



# Foundations for Value Creation

In order to increase corporate value in the long term, we need to construct a corporate governance structure that maintains sound management and to adopt a management approach that considers the environment and society. Here, we introduce our approach to these topics.

# GOVERNANCE

## Fundamental Approach to Corporate Governance

We recognize that it is important to ensure the soundness and transparency, as well as the agility and efficiency, of our management to respond to the expectations and trust of all stakeholders, including shareholders, and to improve corporate value. Corporate governance is the mechanism by which we carry out our management operations, and we will strive to strengthen and enhance it going forward.

## Corporate Governance System

We believe that the separation of management supervision from business execution is an important element to form the core of our corporate governance; therefore, we have adopted the structure of a company with a nominating committee, etc.

### • Management Supervision

#### Board of Directors

The Board of Directors meets regularly, at least nine times a year, and it resolves statutory matters, formulates major management policies and strategies to achieve sustainable growth and increased corporate value, and supervises business execution.

#### Committees, their functions, and compositions

Nomination Committee	The Nomination Committee decides proposals submitted to the General Shareholders Meeting concerning the appointment and dismissal of directors, and is composed of three directors, including two outside directors.
Compensation Committee	The Compensation Committee formulates compensation guidelines for directors and executive officers and determines compensation for individuals. The committee is composed of three directors, including two outside directors.
Audit Committee	This committee audits the validity, legality, and adequacy of business execution by the directors and executive officers and makes proposals for the appointment and dismissal of accounting auditors. And the proposals are submitted to the General Shareholders Meetings. This committee holds a meeting every month in principle and is composed of three outside directors, including one certified public accountant and one lawyer.

### • Business Execution

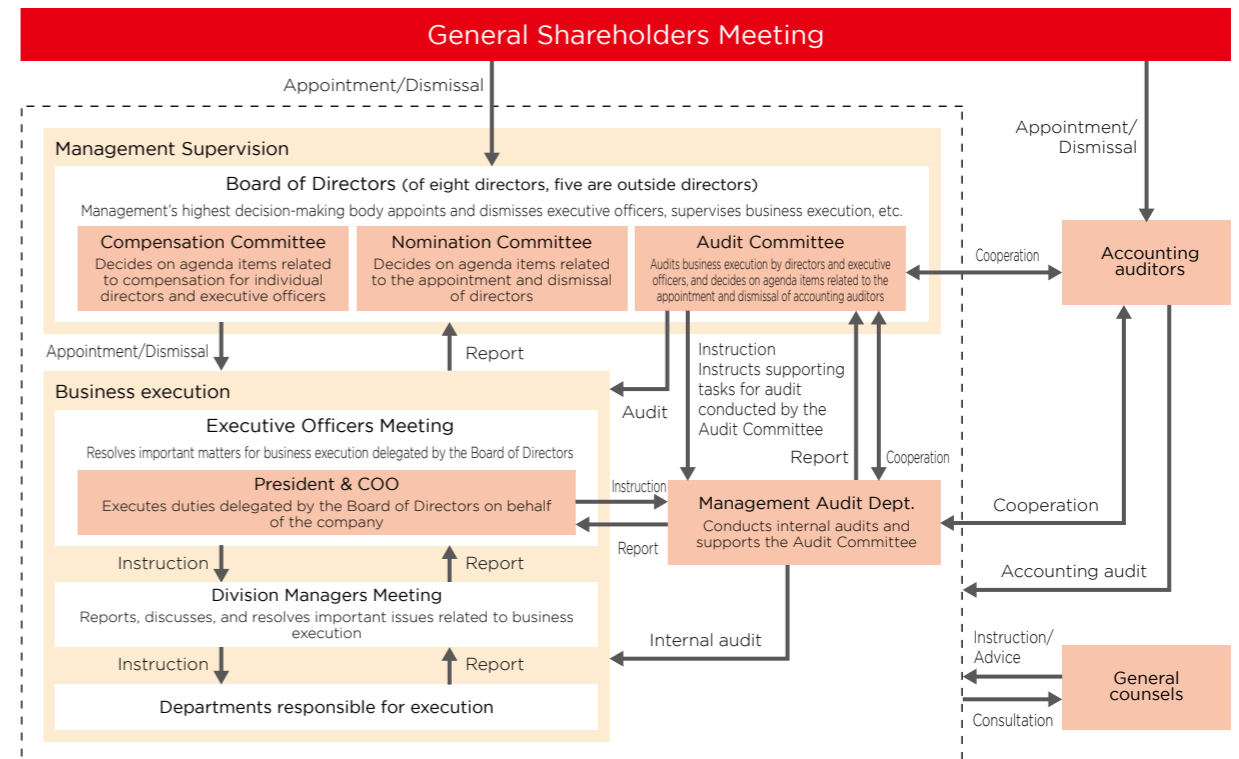
MonotaRO has appointed two representative executive officers from among the executive officers to represent the company. The representative executive officers perform the duties entrusted by dint of the Board of Directors resolution. In addition, the representative executive officers are obliged to report and explain to the Board of Directors once a month on the status of business execution and financial results. Executive officers assist them and are responsible for business executions and supervision.

#### Executive Officers Meeting

This meeting consists of representative executive officers and executive officers and resolves important issues for business execution delegated by resolution of the Board of Directors.

#### Division Managers Meeting

This meeting consists of our division managers and reports, discusses, and resolves important issues concerning business execution.



## Committee Memberships

### • Committees

Composition of each committee and attributes of the chairpersons

	Total members	Full-time members	Internal directors	Outside directors	Chairperson
Nomination Committee	3	0	1	2	Outside director
Compensation Committee	3	0	1	2	Outside director
Audit Committee	3	0	0	3	Outside director

### • Concurrent roles of executives

Name	Representative director	Director	Nomination Committee	Compensation Committee	Employee
Masaya Suzuki	Yes	Yes	No	Yes	No
Sakuya Tamura	Yes	Yes	No	No	Yes
Tetsuya Koda	No	No	No	No	Yes
Hidetoshi Taura	No	No	No	No	No
Taisuke Fukawa	No	No	No	No	Yes
Koichi Kitashita	No	No	No	No	Yes

## Affiliations for Outside Directors and Reasons for Their Appointment

Name	Committees			Independent officer	Supplementary explanation on applicable items	Reason for appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Masahiro Kishida	○	○		○	Independent officer at MonotaRO Representative Partner at INTEGRITY LLC	Mr. Kishida possesses expertise and extensive experience of corporate management and marketing measures. We wish to utilize his experience in our management, and have appointed him as an outside director. He attends meetings of the Board of Directors with an independent standpoint and, by delivering appropriate opinions, helps the board fulfill its supervisory function. In being appointed as an outside director, he meets the required standard of independence and is subject neither to additional disclosure requirements nor to matters which may cause conflict of interest with ordinary shareholders as specified by the Tokyo Stock Exchange, where our stock is listed. Therefore, Mr. Kishida is designated as an independent officer.
Tomoko Ise	○		○	○	Independent officer at MonotaRO Partner at TMI Associates Osaka Office	Ms. Ise possesses professional knowledge and extensive experience as a lawyer. We wish to utilize her experience in our management, and have appointed her as an outside director. She attends meetings of the Board of Directors with an independent standpoint and, by delivering appropriate opinions, helps the board fulfill its supervisory function. In being appointed as an outside director, she meets the required standard of independence and is subject neither to additional disclosure requirements nor to matters which may cause conflict of interest with ordinary shareholders as specified by the Tokyo Stock Exchange, where our stock is listed. Therefore, Ms. Ise is designated as an independent officer.
Mari Sagiya		○		○	Independent officer at MonotaRO	Ms. Sagiya possesses professional knowledge and extensive experience as a senior manager at multiple IT companies. We wish to utilize her experience in our management, and have appointed her as an outside director. She attends meetings of the Board of Directors with an independent standpoint and, by delivering appropriate opinions, helps the board fulfill its supervisory function. In being appointed as an outside director, she meets the required standard of independence and is subject neither to additional disclosure requirements nor to matters which may cause conflict of interest with ordinary shareholders as specified by the Tokyo Stock Exchange, where our stock is listed. Therefore, Ms. Sagiya is designated as an independent officer.
Hiroshi Miura			○	○	Independent officer at MonotaRO Representative CPA at Hiroshi Miura Global Management Advisory Office	Mr. Miura possesses professional knowledge and extensive experience as a certified public accountant. We wish to utilize his experience in our management, and have appointed him as an outside director. He attends meetings of the Board of Directors with an independent standpoint and, by delivering appropriate opinions, helps the board fulfill its supervisory function. In being appointed as an outside director, he meets the required standard of independence and is subject neither to additional disclosure requirements nor to matters which may cause conflict of interest with ordinary shareholders as specified by the Tokyo Stock Exchange, where our stock is listed. Therefore, Mr. Miura is designated as an independent officer.
Kiyoshi Nakashima			○	○	Independent officer at MonotaRO Chairman of the Board at MACNICA HOLDINGS, INC.	Mr. Nakashima possesses extensive insight and extensive experience as an executive. We wish to utilize his experience in our management, and have appointed him as an outside director. He attends meetings of the Board of Directors with an independent standpoint and, by delivering appropriate opinions, helps the board fulfill its supervisory function. In being appointed as an outside director, he meets the required standard of independence and is subject neither to additional disclosure requirements nor to matters which may cause conflict of interest with ordinary shareholders as specified by the Tokyo Stock Exchange, where our stock is listed. Therefore, Mr. Nakashima is designated as an independent officer.

### [Evaluating the effectiveness of the Board of Directors]

At least once a year, we evaluate the effectiveness of the Board of Directors at meetings attended by all directors. Based upon the results of the evaluation, the directors hold discussions on how to further enhance the functions of the Board of Directors and disclose the contents if necessary.

We have analyzed and evaluated the effectiveness of the Board of Directors based on self-assessments by each director. We have assessed that the Board of Directors has secured sufficient diversity of members, that it has lively discussions with an adequate support system, and that it is generally effective overall. We also identified areas that required continued study, including supervision of sustainability-related initiatives, methods to share the status of committee activities, and ideal Board of Directors operations to ensure more effective discussions. Taking these analysis results into account, we will promote initiatives aimed at further raising effectiveness.

### [Policy and procedures for appointing and dismissing executive officers and nominating candidates for directors]

MonotaRO has adopted the structure of a company with a nominating committee, etc. In this system, the Nomination Committee determines proposals regarding the appointment and dismissal of directors, and the General Shareholders Meeting passes resolutions on these proposals. Executive officers are appointed or dismissed by resolution of the Board of Directors.

### Standard for appointment of candidates for internal directors

- Those who have expertise in our business;
- Those who have displayed exceptional managerial judgment and business execution;
- Those who have displayed exceptional leadership, decision-making, foresight, and planning;
- Those who have a suitable personality and insight for the role of director of the company; and
- Those who have no health problems to hinder the execution of their responsibilities as directors.

### Standard for appointment of candidates for outside directors

- Those who are deemed to be independent in accordance with the stipulations of the Criteria for Judging the Independence of Candidates for Outside Directors;
- Those who have a suitable personality and insight for the role of outside director of the company; and
- Those who have no health problems to hinder the execution of their responsibilities as outside directors.

### Standard for appointment of executive officers

- Professional experience in the following business fields:
  - Technology and marketing
  - International operations
  - Logistics and supply chains
  - Finance and accounting
  - Law and intellectual property;
- Curiosity and imagination for creating better services;
- Spirit of taking on challenges and diligent ability to get things done; and

## Director Skill Matrix

Name	CEO/top management of business enterprise	Marketing	Supply chain	IT and digital	Global	Legal affairs and risk management	Finance and accounting
Masaya Suzuki	They are well-acquainted with our business and have the capabilities needed to appropriately carry out management activities						
Sakuya Tamura							
Masahiro Kishida		●			●		
Tomoko Ise					●	●	
Mari Sagiya		●		●	●		
Hiroshi Miura					●	●	●
Kiyoshi Nakashima	●				●		
Barry Greenhouse			●		●		

This matrix identifies the fields in which each director is expected to have particular ability and hence is not an exhaustive list of all of their skills.

- Respectful communication and leadership to cultivate a positive culture in the world.

In cases where it is deemed that a director or executive officer has violated the law or the articles of incorporation, the Nomination Committee will conduct deliberations toward the decision on an agenda item related to dismissal of a director or toward a resolution on dismissal of an executive officer.

**[Compensation policy for directors and executive officers]  
Compensation determination process**

At MonotaRO, the Compensation Committee formulates guidance related to compensation for directors and executive officers, and determines the amount of compensation awarded on an individual basis. Moreover, to ensure the fairness and transparency of its decision-making and in line with the committee's regulations, committee members may not participate in discussions relating to their own individual compensation.

**Compensation for directors**

Compensation for directors who concurrently serve as executive officers is detailed in the section on compensation for executive officers below. For directors who do not concurrently serve as executive officers, only fixed compensation (in the form of a monthly salary) is paid in order to maintain their independence and to monitor management separated from business execution.

**Compensation for executive officers**

<Basic policy>

- The level of compensation should contribute to the continuous growth of the company and the enhancement of corporate value over the medium to long term, and be consistent with the company's mission and principles.
- The compensation system should be strongly linked to business performance and firmly motivate recipients to execute management strategies and achieve company performance targets.
- Performance and medium- to long-term efforts should be reflected in the compensation.
- Another goal of compensation is to share profits and risks with shareholders and raise awareness of increasing shareholder value.
- The objectivity, transparency, and fairness needed to be held accountable to stakeholders are ensured through the deliberation process of the Compensation Committee.

<Compensation composition>

Compensation for executive officers consists of monthly compensation and stock compensation. The composition ratio is set based on the following concept in order to provide compensation that contributes to continuous growth and medium- to long-term improvement of corporate value.

- The ratio of variable compensation (monthly performance-based compensation and stock compensation) to annual compensation should be set to provide an incentive to improve business performance and corporate value.
- An appropriate compensation composition ratio should be set for each position.

<Monthly compensation>

Monthly compensation consists of fixed compensation and performance-based compensation. Fixed compensation is paid depending on the roles and responsibilities of each executive officer, and is paid according to the position and length of tenure in consideration of market standards and other factors. Performance-based compensation is determined based on the achievement rate of consolidated operating income targets compared with plans and individual evaluations.

<Stock-based compensation>

Stock compensation is positioned as an incentive to improve corporate value over the medium to long term and to raise awareness of shareholder value. The number of shares granted is determined based on a standard amount in accordance with the position of executive officer, as well as how much consolidated operating income has grown. It is designed to be granted once a year as restricted stock, and executive officers become able to exercise the right to transfer the stocks after leaving their positions.

<Compensation determination process>

MonotaRO has adopted the structure of a company with a nominating committee, etc., and the compensation of executive officers is determined by the Compensation Committee.

<Return of compensation, etc. (Malus Clause)>

MonotaRO has established a clause that allows for the return of stock-based compensation granted to executive officers. If the Compensation Committee determines that material revisions to the financial statements, material violations of the company's internal rules, material damage to the company's business or reputation, material

deficiencies in risk management, or other events specified in the company's rules have occurred, the malus (forfeitures during the restricted transfer periods) provisions can be executed.

**[Policy for constructive dialogue with shareholders]**

In order to maintain sustainable growth and to increase corporate value over the medium and long term, we recognize the importance of engaging in constructive dialogue regularly with shareholders. We, therefore, established an IR system centered on the executive officer who is general manager of the Business Administration Department, and on the IR/PR Group, which is responsible for IR activities. While managing insider information, we proactively conduct dialogue with shareholders and investors within a reasonable scope in order to deepen their understanding of our company. As a means of dialogue other than individual meetings, we hold financial results briefings for analysts at least once every six months and a seminar for individual investors once or more a year. In addition, we have established a system that involves departments in charge of IR reporting opinions and concerns from shareholders or investors through discussions to management when required.

**[Protection of minority shareholders]**

In order to ensure that MonotaRO can make its own management decisions, the Board of Directors has one director who concurrently serves as an officer or employee of the parent company, and one director who holds a position at the parent company based on a service agreement between MonotaRO and W.W. Grainger, Inc. Even in the future, we will pay extra attention to prevent a situation where the number of directors who concurrently serve as officers or employees of the parent company totals half or more of the membership of MonotaRO's Board of Directors.

**[Cross-shareholdings]**

We currently have no cross-shareholdings and will not have cross-shareholdings unless they are seen to contribute to improving the corporate value of MonotaRO in the medium and long term. In the case where we do participate in cross-shareholdings, we will appropriately exercise our voting rights based upon whether it leads to sustainable growth and improvements in the medium- to long-term corporate value of the issuing company.

**[Information disclosure]**

Based on promptness, accuracy, fairness, and continuity, we carry out timely and appropriate information disclosures in accordance with related laws and regulations such as the Financial Instruments and Exchange Act and regulations by the Tokyo Stock Exchange.

**[Internal controls]**

**Management Audit Department**

As the organization that fulfills the requirements of the Financial Instruments and Exchange Act for an internal control reporting system, the Management Audit Department conducts a business audit for each department in order to verify, from an independent standpoint, whether the internal control system is functioning properly, whether there has been any misconduct, and whether there are any areas to be improved. Issues that have become apparent through audits are pointed out to the audited department immediately after the audits, and the issues are reported to the Audit Committee and the representative executive officers to be improved in a timely manner.

In addition, the Business Administration Department and the Management Audit Department play a central role in conducting regular and periodic training and audits, thereby raising awareness of the importance of internal control systems and of compliance for the departments concerned and our subsidiaries.

**[Fundamental approach to antisocial forces and progress toward their elimination]**

We have established a compliance training manual and business conduct guidelines to eliminate any relationship with antisocial forces. As our basic approach, we are firm in ensuring we have no involvement with such forces and organizations and work to eliminate these by preventing unfair intervention from such forces and organizations. The department and person in charge of this matter have been designated for our internal system. We make an effort to cooperate with external specialized agencies such as the relevant police department and advisory lawyers, and we collect information on this topic by attending training. The compliance training manual includes measures against violent behavior and unreasonable demands from antisocial forces and organizations, and the measures are thoroughly notified and shared as part of compliance seminars conducted at least once a year for all employees, so that we, as a whole, can take appropriate measures against antisocial forces.

# DIRECTORS

**Masaya Suzuki**  
Director, Chairman, and CEO  
Member of the Compensation Committee



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



**Masahiro Kishida**  
Director  
Chair of the Nomination Committee  
Member of the Compensation Committee



**Mari Sagiya**  
Director  
Chair of the Compensation Committee



**Tomoko Ise**  
Director  
Chair of the Audit Committee  
Member of the Nomination Committee



**Barry Greenhouse**  
Director  
Member of the Nomination Committee



**Hiroshi Miura**  
Director  
Member of the Audit Committee



**Kiyoshi Nakashima**  
Director  
Member of the Audit Committee



Career histories (external link)  
[https://corp.monotaro.com/en/ir/management/management\\_03.html](https://corp.monotaro.com/en/ir/management/management_03.html)



## Constructing a Management System for Sustainable Growth

**Masahiro Kishida**  
Director  
Chair of the Nomination Committee  
Member of the Compensation Committee



An important element of a robust corporate system is the question of whether the Board of Directors can have meaningful discussions. For 25 years, I have given advice to top management at numerous companies as a management consultant. As a director at global firms and a leader of Japanese companies, I have worked to make corporate reforms and stimulate growth. I have learned from those experiences, and I keenly feel, that it is vital to have an environment where directors and executive officers can participate in level discussions, without antagonism. What I am called on to do, as an outside director, is to take an objective look at management execution, ask appropriate questions, express suitable opinions where concerns exist, and offer guidance. I will continue to focus on improving the effectiveness of the Board of Directors at MonotaRO, drawing on my experience of offering advice on corporate and business strategies to global firms, my history of implementing business execution and corporate governance at my own companies, and the expertise related to strengthening and enhancing governance at Japanese companies I gained at an executive search firm.

I have been a director at MonotaRO since 2012, and I have a good understanding of the management approach here, which has supported the growth so far with a deep-rooted customer focus, a spirit of taking on challenges, and a desire to move quickly. Respecting the open, challenge-oriented corporate culture, I will yet monitor objectively and give appropriate advice to contribute to sustainable growth.

On the other hand, I recognize that being an outside director for such a long time presents its own issues in terms of maintaining an independent standpoint. My mission as a director is to ensure that the Board of Directors continues to function effectively. To that end, discussions by us outside directors must strike a balance not to focus on the minutiae of business execution and

risks that hinder corporate growth.

In 2023, Sakuya Tamura was appointed as the new president and COO. To aim for continued growth, we need to keep taking on challenges, and I think MonotaRO benefits from having management changed every ten years or so. At the end of 2019, we started to look at who could take over from Masaya Suzuki. In fiscal 2023, all of the directors joined the Nomination Committee and discussed candidates.

Even though Ms. Tamura came to MonotaRO mid-career and her history with the company was not as extensive as some, she has managed to overcome the difficulties that came with supply chain disruptions during the pandemic and with the launch of the Inagawa Distribution Center. We outside directors can see the attitude and management skill Ms. Tamura has applied as she has worked tenaciously to resolve issues, listening to those on the frontlines.

My objective as chair of the Nomination Committee, in terms of aiming for Board of Directors operations that support the company for the next ten years, is to create mechanisms by which directors can make constructive contributions, and to have a pool of viable outside director candidates for the future. This does not end with putting in place textbook rules; instead, our aim should be to construct a robust corporate governance system that facilitates real discussion.

Having switched to a new management system with Ms. Tamura appointment as COO, the Board of Directors will offer constructive support to ensure further growth in fiscal 2024 and beyond. Personally, I hope I can offer advice while considering whether MonotaRO has internalized the appropriate flexibility to respond to changes in the times without being overly swayed by previous success patterns.

## Developing an Evaluation System That Leads to Greater Corporate Value

**Mari Sagiya**  
Director  
Chair of the Compensation Committee



Prior to assuming the position of outside director at MonotaRO, I had worked for various non-Japanese IT companies in management roles, mainly engaging in sales and marketing activities related to integrated IT solutions to customers of various industries and sizes.

MonotaRO has leveraged technology as its competitive edge since its founding, ensuring that its platform is always competitive. The company's success owes to its tireless evolution, keeping up with technical innovation to provide the best customer purchase convenience. As such, directors on the management team are all IT literate with practical experience and sound knowledge.

Given this situation, as an outside director with an IT and Management background, I tend to focus on monitoring and providing advice on MonotaRO's IT initiatives by observing the management strategy and the intended effect of technology investment, rather than going into technical details.

MonotaRO's business model may seem simple, but the tenacity required to pursue operational excellence in e-commerce to improve customer satisfaction and at the same time growing the business, is no small feat. I find it important to keep apace in understanding the environmental changes surrounding MonotaRO, and the management activities to counter them. As such, management dialogue and visits to work-sites are key activities to understand the reality of various operations so new outside directors in their first year are automatically appointed to the Audit Committee where they can experience two rounds of individual dialogue sessions with all executive officers per year. This really helps develop a better understanding of MonotaRO's business challenges. Additionally, periodical visits to distribution centers and overseas subsidiaries are arranged to see business as it really is on the ground.

All the knowledge and experience gained through these activities in turn become instrumental to meaningful Board discussions.

Since 2022, I have been the chair of the Compensation Committee. The committee revised the executive compensation plan in 2021 when Mr. Kishida was the chair. One important role of the Committee is to deliberate on individual assessments for each executive officer, including the chairman and president, to determine his or her final evaluation for the year. We utilize OKR (Objectives and Key Results) as a tool, but for some important objectives that are difficult to achieve in the short term, the results may not be substantial initially. For such cases, the Committee takes a medium to long-term perspective to evaluate the executive officer appropriately and fairly observe his or her efforts.

The executive compensation plan is an extremely important element in our efforts to retain exceptional management personnel and recruit new members. We will update the plan as necessary, by periodically monitoring its competitiveness in the market and fairness.

Fiscal 2024 is a landmark year in which the chairman, president, and an outside director changed. Last year, we carefully reviewed the effectiveness of the Board operation and discussed possible improvements on the occasion in transitioning to the new management team. The atmosphere of our Board meeting is an open and collaborative one, where attendees listen to one another's thoughts and feel free to voice their own opinions. As an outside director, I intend to fulfill my monitoring role, while offering encouragement and support to management so they may actively take on challenges on new initiatives aiming to further raise MonotaRO's corporate value.

## Establishing a Highly Effective Audit System That Supports MonotaRO's Challenges

**Tomoko Ise**  
Director  
Chair of the Audit Committee  
Member of the Nomination Committee



For around 20 years as an attorney, I have been involved in corporate law. The main areas that I have worked in include risk management and litigation and dispute resolution, but I have also dealt in a wide range of other areas and often supported Japanese companies that have developed business overseas. I think that my role at MonotaRO is to utilize my expertise as an attorney and to supervise management to contribute to sustainable growth and medium- and long-term improvements to corporate value, as well as to offer management advice as an outside director and a member of the Audit Committee.

The Board of Directors here is a highly independent body, with a majority of members who are independent outside directors. At the meetings of the Board of Directors, we are always encouraged to have free and open exchanges of opinions, and the discussions there are constructive. Executive officers also attend meetings of the Board of Directors where they directly report on business execution to the outside directors as needed, and we outside directors often offer advice. In addition, in executive officer interviews, which are held by the Audit Committee twice a year, we are able to speak directly to executive officers and department heads. Through these efforts, I get a real sense for the entrepreneurial spirit and spirit of taking on challenges without fretting about making mistakes that each MonotaRO employee has. I believe that the backdrop to MonotaRO's continued, sustainable growth is the corporate culture that supports these mindsets, and this culture is another of the company's strengths.

Since I was appointed as a director in March 2020, I have been a member of the Audit Committee, and since March 2021 I have served as its chair. In a corporate structure of a Company with a Nominating Committee, etc., the audit by the Audit Committee

differs from those of a company with company auditors. In the former, the Audit Committee's audits are expected to be carried out through an internal control department set up by the Board of Directors. In order to enhance audits by the Audit Committee, it is needed that we have a close-knit relationship with the internal control department in addition to improving the function of the internal control department. In MonotaRO's case, from 2022 the Audit Committee recommended to management that the Internal Audit Office, which was responsible for internal audits and acted as the Audit Committee's secretariat, should be merged with the Internal Control Office, which was in charge of internal controls, pursuant to the Financial Instruments and Exchange Act. In response, in 2023 both bodies were merged to form the new Management Audit Department, which now operates as the Audit Committee's secretariat. In fiscal 2024, we are putting more focus on further enhancing the Management Audit Department and strengthening cooperation, and I want us to construct a system that can ensure more complete, highly effective auditing.

In 2024, the new president took up her position and some executive officers changed, so there has been a big change to the management system.

As an outside director and chair of the Audit Committee, I will advise new management to support their taking on challenges, conduct appropriate auditing, and play my part in building the basis for growth, assisting suitable risk-taking by management.



# SUSTAINABILITY

## Message from the COO

As we work toward a sustainable society, we will continue with efforts that also consider societal issues such as climate change and human rights to achieve continued growth, taking the initiative with a sense of determination.

We at MonotaRO have long provided supplies during disasters and we also conduct volunteer activities in local communities. In 2021, we launched the Sustainability Project. One of the project's initiatives is promoting logistics operations with lower environmental impact, such as by reducing our greenhouse gas (GHG) emissions and waste. Another initiative is distributing guidelines to establish procurement networks that consider the environment and human rights.

Regarding our climate change efforts, we aim to reduce the absolute CO2 emissions by 50% (compared to 2020) by 2030. We are working to achieve this goal by introducing measures at our distribution centers such as insulated paint on the roofs to reduce internal warehouse temperatures, optimizing the compressor pressure of our equipment, curbing electricity usage, and switching the electric power of our three largest distribution centers to renewable energy.

Additionally, regarding diversity and inclusion, we are working to eliminate discrimination following our Business Conduct Guidelines, making best use of our diverse personnel, especially women, and establishing support systems and training programs. By steadily implementing these measures, we aim to create a more robust corporate culture to achieve sustainable growth.

We hope that MonotaRO contributes as much as possible to a better future, and that customers will recognize the value of our business even in ten or twenty years' time. We will carefully watch and listen to the changes in society, as we take action to make society more sustainable.

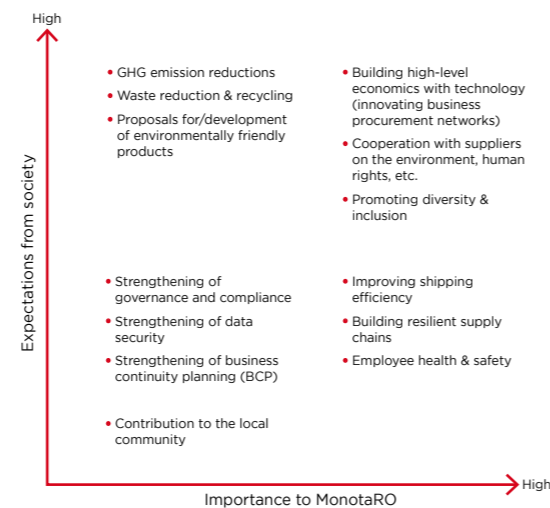
**Sakuya Tamura**  
President and COO

## Our Priority Issues (Materiality)

- ❶ Cooperation with suppliers aiming at the development of an industrial society that considers the environment and human rights
- ❷ Reduction of CO2 emissions as a measure against climate change
- ❸ Promoting diversity & inclusion
- ❹ Bringing about a resource-recycling model through recycling activities and waste reductions
- ❺ Proposal and development of environmentally friendly products

## Materiality Identification Process

- ❶ Recognizing social issues  
Project members and management examined the connections between our business and the UN's 17 Sustainable Development Goals (SDGs) and their 169 targets. They then listed actions that could potentially contribute to achieving the SDGs and targets considering our business processes and value chain, and as a result, classified and sorted 114 issues.
- ❷ Priority setting  
We decided to organize these issues based on two perspectives: expectations from society and importance to the company. We then mapped and selected key issues based on discussions among project members, management, and outside consultants.
- ❸ Identification  
We evaluated their relevance to our management strategies and identified and determined our priority issues (materiality) via approval by the Board of Directors.

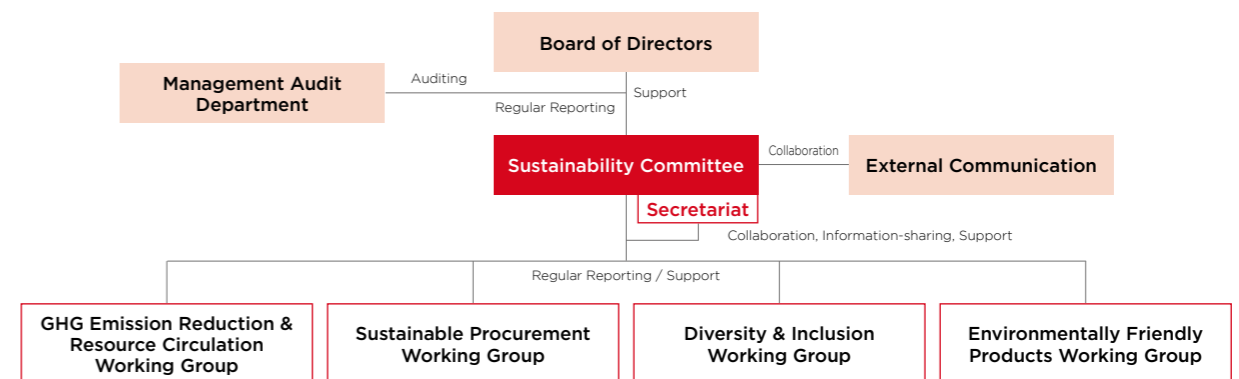


## Relationship Between Priority Areas of Focus and the SDGs

Priority areas of focus	Relevant working group	Relevant SDGs
Reduction of CO2 emissions as a measure against climate change	GHG Emission Reduction & Resource Circulation Working Group	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS
Bringing about a resource-recycling model through recycling activities and waste reductions		12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 17 PARTNERSHIPS FOR THE GOALS
Cooperation with suppliers aiming at the development of an industrial society that considers the environment and human rights	Sustainable Procurement Working Group	8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 17 PARTNERSHIPS FOR THE GOALS
Promoting diversity & inclusion	Diversity & Inclusion Working Group	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
Proposal and development of environmentally friendly products	Environmentally Friendly Products Working Group	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND, 17 PARTNERSHIPS FOR THE GOALS

## Sustainability Promotion System

The Sustainability Committee, which includes the president, is a central part of MonotaRO's initiatives to promote sustainability, and the committee regularly reports to, and discusses issues with, the Board of Directors. Actual initiatives are promoted by working groups on each important issue, led by a group leader appointed by the head of the department and a practical leader appointed by each group.



## Certification by External Organizations

- MSCI ESG rating: A, MSCI Japan Empowering Women (WIN): Certified (as of February 2024)
- Eruboshi  
We have been recognized by the Minister of Health, Labour and Welfare as an excellent company for promoting women's activities based on the Act on the Promotion of Women's Active Engagement in Professional Life, and certified the highest certification mark under the Eruboshi program (three stars).
- Kurumin  
We have been certified by the Minister of Health, Labour and Welfare in 2023 under the Kurumin program as a company that supports child-rearing, based on the Act on Advancement of Measures to Support Raising Next-Generation Children.
- 2024 Certified KENKO Investment for Health Outstanding Organizations Recognition Program (large enterprise category)  
We have been recognized as an outstanding organization for implementing initiatives related to health and productivity management, and been recognized under the 2024 Certified KENKO Investment for Health Outstanding Organizations Recognition Program, which is run jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi organization.





## Sustainability Initiatives as a Corporate Social Responsibility

### CO2 Emission Reduction

We will work to curb and reduce CO2 emissions, which are a leading cause of climate change and associated risks, while continuously growing the value of our business. We will measure our CO2 emissions, and formulate action plans that will get reduction results.

#### CO2 Emission Reduction Target

**50% reduction of the GHG emissions associated with our business activities (Scope 1 and Scope 2) compared to 2020 levels by 2030.**

Calculated CO2 emissions (t-CO2)

Scope	Category	2020	2021	2022
Scope 1	Fuel consumption	10	2	15
Scope 2	Electricity and heat use	2,687	3,919	3,817
<b>Total</b>		<b>2,697</b>	<b>3,921</b>	<b>3,832</b>

Much of the electricity that we use in our business activities is used at our distribution centers. In line with our mission to deliver products accurately, safely, as-promised, and at a low cost, and to continue to make improvements, we utilize auto guided vehicle robots and material handling equipment such as cargo matching equipment to increase productivity. To reduce CO2 emissions from the electricity we use, we have switched to electricity from renewable energy sources.

#### Target locations (2023)

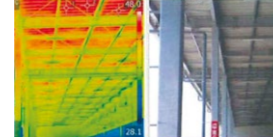
Kasama Distribution Center (Kasama DC) in Ibaraki  
Ibaraki-Chuo Satellite Center (Ibaraki-Chuo SC) in Ibaraki  
Inagawa Distribution Center (Inagawa DC) in Hyogo

- In July 2022, we switched to a power plan for electricity from renewable energy sources (with tracking) at Kasama DC and Ibaraki-Chuo SC
- Since January 2023, we have been using feed-in-tariff non-fossil fuel certificates (with tracking) at Inagawa DC

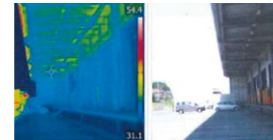
### Promotion of Energy Saving

- To curb the amount of electricity we use on air-conditioning, we have applied an insulating coating to the roof, which significantly impacts the building's overall temperature, to prevent it getting so hot. This helps us cut down on air-conditioning for entire distribution centers and reduce the amount of electricity we use.
- Using auto guided vehicle robots creates unmanned areas in our warehouses. We monitor electricity use in such areas and dim the lights in those unmanned sections to reduce unnecessary electricity use.

#### Effect of the roof insulating coating



Thermographic image of Ibaraki-Chuo SC before the coating was applied (July 31, 2021)



Thermographic image at the same time on the same day where the coating has been applied (Kasama DC)

#### Brightness optimization in unmanned areas



Before



After

### Waste Reduction and Resource Recycling

The waste we produce includes consumables used in operations, like pallets, and products that cannot be sold.

For products that have an expiration date, we aim to sell all of these within the saleable period via discount sales.

Items that cannot be sold include products beyond their use-by-date, defective products, or products that have been damaged at warehouses. As well as reviewing our distribution operations, we are working to prevent waste, through measures such as product-handling training and posting notices to prevent damage.

For waste produced during operations that cannot be avoided, we separate and manage these items (such as recyclable cardboard boxes and waste pallets) into industrial waste, general waste, and valuables, in accordance with the Waste Disposal and Public Cleansing Law. To raise the recycling rate for these resources, we separate them and those that be reused are used again in-house.

In addition, as an initiative to make effective use of waste, we are a supporter of the No Food Loss Project, a campaign by the Ministry of Agriculture, Forestry and Fisheries. Since September 2023, we have also been cooperating with the local welfare council to put on a food bank (currently based at Inagawa DC, in cooperation with Kawanishi city and Inagawa town).



## Sustainability Initiatives as the Basis for Sustainable Growth

### Promoting Diversity & Inclusion

We promote diversity and inclusion (D&I) as we believe that diversity leads to revolutionary and original ideas that can stimulate innovation, and that it can spur further corporate growth and the development of industry and society as a whole. Putting the strength that we have with a culture of accepting one another to use, we are working to develop workplace environments where we make use of our individuality and anyone can continue to play an active role.

We publish D&I content on our recruitment page, and endeavor to spread awareness of our corporate culture and initiatives. We also use the external social media site "note" to share information on our D&I efforts.

MoRE! D&I Project  
Three slogans



D&I



note



More details

D&I page  
note monotaro

<https://recruit.monotaro.com/diversity/> (Japanese only)

[https://note.com/monotaro\\_note/m/mf1c70adc36de](https://note.com/monotaro_note/m/mf1c70adc36de) (Japanese only)

#### Example initiatives in 2023

MoRE! We change differences into value!	<b>Developing workplaces where employees with disabilities can actively participate and strengthening retention support</b> <ul style="list-style-type: none"> <li>• More recruitment specialists and expansion of recruitment channels</li> <li>• Strengthening of retention support (job coaches, on-the-job training)</li> <li>• Expansion of training content to deepen understanding (on the employer's side)</li> <li>• Opinion exchanges with cutting-edge companies, reviewing and implementing our improvement points</li> </ul>	<b>Initiatives to attract more female applicants</b> <ul style="list-style-type: none"> <li>• Efforts to spread the appeal and positive working environment to applicants</li> </ul> <b>Efforts to clarify what we mean by diversity, setting of D&amp;I indicators, and review of trends</b>
MoRE! We act together!	<b>Creation of education opportunities to understand diversity, and expansion of themes</b> <ul style="list-style-type: none"> <li>• Training on information about caring and disabilities (from social workers, etc.)</li> </ul>	
MoRE! We make a company where everyone wants to continue to work!	<b>Initiatives to raise career awareness and motivation to work</b> <ul style="list-style-type: none"> <li>• Implementation of awareness surveys and analysis, and improvement measures</li> </ul>	<b>Strengthening of work-life balance support (more options to keep working)</b> <ul style="list-style-type: none"> <li>• Childrearing: Studies into return-to-work processes following maternity leave, welcome back systems (work-again systems), and projects to support use of babysitters</li> <li>• Caregiving: Study seminars on basic knowledge, social resources, etc.</li> </ul>

### Promotion of Sustainable Procurement

Through cooperation with our business partners, we have formulated the MonotaRO Sustainable Procurement Policy and Guidelines, with the aim of developing an industry and society more considerate of the environment and human rights, and are implementing measures in accordance with these.



The guidelines take into account the following four key policies:

- Co-existence and co-prosperity
- Awareness of human rights and working environments
- Legal and regulatory compliance and protection of confidential information
- Environmental considerations

The policy and guidelines are distributed to business partners, and we ask them to agree to the policy and guidelines and complete self-assessment questionnaires.

Going forward, we plan to analyze the results of these questionnaires, and move forward with studies into compliance-related audit processes and support for improvement.

For the full text of the MonotaRO Sustainable Policy and Procurement Guidelines

[https://corp.monotaro.com/en/ir/upload\\_file/m010-m010\\_03/MonotaRO\\_Procurement\\_Policy\\_and\\_Guidelines.pdf](https://corp.monotaro.com/en/ir/upload_file/m010-m010_03/MonotaRO_Procurement_Policy_and_Guidelines.pdf)



### Support for Purchasing Environmentally Friendly Products

By providing products and services that encourage customers to take on SDGs initiatives, we are creating a strength for the future of MonotaRO.



As a measure to make it easier to find environmentally friendly products, we have set up a dedicated page on the website and introduce products that have received various types of environmental certification from third-party organizations. In addition, for our online sales site (monotaro.com) and some of our procurement management systems, we have added a function that allows users to filter products by those with environmental certification. In these ways, we support our customers' environmental initiatives through indirect materials.

With our private brands, too, we have set up a team and are working to develop environmentally friendly products.