

# Value Creation

We have achieved efficiency in indirect material procurement, which had been said to be difficult due to the wide variety of products. We are also continuing to improve our services to help customers resolve any issues they may face purchasing materials. In this section, we look at our history, our value creation process, and our competitive advantage.



# Message from the COO



**Sakuya Tamura**  
Director, President, and COO

## A History of Growth: Characteristics and Analysis

In October 2000, under the corporate mission to innovate business procurement networks, MonotaRO's founder, Mr. Kinya Seto, and four others started an e-commerce business for indirect materials. It all began on the fifth floor of a small building in Itachibori, an area synonymous with the machinery and tool trade, in Nishi Ward, Osaka.

The company name, MonotaRO, draws on three concepts: the abbreviation of the English term for indirect materials, Maintenance, Repair, and Operation (MRO); the aim to provide sufficient items (in Japanese, *mono ga tariru*) needed for businesses to do their jobs, i.e., having everything needed available over a wide range of products other than the direct materials; and the fairy tale of Momotaro. This tale talks of a hero who defeated ogres, and the company likened his ambitious struggle to that of chasing out inefficiencies in the indirect material distribution structure which was complex and causing issues in terms of inefficiency and a lack of clarity. I particularly like this story of how our company got its name.

Since the very beginning, we have pursued greater convenience for customers and developed a new business model that differed from that of conventional businesses. For example, before us, prices for indirect materials were set differently for each customer. To cut out the time and effort we spent in price negotiations for smaller orders, we introduced our One-Price Policy. Also, instead of labor-intensive sales activities that were reliant on the expertise of the sales representatives, we implemented database marketing based on an extensive amount of customer data. When the founding members started this business, MonotaRO had absolutely no name recognition, but through the product range and improved service levels they offered, they had the stock products that customers required. Clearly, the process of building the foundations for what MonotaRO has become was very difficult. Even now, our business partners talk about how MonotaRO's founder Kinya Seto led the company as it broke through any barriers placed in its way, visiting manufacturers and wholesalers one by one and working to raise awareness of this innovative business model.

As we chased convenience for customers, we worked to expand our customer base, and in 2006 we were able to list on the Mothers (market of high-growth and emerging stocks) of the Tokyo Stock Exchange. This was followed by promotion to the exchange's First Section in 2009. In 2012, Masaya Suzuki (our current chairman) was appointed president. During this time, we further expanded our product range and customer base, promoted the use of data, and established large-scale distribution centers that used technology to improve our stockholding and shipping capabilities and raise productivity. Through these efforts, the business grew even faster. The customer base, which had previously comprised only SMEs, also grew to include enterprises. Moreover, we took the business model we had created in Japan and developed it overseas in South Korea, Indonesia, and India.

Under our code of conduct, we have made it our mission not to maintain the status quo but to keep challenging ourselves to make reforms. Anchored in our Keep Young\* approach, we place great importance on passing the torch of our management systems. I, myself, am the first president of the company not to have been one of the founding members, but I want us to continue to grow by refining our business model and pursuing greater convenience for customers based on the corporate mission we have held since its foundation.

\*In this case, "young" refers to a spirit and way of acting of always trying to learn and overcome challenges, not physical youth.

## Current Issues and Future Direction

Looking back at 2023, we see that consolidated net sales grew by 12.5% year-on-year to reach 254.2 billion yen. While this signals the progress we have made—more than 3,500 enterprises contracted systems connections, an increase in active customer by expanding sales activities aimed at inactive customers, and the start of Phase 2 operations at the Inagawa Distribution Center—downturn in sales of COVID-19 related products and semiconductor related products meant that this was a slower rate of growth than in previous years. As part of this, to renew our understanding of where we stand and where there is potential for growth, we are carrying out a detailed



study of the market scale for indirect materials. Our analysis had targeted individual registered users; however, by linking external corporate database with our database, we tried to grasp our market penetration and our potential for growth for each customer company scale. As a result, we got a more accurate picture of the indirect material market, which we had thought was somewhere in the wide range between 5 and 10 trillion yen, and we ascertained that our market share is just a few percent of that. This has made it clear that there is still a great deal of room for growth.

We are separating customers into four company scale categories: Micro, Small, Mid, and Large. The indirect material purchasing behavior and our degree of penetration vary for each; so as we move forward, we plan to achieve growth by developing product ranges, marketing & sales, and services optimized for each segment. Our business development has been focused on services for Small customers, and we will work toward continuous business growth in this field. Mid and Large customers, however, have a higher growth rate, and we believe there is lots of room for us to boost the number of sites that use our services and our degree of penetration among users within these larger companies. As such, we will strengthen our measures for enterprises, including expanding our procurement management systems business.



## Initiatives Aimed at Achieving Future Growth

To roll out these measures, our competitive advantage in six key areas—product range, marketing & sales, supply chains, operations, data & algorithms, and software—will be vital. By developing and implementing

### Market analysis and current situation by customer company scale

	Customer scale by net sales	Business details	Our situation	Future strategies
monotaro.com	<b>Micro</b> (sole proprietorship, general consumers, etc.)	<ul style="list-style-type: none"> <li>Sole proprietorship and general consumers</li> <li>Individuals purchasing items for business or private use</li> </ul>	<ul style="list-style-type: none"> <li>Sales share: approx. 10%</li> <li>Sales growth rate: approx. 0%</li> </ul>	<ul style="list-style-type: none"> <li>Optimized direct marketing by taking into account expected life time value</li> </ul>
	<b>Small</b> (corporations with less than ¥2 billion in annual sales; approx. 4.5 million companies)	<ul style="list-style-type: none"> <li>Employees: fewer than 10</li> <li>1 or 2 responsible for indirect material procurement</li> </ul>	<ul style="list-style-type: none"> <li>Sales share: approx. 40%</li> <li>Sales growth rate: approx. 9%</li> <li>Registered company rate*1 is around 30%</li> </ul>	<ul style="list-style-type: none"> <li>More advanced direct marketing to capture new companies, taking expected customer life time value into account</li> <li>Personalization and integrated marketing</li> </ul>
	<b>Mid</b> (corporations with less than ¥30 billion in annual sales; approx. 60,000 companies)	<ul style="list-style-type: none"> <li>Employees: 50-500</li> <li>Multiple sites/offices</li> <li>Multiple employees responsible for indirect material procurement, may order through other employees</li> </ul>	<ul style="list-style-type: none"> <li>Sales share: approx. 25%</li> <li>Sales growth rate: approx. 15%</li> <li>Registered company rate is approx. 80%; site penetration rate*2 is approx. 20%</li> <li>Completed procurement management system linking for approx. 2,300 companies</li> </ul>	<ul style="list-style-type: none"> <li>Stronger measures to acquire new users within companies</li> <li>Stronger marketing to reach users and better site sales promotion functions</li> </ul>
	<b>Large</b> (corporations with ¥30 billion or more in annual sales; approx. 6,000 companies)	<ul style="list-style-type: none"> <li>Employees: 500 or more</li> <li>Multiple sites/departments, complex indirect material ordering patterns</li> </ul>	<ul style="list-style-type: none"> <li>Sales share: approx. 25%</li> <li>Sales growth rate: approx. 25%</li> <li>Registered company rate is more than 90%; site penetration rate is approx. 9%</li> <li>Completed procurement management system linking for approx. 1,000 companies</li> </ul>	<ul style="list-style-type: none"> <li>Stronger sales team structure to acquire new large customers for our system connection business</li> <li>Standardized effective sales activities by understanding purchasing structures, needs, and issues for target companies</li> </ul>

\*1 Percentage of corporations where at least one person in the company holds a MonotaRO account

\*2 Percentage of offices/sites where at least one person in the company office/site holds a MonotaRO account over the total offices/sites.

many different tasks and systems ourselves, we have combined these to refine our dominant position. Using extensive data, we are making progress in enhancing customer convenience and improving operations, and we would like to help resolve societal issues such as the shrinking population and logistics problems. For instance, using the capabilities of the efficient distribution centers we have invested in and fitted with the latest equipment, in 2024 and beyond we wish to work to raise the quality of our delivery services. The current cutoff time for orders to be shipped the same day is 3 p.m. but we plan to make this later in stages. We have managed to expand the areas in which we can make package drop services, and we plan to expand, again in stages, our service where customers can select a designated day and time for delivery. Going forward, we will continue to pursue greater convenience for our customers.

## Sustainability Initiatives

For some time, we have provided supplies in times of disaster and conducted volunteer activities in our local communities. Moreover, under the sustainability project that we launched in 2021, we have set five priority issues to tackle and are working to reduce CO<sub>2</sub> emissions (to help fight climate change) and to spread awareness of our procurement policy that considers human rights. At our distribution centers, meanwhile, we have switched the electricity we used to electricity from renewable or carbon-offset energy sources, placed controls of greenhouse gas emissions, reduced waste, and promoted recycling and other efforts to lower the environmental impact of our distribution operations. While the scale of our business is growing, by 2030 we aim to have reduced our total CO<sub>2</sub> emissions to half of what they were in 2020.

We now handle many products that have environmental label certification—such as under the Act on Promoting Green Procurement or via FSC® certification\*—and we are strengthening our search functions for these. Our development and proposal of environmentally friendly products are priority issues to transform us into a partner for our customers that can cater to their wishes.

Also, many companies place great importance on whether their partners practice fair procurement

without any human rights or child labor issues.

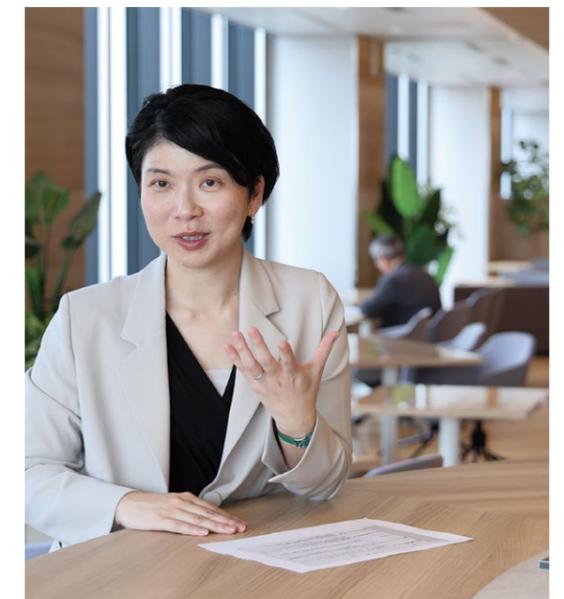
It is critical that we do not hit the pause button on our progress in the sustainability initiatives, and now we are running a variety of activities focused on assorted subcommittees. Through these we act independently to fulfill our social responsibility as a company.

\*Combines Forest Management (FM) certification and Chain of Custody (CoC) certification

## Our Goal

The code of conduct that guides our actions places the greatest importance on respect for others. Based on this culture, we have established an environment where each and every employee can challenge themselves independently. The creation of new ideas and innovation is achievable precisely because of the environment we have as a continuously growing company. Our corporate mission to innovate business procurement networks is still unfinished, and we will continue to strive and grow to accomplish it.

By always working to reform indirect material procurement, we hope to benefit the industries that support Japan's manufacturing and also society as a whole.



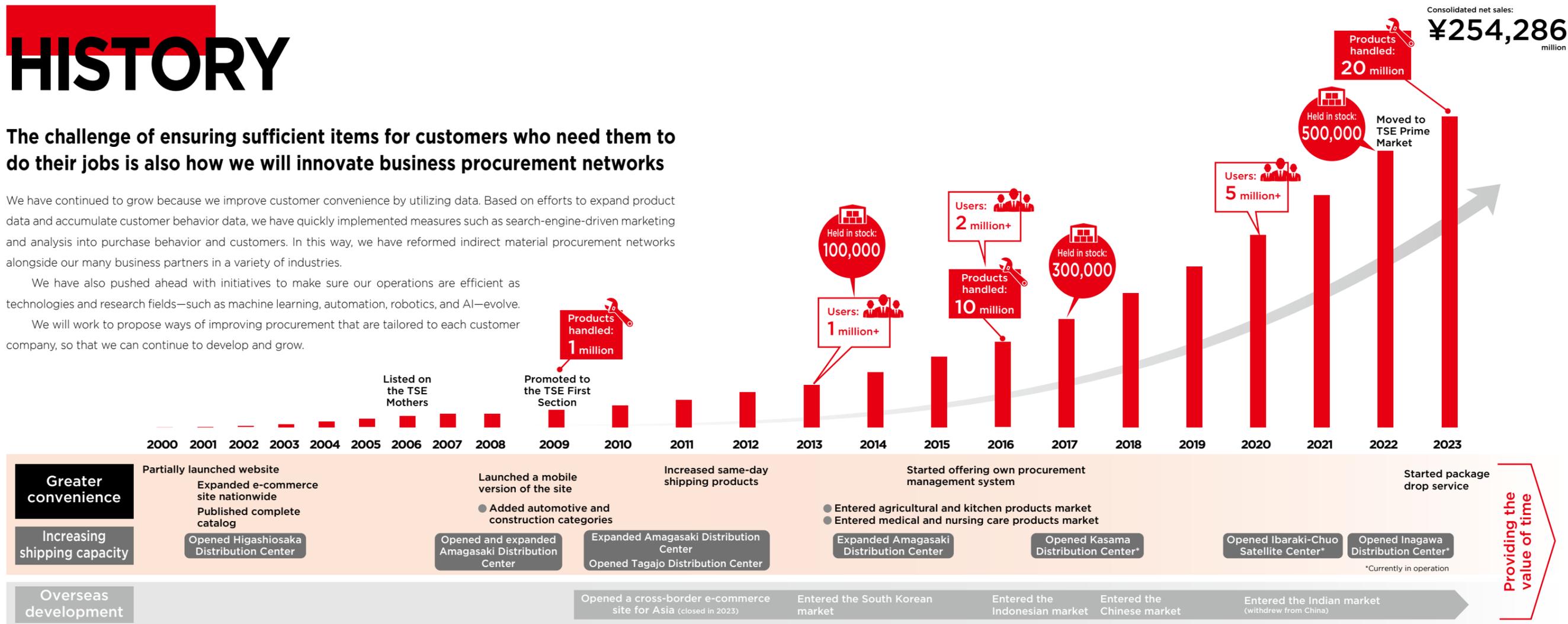
# HISTORY

## The challenge of ensuring sufficient items for customers who need them to do their jobs is also how we will innovate business procurement networks

We have continued to grow because we improve customer convenience by utilizing data. Based on efforts to expand product data and accumulate customer behavior data, we have quickly implemented measures such as search-engine-driven marketing and analysis into purchase behavior and customers. In this way, we have reformed indirect material procurement networks alongside our many business partners in a variety of industries.

We have also pushed ahead with initiatives to make sure our operations are efficient as technologies and research fields—such as machine learning, automation, robotics, and AI—evolve.

We will work to propose ways of improving procurement that are tailored to each customer company, so that we can continue to develop and grow.



### 1 2000s The Switch from Offline to Online

During this period, we changed our ordering method for indirect materials from analog to digital. We also systemized our operations, increased the number of products we handled, and built up our customer base.

Our main customers were SMEs, particularly those in the manufacturing industry, and these SMEs had started to shift their habitual purchasing methods for indirect material procurement from offline (where businesses would visit them in person) to online (the e-commerce business that we had started).

The background to this was that IT equipment had started to be more commonly used by businesses and the equipment itself and the internet speeds had improved. Another evolution was the start of targeted marketing on search engines.

This period also saw us begin sales of our private brand products, and we accelerated improvements to services to enhance convenience, including expanding the range of product categories and launching a mobile version of our site.

### 2 2010s Growth Alongside Enhanced Customer Convenience and More Efficient Operations

We invested in systems that allowed us to stably utilize large amounts of data, and we were able to increase the number of products we handled. We also expanded the range of customers' industries and scales we could cater to by pulling together more products that follow the long tail strategy.

More customers also meant that we were accumulating more behavior data, and we pushed a data-driven style of management. Moreover, by increasing the number of products

with same-day shipping and refining the site's keyword search logic, among other efforts, we completed the foundations for services where customers could find and quickly receive the items they wanted. This, in turn, led to us acquiring more customers and greater use by customers after they registered. Additionally, our distribution operations saw improved productivity through the expansion and new opening of distribution centers, the introduction of robots, and other initiatives.

We also worked on the amount and type of products we held in stock. This involved better product selection with a focus on increasing sales opportunities and using machine learning to optimize our demand forecasts. Moreover, it was during this time that we launched our business aimed at enterprises in full earnest, and developed procurement management systems, achieving growth in sales to these enterprises.

### 3 2020s Better Understanding of Customers to Be Their Preferred Choice

With the aim of shortening the time required to find the items each customer looks for, we are now promoting personalization of search results and product recommendations. We are also working to enhance our supply chains, such as by cooperating with suppliers over holding stock, to optimize product distribution in order to shorten delivery times and reduce both delivery costs and CO<sub>2</sub> emissions.

We deepen our understanding of customers and product markets, and change our approach to make proposals to customers following trends among those who place orders and who use products according to their respective company scales. In these and other ways, we are endeavoring to expand contact points with customers.

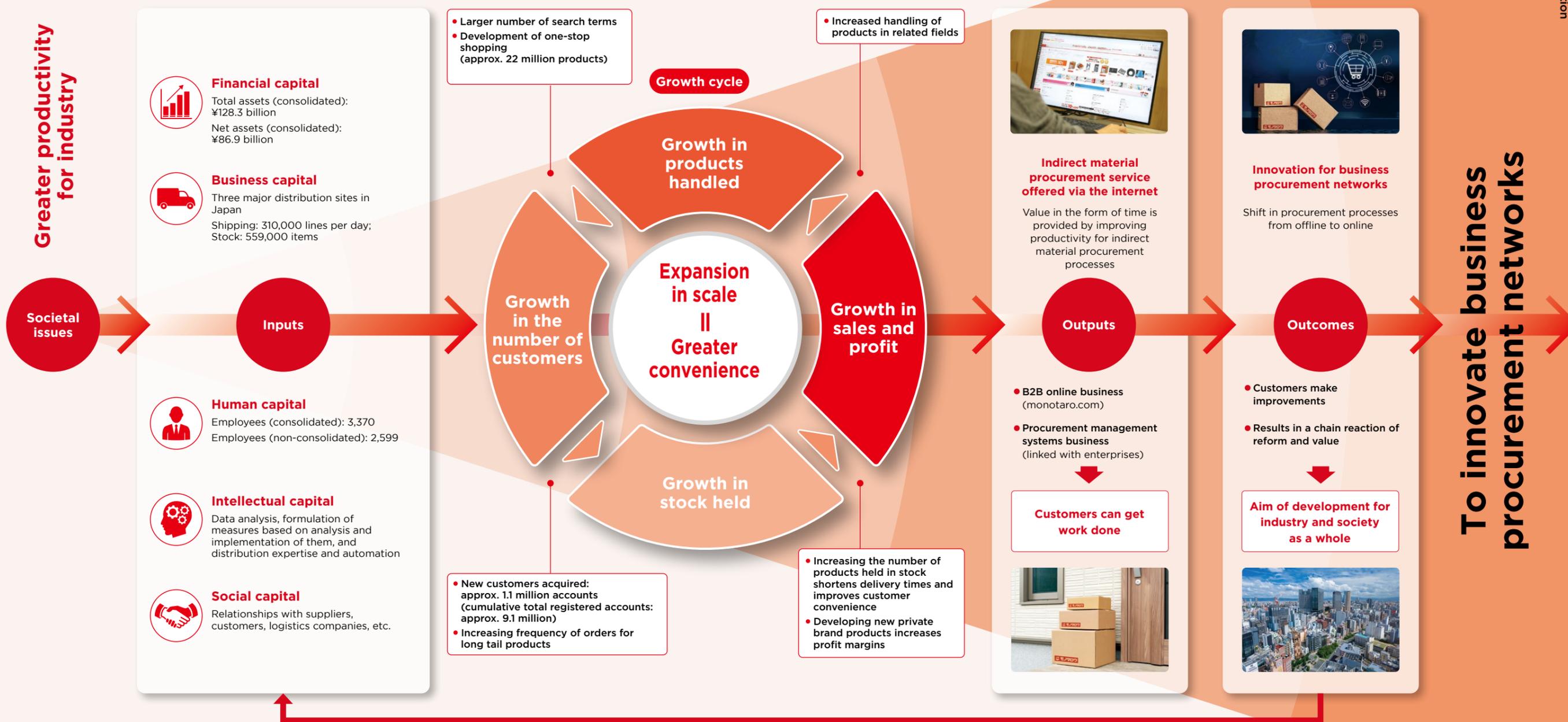
# VALUE CREATION

- We have gone through multiple growth cycles and expanded our business. As part of these, we have increased productivity in the indirect material procurement processes of our customers and given them greater-value time.
- Everyone understands that time is a precious, yet limited resource. By bringing about a revolution in making our customers' time more valuable, we are helping to mitigate issues such as labor shortages and insufficient time to deal with more important work.
- In line with our mission of innovating business procurement networks, we will act with our aim to link reforms and the value we provide for a chain reaction that contributes to the development of industry and society.

## Providing the value of time



Greater productivity for industry





# GROWTH CYCLE

## Growth Cycles in Value Creation Processes

### Why Did This Growth Cycle Come About?

Our growth lies in the characteristics of indirect materials and the differences in the processes needed to procure them. Because the characteristics of such indirect materials are so different from those of direct materials, procurement—from finding products to paying for them—requires far more time and energy.

### Characteristics of Indirect Material Procurement

#### Wide variety of goods

Indirect materials encompass an enormous variety of items, including cutting tools, abrasives, and other processing goods; helmets, gloves, and other safety equipment; rustproofing, oil removal spray, grease, and other repair supplies; batteries, sheet metalworking goods, and other automotive necessities; and all sorts of products used in wrapping, cleaning, safety, and administrative tasks.

#### Dispersed demand

Since the times, places, and situations where such materials are needed vary so wildly, the demand for individual indirect materials is widely dispersed.

#### Order frequency

Unlike direct raw materials, which are bought in according to a plan in advance, indirect materials are often only ordered when the need for them arises.

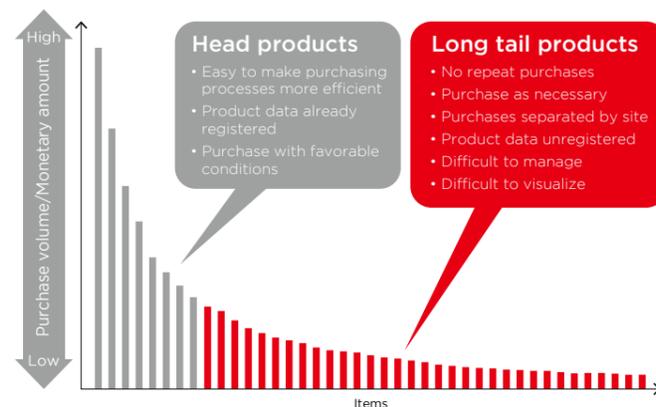
#### Time and energy required

Direct materials are generally bought in large amounts of few varieties, so it is worthwhile getting multiple quotes and negotiating over unit prices to try and reduce costs. In the case of indirect materials, however, purchases are usually for small amounts of many varieties, so the time and effort needed to get quotes and negotiate actually drives costs up.

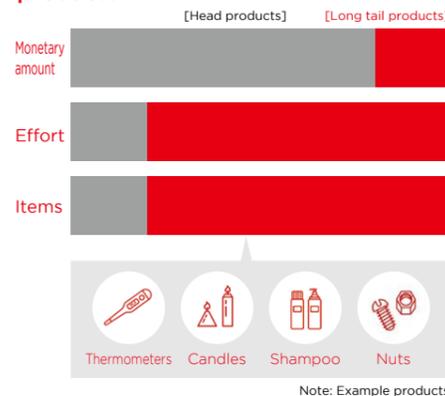
#### Different procurement processes

Since indirect materials include supplies, there are a number of departments and related individuals that need them, with varied purchasing requests and assorted approval processes for these, and myriad payees and bills. This can make procurement very complicated.

### Company purchases breakdown



### Ratio of head products to long tail products



## Creating More Time Value Through Scaling Up

In accordance with our mission to innovate business procurement networks, we have provided customers with services that boost convenience. When the company was first founded, we did not handle many products or keep many in stock, and we only covered a limited number of product categories. However, our customers, mostly from SMEs, saw the convenience we offered, and we have increased our products and area of service categories and continued to evolve.

### (1) Growth in products handled

By expanding the scope of industries and products we cover and the number of products we handle, we have increased the number of keywords, which are key to having MonotaRO found in internet searches. This way, we increase the number of new potential customers visiting our site, and leads to (2) a growth in the number of customers.



### (2) Growth in the number of customers

We gain behavior data every day about visitors to our site. This data is used to refine our search systems and promotional activities, such as product recommendations, and to reduce the time and effort customers need to find the products they want.

Moreover, even for products that are not generally bought often, by having a larger number of customers who sometimes need such products, we increase the order frequency, and these products slowly move up the sales rankings. If we can deliver these products quickly, we can enhance customer convenience, so these bestsellers are added to the range of stock that we hold. This leads to (3) a growth in stock held.

### (3) Growth in stock held

We hold around 550,000 products in stock, and orders for these products made before 3 p.m. are shipped the same day, so customers can usually receive them the next day.\*

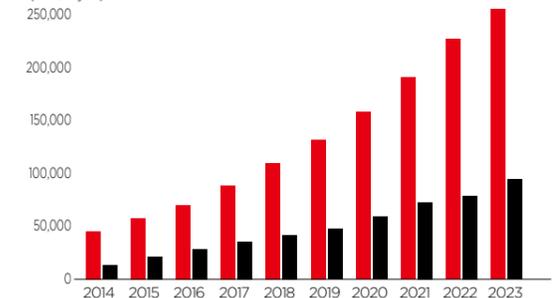
The advantage of having their items delivered so quickly is that customers do not need to keep large stocks at hand themselves but can buy the number of items they need when it suits them. This lessens the burden associated with ordering and order management. When customers recognize this convenience, we see (4) a growth in sales and profit.

\*In the Honshu and Kyushu areas. Some areas, including remote islands, are not included.

### (4) Growth in sales and profit

Of the bestsellers, for those we can develop ourselves, we create private brand versions. These products, which include consumables, are comparatively reasonable yet each meets required specifications. For customers, these reduce their costs and also save their time to spend looking for low-cost alternatives. While development and quality assurance costs for these fall on us, it is easy to get a volume discount from suppliers because we purchase a reasonable amount in each single purchase, which leads to bigger profit margins and more profit. Growth in sales and profit makes it possible for us to handle more optional and peripheral products, including products with low purchase frequency. This leads back to (1) a growth in products handled.

Changes in consolidated net sales and operating profit  
■ Net sales ■ Operating profit (Million yen)



### Our Expansion in Scale Is Linked to Greater Customer Convenience and Economic Growth for Us in a Cycle.



# COMPETITIVE ADVANTAGE



## What Gives MonotaRO Its Competitive Advantage?

Our competitive advantage lies in the way we have overcome obstacles and evolved our business through various necessary retail processes and by gaining a wide range of specialized expertise. We have also developed by creating various combinations with algorithms, software, and other aspects of the IT and data science fields. This has meant we are able to take our own original perspectives and actions. Our strengths are the complexity and accuracy that these involve.

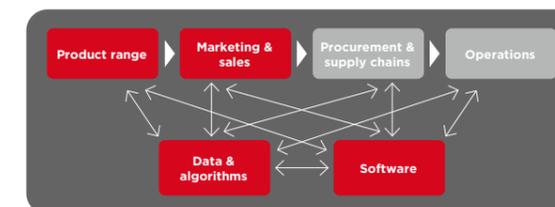
Our competitive advantage is also underpinned by solid foundations. These are formed of the organizational layout that allows us to respond to changes and continue to thrive, and the personnel systems and human resources development that treat our people as a type of capital (i.e., a valued resource) and evaluate and compensate them fairly. The foundations also comprise our risk management, which assesses business-wide risks and comes up with countermeasures, and our attitude of promoting honest disclosure and dialogue with investment markets.



## [Example combination ①]

### Advanced Personalization

We develop our own advanced search and product recommendation systems. By learning from customer behavior, we aim to provide customers with information catered to them.



### Example initiatives

#### More advanced search systems

For us, the key to a good online shopping experience is ease of searching so that customers can quickly find the products they are looking for. We, therefore, aim to present customers with product information that matches what they were thinking of in the shortest possible time.

The search system we offer combines full-text searches and machine learning. The former involves providing users with results for product information that includes text that matches their search terms, while the latter function suggests products that are related to those terms. The search results are then displayed in an order optimized using information about their usage behavior. This means that customers can find products faster. Through this combination of the machine learning that we have developed and full-text searches, we have managed to achieve short product search times.

The machine learning customization is not limited to how we display results, but it also uses product properties to filter them. Users can filter their search results by size, color, length, material, and other properties depending on the product.

To shorten the time customers take to find the products they need, we work on a daily basis to enhance our algorithms.

#### Example of how search result orders vary by the customer's industry

Even if different users search for the same term, "gloves," the order of results shown will differ depending on the user.



#### [Example of industry-specific results]

Someone in the construction industry who searched "neko" or cat would be shown results for wheelbarrows



#### Personalization of advertising flyers

To ensure customers are aware of how they can use our site to procure various indirect materials in one place, we send them advertising materials such as catalogs and flyers.

Recently, in order to better match the contents of these with each customer, we are customizing them based on the customer's industry and viewing data. While this takes additional time in the data creation, design, printing, and other processes, we have improved efficiency for their creation by continuing to review and enhance these processes. We are now able to present customers with information in a timely manner.

The reason we, as an online-based company, still send flyers and catalogs is that we can draw attention to products in a layout that we could not do online, and it allows customers to get a broader view of product categories that they may not be aware of.

In the future, to raise awareness among customers of the wide range of products that we handle, and to

spread the word of the convenience of buying from us, we will further refine our analyses and reflect the results in advertising material designs and special features.

We also plan to introduce our private brands, which we can recommend with confidence.

#### Example flyers with product recommendations personalized to the customer

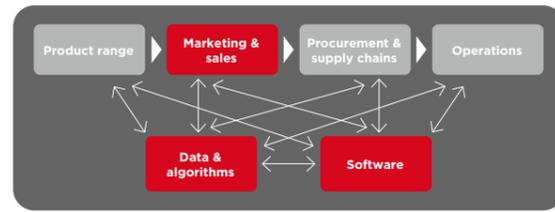




[Example combination ②]

### Procurement Management Systems Business for Enterprises

As part of our service for enterprises, we reduce the time associated with procurement processes and promote visualization of the procurement process through centralized management.



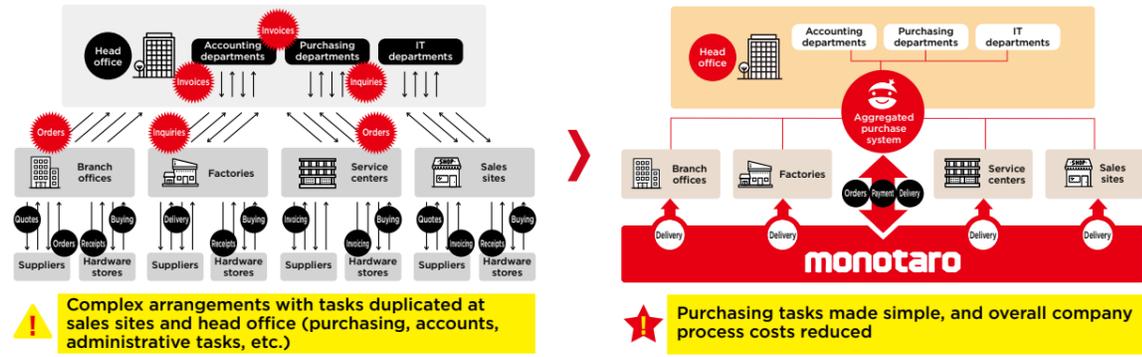
Corporate needs

To eliminate inefficiencies in purchasing work  
To visualize purchasing process and to strengthen governance in purchasing

Solutions

ONE SOURCE Lite, a procurement management system with no introduction and operation costs, or Punchout, which links our catalogs with other companies' procurement management systems

Changes in required time discovered through our surveys



Complex arrangements with tasks duplicated at sales sites and head office (purchasing, accounts, administrative tasks, etc.)

Purchasing tasks made simple, and overall company process costs reduced

### Example initiatives

Our procurement management systems business, like our online sales business, provides our customers with the value of time. Our customers have told us how introducing our procurement management system has also helped them to make efficiency improvements in terms of their corporate governance. For example, because the system has the past purchasing data from when they used our business previously, it helps them to make their processes efficient to verify the suitability of material procurement. While some customers use a diverse range of different procurement management systems, we have the expertise needed to shorten the time required to first link up to those systems, and we strive to get even better. We are also working to give customers this greater-value time by shortening the wait until they can start using our services.

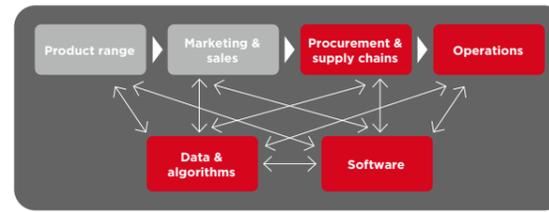
We also provide customers of this business with performance reports, which share information of their usage status, purchasing trend analysis, and estimates of the effects introduced by our services. Customers can then use this data to further improve their indirect material procurement operations. In order for us to run studies into how we can help customers improve their indirect material procurement, we will put energy into visiting production sites going forward. By deepening our understanding of customers' production processes and how they use indirect materials, we can further enhance the service quality of our procurement management systems and provide them with more value as time.



[Example combination ③]

### In-house Distribution Centers for Shorter Delivery Times and Greater Productivity

Our efficient operations, which make use of auto guided vehicle robots and other technologies, ensure that customers get their orders quickly.



	Kasama Distribution Center (Ibaraki)	Ibaraki-Chuo Satellite Center (Ibaraki)	Inagawa Distribution Center (Hyogo)	Shin-Kanto Distribution Center (Ibaraki)
Exterior				
No. of floors	Single floor	Single floor	Six-floor building (leased)	Four-floor building
Total area	Approx. 56,000 m <sup>2</sup>	Approx. 49,000 m <sup>2</sup>	Approx. 194,000 m <sup>2</sup>	Approx. 75,000 m <sup>2</sup>
Max. stock held	Approx. 330,000 items	Approx. 30,000 items	Approx. 550,000 items	Approx. 500,000 items
Shipping capacity (day)	100,000 lines	30,000 lines	180,000 lines	300,000 lines
Start of operation	April 2017	April 2021	Phase 1: April 2022 Phase 2: April 2023	Scheduled for May 2028

### Example initiatives

Our operations are defined by our mission to deliver products accurately, safely, as-promised, and at a low cost, and to continue to make improvements. To minimize the waiting time for customers between placing their orders and receiving their items, we have increased the number of products we hold in stock, and since 2023 we have been further increasing the number of products we can deliver the next day by delaying the cut-off time for orders to be placed to qualify for same-day shipping. To ensure that even those without experience in the industry can work in safety, we conduct safety training for employees when they join the company, as well as mentored training. In these ways we work to train everyone who works at our sites to improve their capabilities. Also, by multiskilling employees, we are making stable productivity gains. For highly productive distribution operations, we have introduced multiple auto guided vehicle robots, and we are actively working on automating processes through distribution equipment like conveyor belts, devices that group package items, automated box-making machines, automated sealing machines, and shipping label applicators. At the Shin-Kanto Distribution Center, which is scheduled to start operation in 2028, we also plan to

introduce new technologies. In the future, we will review standardization and efficiency gains in goods receiving processes, where there is room for improvement, with an eye on five years ahead. Going forward we will also ensure we communicate with those who are key to the operation of our distribution centers, including local communities, employees, delivery workers, and affiliated sites, while also aiming for operations that fully satisfy our customers.



Auto guided vehicle robot

# CUSTOMER FEEDBACK

## Exceedingly Simple Procurement Processes Gift Customers the Value of Time

With the extensive range of products that we handle and search functions that make it easy to find products, we provide an indirect material procurement platform where a variety of items can be found quickly.

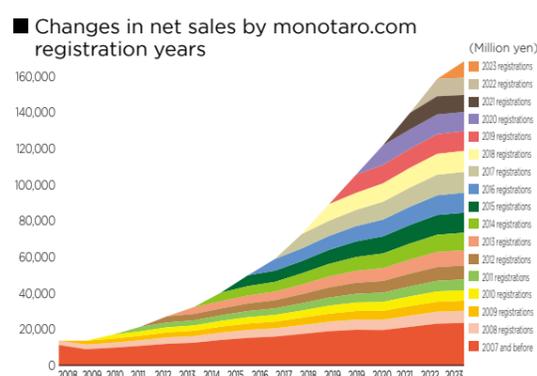
By increasing the number of products that we handle, we can satisfy the needs of customers from various industries and broaden the fields in which we can offer one-stop shopping where customers can complete their procurement just from us. We have also increased the number of products we hold in stock ourselves, which lessens the time customers spend waiting to receive their products and improves convenience.

### B2B Online Business (monotaro.com)

One characteristic of our business is that sales per registered customer increase every year.

This is down to two factors: that we have a large proportion of repeat customers, and that the types of products purchased are increasing. We believe demand for services that increase operational efficiency is something that does not change. We will continue to improve our services, such as by enhancing our recommendation functions, so that customers can feel the rise in convenience.

Notes:  
Created for registrations in each fiscal year based on customer status at the end of 2023.  
Sales in the procurement management systems business and to general consumers are not included.

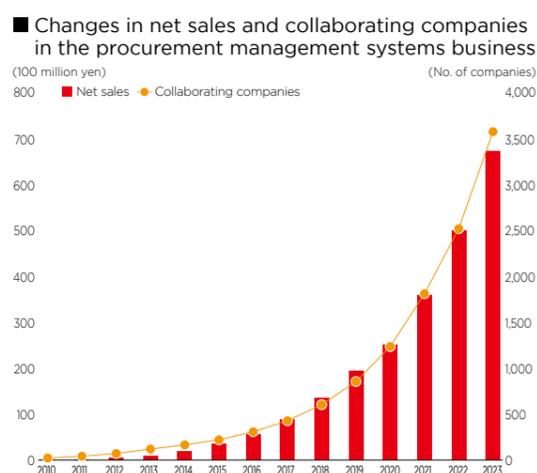


### Procurement Management Systems Business (Linked with Enterprises)

This business began from our attempts to link up with procurement management systems offered by other companies, and we began to offer our own dedicated procurement system, ONE SOURCE Lite, with no introduction costs, in 2017. Since then, more and more companies have chosen to use our system.

Yearly, we have also been able to increase the number of procurement systems from other companies that can be linked, and so we can receive orders through a variety of systems that match customers' requirements.

In 2023, we made around 67 billion yen of net sales from 3,500 enterprise customers. Having our customers use procurement management systems allows us to provide a more comprehensive approach to resolving the issues they face in their indirect material procurement.



## Customer feedback

## B2B online business (monotaro.com)



### ENEX Co., Ltd.

Mr. Masahiro Sekiya, Tohoku Branch

**Main businesses** ..... Truck transportation for petroleum products, LNG, highly pressurized gas, chemical products, etc.

**Personal responsibilities** ... General tasks including purchasing. As part of purchasing tasks, collecting details of items needed by other employees and purchasing these.

#### How we use MonotaRO

Previously, I used to visit hardware stores or similar to get what we needed. When work got busy, though, I didn't have time to go, and it was hassle. With MonotaRO, I can buy everything from truck components to toilet paper, so I now get them all from there.

#### Usability

Searching on MonotaRO's site, I almost always get hits for what I want, and I can generally buy whatever I want,

regardless of the category, so I'm a satisfied customer.

#### Work issues and effects of using MonotaRO

Purchasing tasks are not my main job, so I want to keep the time I spend on it to a minimum. On MonotaRO's site, I can search my purchased history, and by centralizing the purchasing tasks, I can accumulate data on the things I need. The more I use it, the more convenient it becomes, and I find it handy that other people can use it too.

## Customer feedback

## Procurement management systems business (linked with enterprises)



### Hitachi Zosen Corporation\*

(from left) Mr. Takeshi Hirooka and Mr. Takahiro Ogiwara from the Administration Department, Procurement Headquarters

\*There is a planned company name change to Kanadevia Corporation in October 2024

**Main businesses** ..... Environmental systems, machinery & infrastructure, and carbon neutral solutions

**Personal responsibilities** ... Procurement tasks and efforts to improve these

#### Reason for starting on online purchasing reforms

We had a process in each department to review tasks to promote greater operational efficiency throughout the company. In the Procurement Headquarters, we started improving how we procure small-value purchases, in which the monetary amount of each order is small but the number of cases and the effort involved are significant.

#### Small-value purchase orders and account processing tasks, and the large amount of time they require

We use a job-order cost system, so when we place an order, we have to input each order into the accounting system separately for each project number or supplier. This meant that the workload on the requesting department, procurement department, and accounting department became very large. In addition, we checked direct purchases made by frontline staff with receipts, but it was difficult to chase up purchase details, and we felt this was also a problem in terms of governance.

#### Decision to introduce ONE SOURCE Lite, MonotaRO's procurement management system

What led us to introduce the system was the clear advantages it offered in ease of use for transaction data and that there

were no initial introduction or operation expenses. We also found that the product search and product information pages were simple for frontline supervisors to use too.

#### Results of its introduction

We actually developed an app in-house so we could upload the order data and invoice detail data csv files that ONE SOURCE Lite outputs into our accounting system in batches. Even when we were developing the app, MonotaRO were a great help with their meticulous responses with data specification checks and adjustments to match our proprietary rules. Now, the project number and other basic information that we enter when placing an order are reflected in the system, and we have largely eliminated the manual accounting tasks we did previously.

The wide range of products MonotaRO offers has also helped make our operations more efficient, and we have also heard back from frontline staff that it is easy to use and that various tasks have been made much easier. Also, by making it easier to see our low-value purchases, it has led to stronger governance. We have seen the advantages we mentioned above, and are sharing this information with group companies who are having the same issues, and are rolling out the system to these companies.

Note: This is an excerpt. The full text is available on our dedicated indirect material aggregated procurement service site for enterprises.  
<https://procurement.monotaro.com/cases/manufacture/B15/>