sheet

(1) Accumulated depreciation of property and equipment	3,763 million yen
(2) Direct reduction in the amount of property and equipment	
Land	318 million yen
Machinery and equipment	171 million yen
Tools, furniture and fixtures	328 million yen
(3) Monetary receivables and payables to related parties	
Monetary receivables	24 million yen
Monetary payables	7 million yen

3. Non-consolidated statement of income

Transactions with related parties	
Business transactions:	
Sales	61 million yen
Purchases	204 million yen
Selling, general and administrative expenses	13 million yen
Transactions other than ordinary course of business	1 million yen

4. Non-consolidated statement of changes in net assets

Number of shares of treasury stock as of December 31, 2020	
Common stock	2,221,788 shares

5. Income taxes

(1) Deferred income tax assets:		(Millions of yen)
(Deferred tax assets)		
Accrued enterprise taxes	237	
Provision for employees' bonuses	30	
Allowance for doubtful accounts	39	
Provision for retirement benefits	90	
Asset retirement obligations	168	
Subscription rights to shares	22	
Accrued facility taxes	13	
Loss on valuation of shares of subsidiaries	206	
Others	53	
Total deferred tax assets	862	
(Deferred tax liabilities)		
Asset retirement obligations	126	
Others	13	
Total deferred tax liabilities	139	
Total deferred tax assets - net	722	

- (2) Reconciliation of statutory income tax rate to effective tax rate for the fiscal year ended December 31, 2020 was as follows:

Since the difference between the statutory income tax rate and effective tax rate was no more than 5%, the reconciliation was omitted.

6. Per share information (as of and for the year ended December 31, 2020)

- | | |
|--------------------------------|------------|
| (1) Net assets per share | 193.50 yen |
| (2) Earnings per share (basic) | 52.89 yen |

7. Subsequent events

At a meeting of the Board of Directors held on February 2, 2021, the Company resolved to implement a share split and make partial amendments to the Articles of Incorporation.

As the details are the same as the details presented in “Subsequent events” in the consolidated financial statements, only the effect on per-share information will be presented below.

Effect on per-share information

Per-share information on the premise that the share split was conducted at the beginning of the previous fiscal year is as follows.

Items	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net assets per share	78.41 yen	96.75 yen
Net income per share	22.77 yen	26.45 yen

Accounting Auditor's Report for Consolidated Financial Statements

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

Independent Auditors' Report

February 12, 2021

The Board of Directors
MonotaRO Co., Ltd.:

Ernst & Young ShinNihon LLC
Osaka Office, Japan

Dai Matsuura
Certified Public Accountant
Designated and Engagement Partner

Miho Ueda
Certified Public Accountant
Designated and Engagement Partner

Audit Opinion

Pursuant to Article 444, paragraph (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, 2020 through December 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and results of operations of the MonotaRO Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended December 31, 2020 in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the over-all presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or re-duce obstruction factors.

Conflicts of Interest

Our firm and the designated engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance 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 12, 2021

The Board of Directors
MonotaRO Co., Ltd.:

Ernst & Young ShinNihon LLC
Osaka Office, Japan

Dai Matsuura
Certified Public Accountant
Designated and Engagement Partner

Miho Ueda
Certified Public Accountant
Designated and Engagement Partner

Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the notes to the non-consolidated financial statements and the related supplementary schedules (collectively, "non-consolidated financial statements, etc.") of MonotaRO Co., Ltd. (the "Company") applicable to the 21st fiscal year from January 1, 2020 through December 31, 2020.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 21st fiscal year ended December 31, 2020 in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements, etc. is not expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements, etc. or, if the notes to the non-consolidated financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements, etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or re-duce obstruction factors.

Conflicts of Interest

Our firm and the designated engagement partners have no interest in the Company which should be disclosed in accordance 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 and Executive Officers for the 21st fiscal year from January 1, 2020 to December 31, 2020. The Committee hereby reports the method and result thereof as follows.

1. Summary of auditing method and its contents.
 - (1) The Committee audited the resolution of Board of Directors Meeting and the status of establishment and operation of the system (internal control system) according to the said resolution stipulated in (b) and (e), item (i), h (1) of Article 416 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 a meeting of the Board of Directors and other important management meetings.
 - (ii) Received business reports from Directors and other managements on their execution of their duties.
 - (iii) Reviewed important documents, etc. for making decisions.
 - (iv) Investigated into business and assets situations at the headquarter and other main offices.
 - (v) Communicated and exchanged information with the Directors of subsidiaries, 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 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 if necessary.
 - (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 Director’s or Executive Officer’s 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 any Director’s or Executive Officer’s execution of duties 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 16, 2021

Audit Committee, MonotaRO Co., Ltd.

Audit Committee Member: Yasuo Yamagata

Audit Committee Member: Haruo Kitamura

Audit Committee Member: Tomoko Ise

Audit Committee Member: Mari Sagiya

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

Company Overview (As of December 31, 2020)

Company Name:	MonotaRO Co., Ltd.
Headquarters:	Liber bldg. 3F, 2-183, Takeyacho, Amagasaki, Hyogo
Distribution Bases:	Amagasaki DC: 75-1, Nishimukoujimacho, Amagasaki, Hyogo Kasama DC: 1877-3, Tairamachi, Kasama, Ibaraki
Founded:	October 2000
Capital:	1,993,870,000 yen
Employees:	2,619 (part-time and temporary employees included)
Subsidiaries:	NAVIMRO Co., Ltd., the Seoul Special City, the Republic of Korea PT MONOTARO INDONESIA, Jakarta, the Republic of Indonesia IB MONOTARO PRIVATE LIMITED, New Delhi, India ZORO Shanghai Co., Ltd., Shanghai, the People's Republic of China
Business:	Online MRO products Store

Information for Shareholders

Fiscal year:	From January 1 to December 31
Ordinary Shareholders' Meeting:	Every year March
Record date:	Ordinary Shareholders' Meeting: December 31 Interim dividend: June 30 Year-end dividend: December 31
Transfer agent:	
Specified account management institution:	Mitsubishi UFJ Trust and Banking Corporation
Contact information for the above:	Osaka Securities Transfer Agency Division, Mitsubishi UFJ Trust and Banking Corporation 3-6-3 Fushimimachi, Chuo-ku, Osaka 541-8502 Telephone: 0120-094-777 (toll-free)
Listed stock exchange:	First Section of the Tokyo Stock Exchange
Method of public notice:	Electronic public notice Company website URL https://corp.monotaro.com/ir/notice/index.html In the event that an electronic announcement is not possible, announcements will be placed in The Nikkei.

[Caution]

- (1) Following the introduction of the electronic share certificate system, any request for change of address and requests for other procedures from shareholders are, in principle, accepted by the account management institution (securities company, etc.) at which the shareholder holds their account. For more information, please contact the securities company at which you hold an account. Please be aware that the share transfer agent (Mitsubishi UFJ Trust and Banking Corporation) cannot handle such requests.
- (2) Please contact the account management institution for special accounts indicated above (Mitsubishi UFJ Trust and Banking Corporation) regarding various procedures concerning the shares recorded in special accounts, as Mitsubishi UFJ Trust and Banking Corporation is the account management institution. Its head office and local branches throughout Japan can also handle such inquiries.
- (3) Any unreceived dividends can be paid at the head office or any branch of the Mitsubishi UFJ Trust and Banking Corporation.