



# Value Creation in Practice

For us to continue to create value, we have to keep making updates in areas such as financial strategies, human resources development, and risk management. In this section, we look at our approach to these.



## Message from the CFO



**Tetsuya Koda**  
Deputy President  
In Charge of Merchandising and Corporate

# Financial Strategies for the Next Stage of Growth



### Experiences and Future Initiatives

As MonotaRO's chief financial officer (CFO), I have played a part in the company's management while we have tried to grow as a company that contributes to Japan's economic development and to society. The person that I am today is founded on two chapters of my life: my time as an attorney, during which I learned to grasp the real situation to resolve issues, and my time as a management consultant, which taught me to get a sense of the whole and consider problems structurally before analyzing them and then moving to action. More than anything else, though, my unique strength lies in the various people I have worked with, the inspiration they have given me, and the various insights I have gained—before and after joining MonotaRO, and inside and outside the company. From now on, in addition to my role as CFO, I want to expand my challenges to include product (merchandising) fields, and build a base to write the next chapter of MonotaRO with my colleagues.

### MonotaRO's Financial Strategies

We at MonotaRO have set ourselves the mission to innovate business procurement networks, and to eliminate the inefficiencies in indirect material procurement that act as obstacles to business entities' success. By providing a service where customers can source whatever they need except direct materials and have it reliably delivered in a short time, we help them make more effective use of their time, a very limited resource. It also leads to improvements to their business activities and a boost to productivity. We also hope that this will further encourage economic activity throughout society and result in greater development.

There are expenses that come with running our business. Examples include sales promotions to gain new customers, to maintain or to expand use by existing customers; development work for our website and the software that supports it; investment in the distribution centers that ship and store products; and efforts to secure stock. Over the years, we have made all sorts of investments, but as much as possible we have quantitatively evaluated the effects of such investments, clarified the post-investment situation, and taken care of controlling costs.

For investments and expenses too, it is less the case that I as CFO, and the team that I work directly with, manage these alone, instead we believe it is important that we create a structure through which all employees can manage these. For each investment or expense, to match business expansion, we break down each one, recombine elements, and work to understand them at an appropriate level of granularity or constituent components, and each department that manages the respective expenses takes responsibility and controls them.

Beyond that, I think the main reason we have continued to grow is that employees have worked as a team and dealt with growth issues when they sporadically appear.

end, we deepened our understanding of markets and customers, and properly considered what we should be doing in the future; in that respect it was an important step to go to our next stage.

We launched a project and ran an experiment to quantitatively understand the indirect material distribution market in Japan, considered from the two perspectives of the products we handle and our customers' business activities. As a result, we were able to verify anew the size of market was somewhere

### Our Strength and Investment Strategies

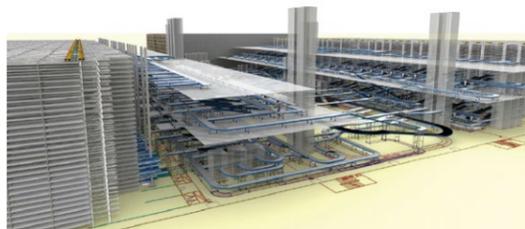
In 2023, the market in Japan—which at that time accounted for almost all of our net sales—saw a downturn in sales of COVID-19 and semiconductor related products. As a result, our growth rate in 2023 was slightly weaker than those in previous years, but this situation has become an opportunity for us to think about what we should do in the future. In the





between five and ten trillion yen, and became newly aware of how big the potential for growth still was.

However, continuing to do things the same way as before will not enable sustained high growth. To grow further, we must understand trends in the differences in needs among customers, and then deal



**Facility overview**

Location:	Mito, Ibaraki Prefecture
Start of construction:	May 2025
End of construction:	May 2027
Start of operation:	May 2028
Shipping capabilities:	300,000 lines per day
Stock capacity:	500,000 SKUs

**Total investment ¥46 billion**

Land:	Approx. ¥2.7 billion
Building:	Approx. ¥21-22 billion
Equipment:	Approx. ¥20 billion
Other:	Approx. ¥2 billion

**Characteristics**

- Distribution center with anti-seismic equipment
- Total floor space of approx. 75,000 m<sup>2</sup>
- With new equipment introduced, it aims to achieve productivity three times that at Kasama Distribution Center

with each effectively. Even for future customers who have not experienced any difficulties, we will strengthen our efforts to provide better satisfaction so that they will feel that using MonotaRO has made their jobs more convenient and led to higher productivity.

A strength of our company is our business model. Because we have a transaction base with customers and business partners, we can continue to evolve the wide range of products, advanced sales promotions, and services that utilize this base. To make this possible, our employees unite in paying respect and listening carefully to one another, and act independently, turning mistakes into future growth. As a necessary investment for growth going forward, we are making progress with preparations to establish a new distribution center in Ibaraki Prefecture to start operations in 2028. Also, for each customer in need of indirect materials, we will carry out more personalized sales promotions with suitable content and by appropriate channels. To do so, we are establishing a highly effective marketing base.

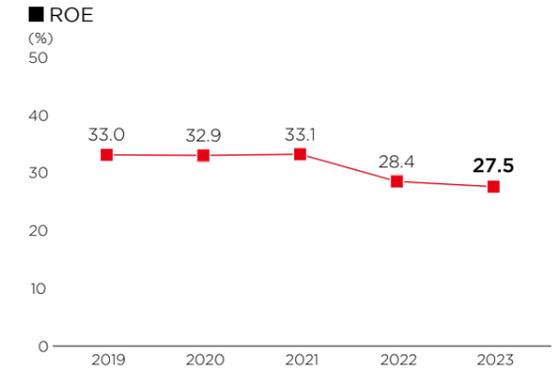
**Financial KPIs and Future Goal**

Firstly, for a company to grow, solid sales growth is the first priority. I also think it is important that we stabilize our gross profit margin in a range close to current levels. For our business growth, we need to achieve a product range that has everything a

customer needs other than direct materials. To get there, we have to make more active efforts to handle products that we do not currently handle but the businesses, our customers, have a strong need for. Also, in order to gain the trust of customers, we must increase sales volumes at prices appropriate to the market. In addition, we will enhance our private brand products, which have a high profit margin, and provide customers with products they feel are reasonable. At the same time, we aim to raise our own profit margins, while also giving back to stakeholders and finding funding for investments, and stabilize our overall gross profit margins at current levels (our fiscal 2024 target on a non-consolidated basis is 30.1%).

In terms of selling, general, and administrative expenses (SG&A), with our business growth, necessary expenses have emerged to counter new risks, such as with security countermeasures. As such, it is important that we maintain a situation in which proper costs are allocated to the right areas. Even as the scale of our business expands, we have to better understand our costs and highlight how these increase and decrease so that we can continue to work to manage them. In the medium term, we feel that our SG&A ratio, as a percentage of net sales, should be around 15% (our fiscal 2024 target on a non-consolidated basis is 16.6%).

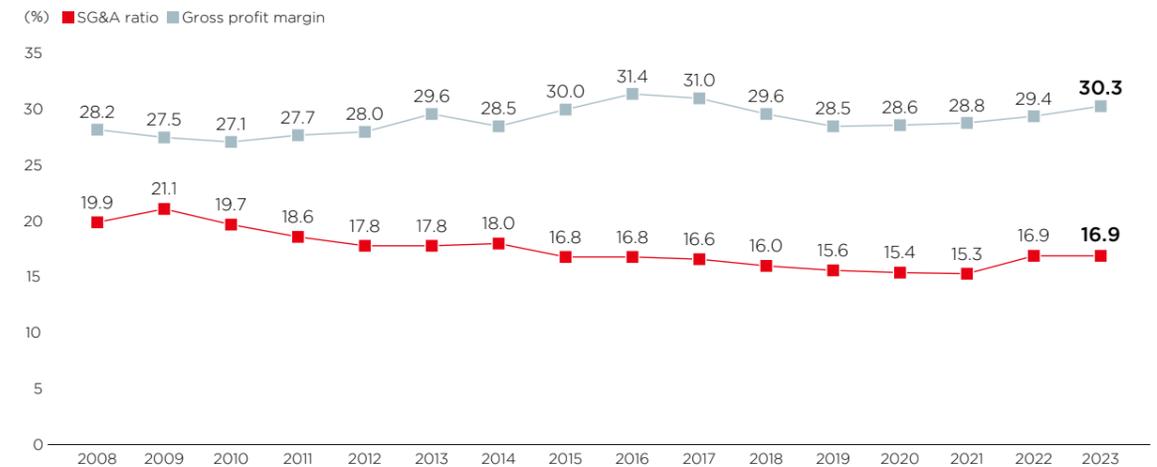
Looking at return on equity (ROE), the important first step is to maintain profits at an appropriate level and make cost-effective investments. On the other hand, for the profit that we create as a result of our business activities, as well as using it effectively as an investment resource for future growth, it is also imperative that we pay out appropriate returns to



shareholders. On this point, we hope to elaborate more on our necessary direction depending on how our growth phase goes.

We will evolve the MonotaRO business model to offer our customers the indirect materials they require in their business in the necessary timeframes, and so support their business activities. We will eliminate the bottlenecks found in procurement processes, play a role in increasing productivity in society, and contribute to the development of economic activities. In particular, in Japan, a country where raising productivity is a pressing issue, we should first be demonstrating value. In the same way in emerging markets where economic growth is forecast, considering the value of our business model can deliver, we will continue to expand our business in South Korea, Indonesia, and India. In the future, we will continue to work with the aim of further business growth in each of those countries, including Japan, and to contribute to economic development.

**Gross profit margin and SG&A ratio**



# Reforming Systems and Organizational Structures to Continue to Strengthen Offering the Value of Time

**Taisuke Fukawa**  
Executive Officer  
In Charge of IT Engineering



## Systems Supporting Our Growth

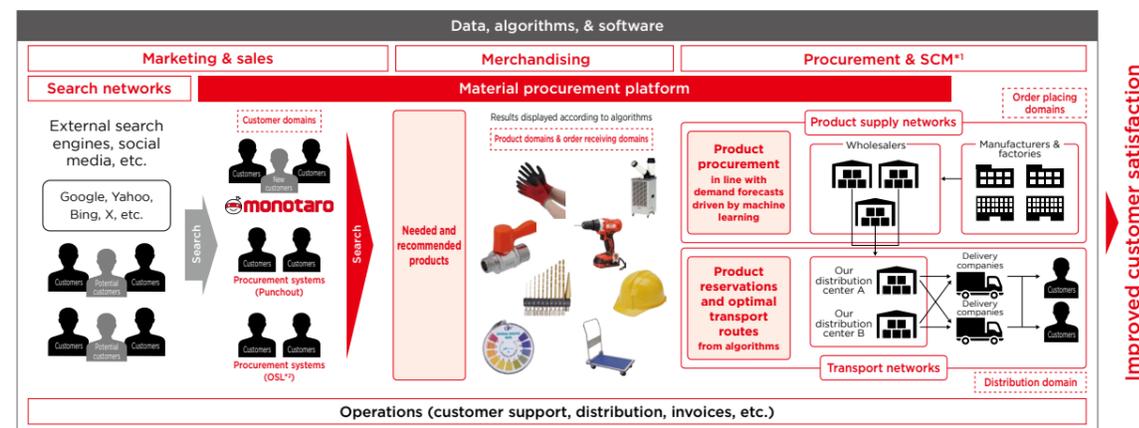
Our systems perform any number of roles, including further evolving the purchasing experiences, first and foremost enabling customers to quickly search for the products they want; advancing our marketing to gain new customers and improve awareness among companies; and optimizing processes from receiving stock, to holding it, and then sending it. The vast majority of the measures needed for us to grow involve combining data and technologies such as algorithms and software, and whether we can fully utilize these is key. Alongside our business expansion, we have developed the tech organization that supports our growth, and now, to ensure it is able to create more advanced business value, we are working to enhance our supply chains, and use personalization in areas such as product searches and recommendations. The base that supports our technologies is also important. As we grow, tasks become more complex, so we are endeavoring to reconstruct the architecture of our systems that have been enlarged, and to modernize them. To that end, we are putting energy into updating our organizational

framework, fostering a culture of putting words to our thoughts and sharing them with others, and going further to train and develop IT personnel.

## Creating a Competitive Advantage Through Technology

One of our strengths is our product range, which covers more than 22 million items. The first key point is whether customers can easily find the products they want from such an extensive choice. The second is being able to deliver the ordered products in a timely manner by procuring the products through product supply networks and utilizing transport networks (as shown in the diagram below). These comprise the material procurement network.

Now, we are able to send products via optimal transport routes from our multiple distribution centers. By starting collaboration with suppliers on stock information, we have been able to offer same-day shipping even on items that we do not have in stock at our distribution centers, and our business procurement networks are evolving.



\*1 SCM: Supply Chain Management  
\*2 OSL: ONE SOURCE Lite

## Rebuilding of Our Architecture

Our services are based on advanced functions and mechanisms, and there is also a uniqueness to them, so each year our systems are becoming more complicated. To make progress with future growth and services, we need to make it easy to change our systems to quickly and flexibly respond to management strategies and tactics.

For this issue, the policy that we have selected is one of divide and conquer, by which we mean dividing big problems up into little ones, and then resolving each of these individually to efficiently overcome the original problem. By dividing problems up until they each reach a size that can be easily controlled, we predict we can address this increasing complexity. Even with further business growth, this policy of divide and conquer should remain effective.

To implement this policy and produce results, it is important that we reconstruct our system architecture and put in place an organizational structure and development culture in which these can function. First, we have started to change our organization. We have divided all of our core tasks roughly into seven domains, and reorganized organization groups accordingly. Our next step has divided the application implementation environment for our core systems into each domain. Our aims with these changes are to bring about an ease of change and to raise the independence of each of these domains. At the moment, we are running operational models for each operational domain, and the personnel responsible for those tasks and systems are working to better understand these tasks and to clarify what advances we should be making in these operational domains. Also, based on the operational models, we are currently making reforms to systems one by one for each domain. By doing so, we will help to secure our competitive advantage in each.

Domain fields in our business structure



## Recruitment and Training of Tech-proficient Personnel for Our In-house Development

For us to reform our systems and add or alter functions at high speed, we need to carry out large-scale, in-house development. To do so, we are strengthening our recruitment of personnel such as engineers and data scientists. As well as sharing information on our technologies and projects via our tech blog, we have held tech conferences for participants outside the company, and introduced internship programs and similar.

We have also focused our energies on developing tech-proficient personnel. Combining the grades of our personnel system with tech principles, we run training programs at a more practical level and reconcile individual growth issues. In addition to our software development workshops and training programs, in 2023 we established the MonotaRO Dojo as an organizational learning institution.

Moreover, as a forum for technicians and others to share their expertise, we held ManabiCon—a learning-oriented conference—for participants to introduce to each other their experience and knowledge about topics such as in-house projects and team-building methods.

## Stability and Reliability with an Eye on Future Growth Lead to Strength

Our current challenge is to increase the areas where we can use personalization by utilizing real-time data, such as customer behavior on what they have just viewed or bought. By adding latest information, we are able to massively improve the quality of product recommendations.

We will continue to improve our IT design, including the introduction of new tools, for handling the ever-increasing traffic not only to our e-commerce site, but also to our ordering system, logistics system, and accounting system, and operate them so that the customer can use them safely and securely.

## Risk Management Can Raise the Reliability of Business Growth

**Toshiyuki Tanaka**  
General Manager of the Risk Management Office

### How We Identify Risks

The aim of our business is the development of industry and society as a whole by innovating business procurement networks. We identify anything that hinders or impedes our business objective as a risk. Specific risks include, but not limited to, those described in our securities report and listed below.

1. Risks related to changes in the management environment
2. Risks related to information systems and information and cyber security
3. Risks related to large-scale disasters
4. Risks related to legal affairs, compliance, and litigation
5. Risks related to product liability for private brand products
6. Other risks that threaten the achievement of our business targets or business continuity

We have a risk management system, and as part of our continuing activities we work to identify and monitor risks, and implement necessary countermeasures.

### Risk Management System

At MonotaRO, the representative executive officers have ultimate responsibility for overall risk management. We have established the Risk Management Office as a body to control and manage

all company risks under the jurisdiction of an executive officer responsible for risk management.

The Risk Management Office works with different departments to ascertain actual and potential risks, and to analyze and evaluate the likelihood and impact of these on our business. For high-risk issues and risks where our response is deemed inadequate, the office works closely with the department with main responsibility for those risks or related departments to offer support with enacting specific measures to prevent them before they can happen, or to mitigate their impact if they do. The office also supports the implementation of sustainable, continuous risk countermeasures.

The executive officer responsible for risk management and the Risk Management Office, both regularly and where necessary report on the status of risk identification and responses to major risks to the executive officers, including the representative executive officers, and the Board of Directors.

### Approach to Crises and Business Continuity

Risks related to large-scale disasters or information and cyber security can be predicted, but there are some that can never be fully prevented. We position those phenomena that would or could have a severe impact on the achievement of our business objectives and business continuity, including those risks mentioned above, as “crises.”

At present, the crises that we have identified include losing business site capabilities due to a large-scale disaster, major system failure, and significant information security incidents. Through our continuous risk monitoring, we identify and review the crises that require us to formulate business continuity plans.

Should any of these crises actually come about, in line with business continuity plans, our executive team will set up a crisis response headquarters to take command of the situation, and promote firm responses so that we can quickly secure the safety of everyone associated with the company, make the best possible choices needed for business recovery, and minimize impact on our business procurement networks. To do so, we will, as our basic policy, ensure people’s safety, prevent secondary damage, cooperate with our communities and others, and fulfill our supply responsibilities.

### Disaster Preparedness at Our Distribution Centers

As well as selecting locations for our distribution centers that are help with disaster preparedness, the centers are designed and run based on preparedness measures focused on base isolation systems and seismic resistance. Should a disaster occur, our first priority is to ensure the safety of employees. We also believe that we have a social responsibility to continue to ship and deliver the products from the wide range of products that we handle and sell. We are working on disaster countermeasures.

As a companywide activity, we have put in place business continuity plans, and we are carrying out simulations during ordinary operations and preparing the equipment, materials, and systems we would need so that even if a devastating disaster occurs, we can recover our operational capabilities as quickly as possible to prevent any interruption to the time value we provide to customers.

Going forward, working with central ministries and local authorities, we must be prepared for disasters so that we can quickly, and continuously, fulfill our role in society.

### Safety Training and Countermeasure Systems

Even in daily tasks, the safety of employees and others involved in our business is our number-one priority. We believe that everyone’s awareness of safety should be in alignment and that we should all understand the risks and take measures to counter them. Therefore, we have chosen an organizational framework that makes it easier to work toward improving our organizational capabilities, bringing together opinions among sites and conducting activities that straddle those different sites. We will continue, where necessary, to review the systems at our distribution centers and make improvements to safe operational processes.

Should an accident occur at a distribution center, we respond by quickly sharing information and clarifying the root cause. We also conduct risk assessments based on daily feedback from our worksites, and implement appropriate measures to prevent industrial accidents.

As the workers at our distribution centers include older individuals and those with disabilities, we support safe working that takes such concerns into account, and also endeavor to raise awareness of safety among workers during their commute to and from work.

## Viewing Risk Management as a Means to Maintain the Safety of Distribution Operations

**Koichi Kitashita**  
Executive Officer  
In Charge of Operation

### Response to Labor Shortages

Keeping a close eye on the decline in the labor population, we are working to raise the efficiency of distribution process and introduce automation by using robots and other technologies. Our efforts are not limited to equipment, though. We are moving forward with initiatives that straddle related departments about order frequency and volumes for stocked products that consider lessening the burden of receiving items and stock management operations and efficiency gains, and how we manage these.

We are also strengthening cooperation with our US parent company, Grainger, to share expertise and make improvements.

### Introduction of Stricter Legal Limits on Overtime (2024 Issue in Japan)

As we outsource the delivery of our products to customers to delivery companies, our activities to cooperate with suppliers and delivery companies are very important. As an example of these activities, we are using initiatives to reduce the burden associated with loading and unloading—such as using basket trucks and pallets—so as to help enhance operational efficiency. As we prepare for labor measures necessitated by legislation, we will strengthen our collaboration with partner companies and review operations’ time schedules and work details so that we can maintain and improve the level of our services.



# Rolling out the MonotaRO Business Model Overseas with an Eye on Growth in a Decade



**Hidetoshi Taura**  
Senior Executive Officer  
In Charge of Overseas Business

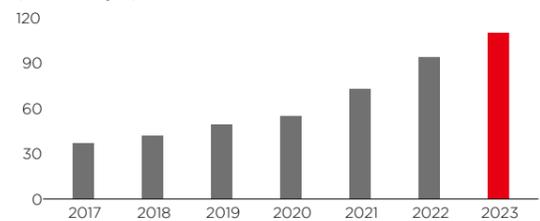
## MonotaRO's Overseas Business

Our business in Japan continues to grow, but if we consider growth ten or twenty years down the line, we need to seize the potential that overseas markets offer.

Most of the customers for our business outside Japan are local companies. For our suppliers too, while some are companies with links to Japan, we procure products from many local wholesalers and manufacturers. As a result, we are developing our businesses overseas not as a Japanese company but as local companies.

On the other hand, the value of the convenience that we provide customers is common to every part of our corporate group. Moreover, many of our functions, from receiving products to IT, are the same in each of those countries, so one of our group's strengths is the way in which we share expertise. The members of our Global Business Office act as a hub for our activities, and roll out information on a range of themes to our operations outside Japan. In particular, it is deeply involved in marketing, and the members make a big contribution to the group companies' expanded acquisition of the new customers.

■ Changes in net sales at overseas subsidiaries (100 million yen)



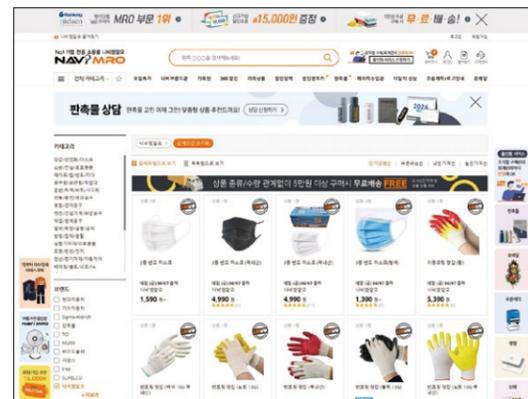
## South Korea



We launched our business in South Korea in 2013 because industrial structure and competitive environment in South Korea were similar to those in Japan. We managed to make a profit in 2019; however, we recorded a loss in 2023 due to higher purchase prices from our suppliers, responding to customer price sensitivity, and the cost of moving to a new distribution center.

With the new distribution center that we launched in 2023, we had some disruption due to moving and introducing auto guided vehicle robots for the first time in our operation in South Korea, but now our operations have been normalized.

In the future, we aim to grow the business by achieving more efficient operations at our new distribution center, and increasing sales from enterprise customers that use procurement management systems we developed.



## Indonesia

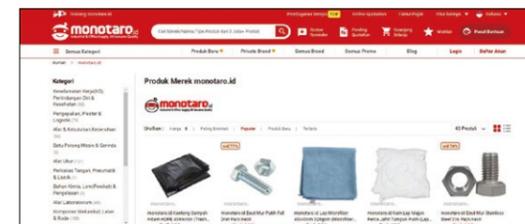


In 2016, we launched a business in Indonesia. What characterizes the Indonesian market is that labor costs are lower than those in Japan and that offline retailers hold a strong position. As the economic value of time is dependent on labor costs, in Indonesia how much time it takes to procure indirect materials is less important than finding cheaper products.

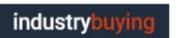
However, the economic value of meeting delivery deadlines does not differ from Japan. Therefore, in Indonesia, we are targeting enterprises that require a lot of indirect materials. We feel there are still many more potential corporate customers that we can target. We will continue to work so that as many customers as possible can take advantage of our services.

Our business in Indonesia, like our business in Japan, is predicted to see growth among existing customers, so we can aim to achieve stable sales growth.

The existing delivery infrastructure in Indonesia is often unable to stably support the kind of high service level, same-day shipping, next-day delivery, etc., that we offer in Japan; therefore, we are also currently delivering items ourselves.



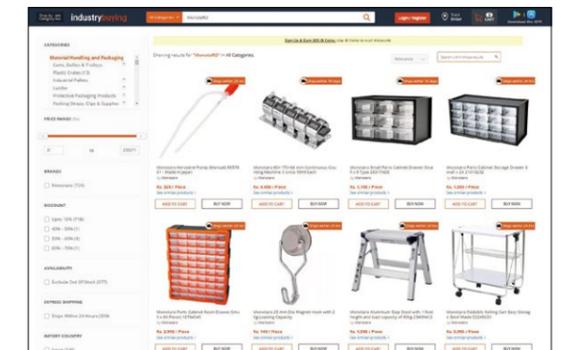
## India



Our business in India got its start in 2021. The Indian domestic market is vast, and there are wide range industries, so we expect to see further rises in demand for indirect materials as the country's economy grows.

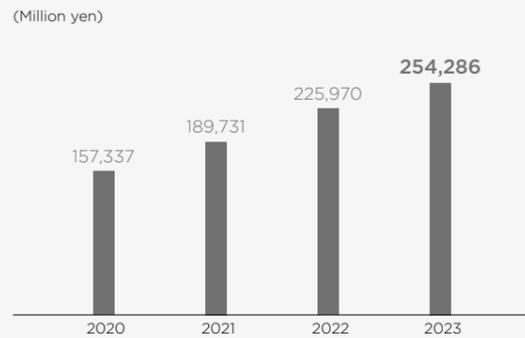
While this market is extremely appealing, some fundamentals of a society—such as addresses and delivery infrastructure—are not sufficiently in place, and another issue is the high rate of returns resulting from the large number of cash on delivery payments.

India also has lower labor costs, and offline businesses still predominate. We believe we can have our customers feel the value of using our service by increasing the number of long tail products that are hard to source and by shortening delivery time through in-house stocking. Additionally, we will expand our lineup of consumables and aim for repeat purchases.

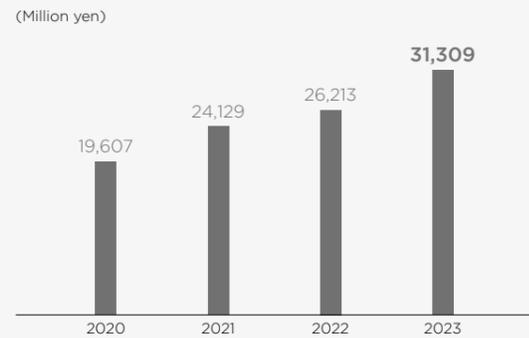


# FINANCIAL HIGHLIGHTS

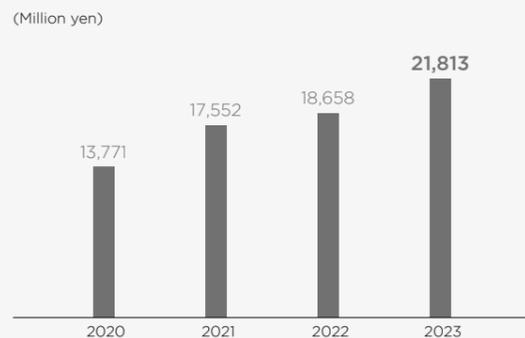
## Net sales (consolidated)



## Operating profit (consolidated)



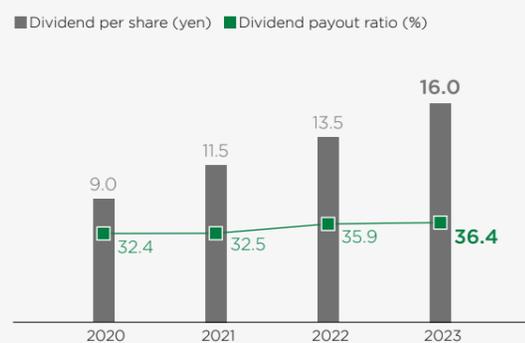
## Net income attributable to owners of the parent



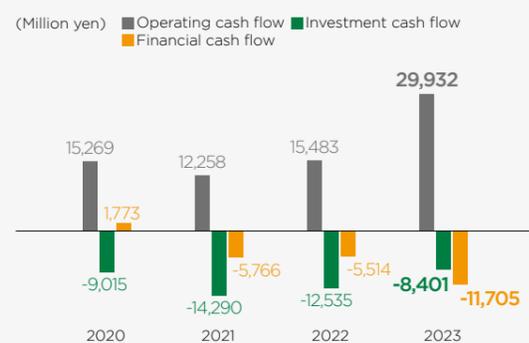
## Return on equity (ROE) / Equity ratio



## Dividend

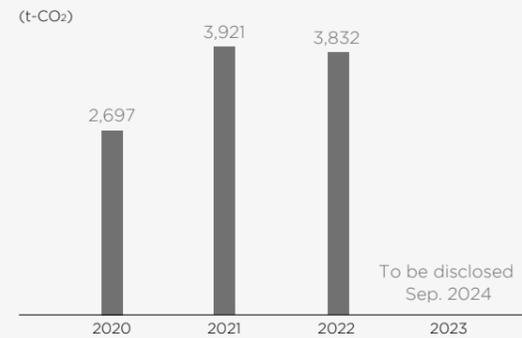


## Cash flows

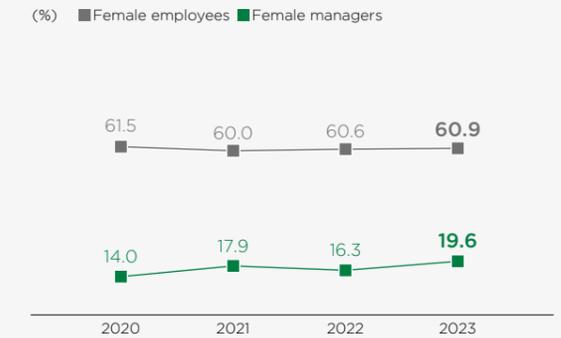


# NON-FINANCIAL HIGHLIGHTS

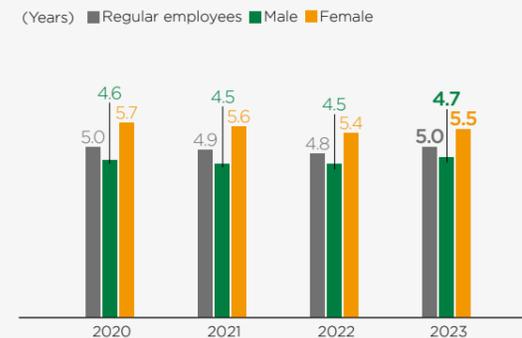
## CO2 emissions (Scope 1 + Scope 2)



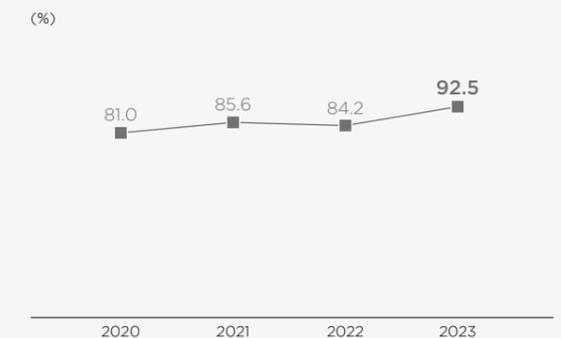
## Percentage of female employees & managers



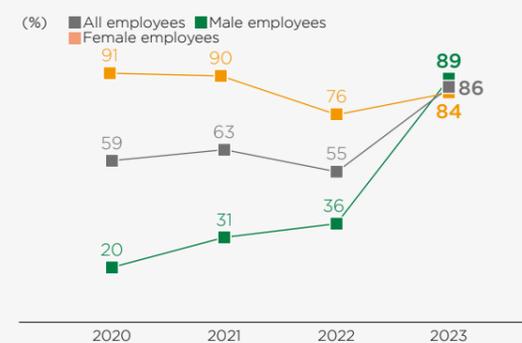
## Average length of service



## Paid leave utilization rate



## Childcare leave utilization rate



## Health check uptake rate

