

# MonotaRO

Integrated Report 2024



**Masaya Suzuki**  
Director, Chairman, and CEO

## Message from the CEO

MonotaRO was born in Osaka in 2000 out of our desire to offer industry and society innovative procurement through the possibilities offered by a new network—the internet. Since that time, my colleagues and I have not forgotten that wish, and we continue to try to accomplish our corporate mission of innovating business procurement networks. In this report, we hope to explain the company as it is now and future possibilities.

Through our indirect material e-commerce business, we provide our customers with value in the form of the time that they save. We believe that the number of products and ease of searching are key when it comes to online businesses, and we actively invest in our IT. Alongside the evolution of technology, we have worked online and offline to expand the number of customers and the range of industries in which they operate by such methods as targeted advertising and personalized flyers. At the same time, we invest in our logistics and have put in place same-day shipping for products in stock. These varied efforts have enabled us to provide services that offer high levels of customer satisfaction and to continue to grow.

With an eye on further growth, in January 2024 we shifted to a new management team and aim to further refine our growth model and reach the next stage in our evolution. We will continue to work tirelessly to improve convenience for our customers by understanding and analyzing their needs. Going forward, we will also formulate practical business strategies, enhance our ability to make new proposals, and then appropriately implement them.

The social and business environments around us are changing rapidly, yet we are adopting new technology—including automating our operations through the use of data, AI, and robotics—and we make efforts toward efficient operations.

By applying our principles, founded on respect for others, we have cultivated an environment where we recognize diverse individuality and abilities. This drives us to take on challenges and produce new ideas and innovations. I continue to challenge myself to accomplish our mission with my colleagues.

As before, we at MonotaRO will do our best to create a beneficial cycle that ensure our efforts provide society with new value, and that this in turn contributes to our growth. This cycle then inspires us to work even harder on new challenges, leading to new value for society and further growth for ourselves.

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### Editorial Policy

In this report, we summarize our value creation and describe our company's pursuit of providing the value of time. We hope that it will help all stakeholders (customers, investors, etc.) understand us. We also hope the report will provide a starting point for dialogue.

In compiling this report, we have tried to convey financial and non-financial information (including on ESG topics) in an easy-to-understand manner with reference to the IFRS' Integrated Reporting Framework and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation.

For more details on financial and non-financial information not included in this report, please refer to our website.

### Scope of this report

MonotaRO Co., Ltd. and consolidated subsidiaries:

- MonotaRO Co., Ltd. (Japan)
- NAVIMRO Co., Ltd. (South Korea)
- PT MONOTARO INDONESIA (Indonesia)
- IB MONOTARO PRIVATE LIMITED (India)

### Reporting period

From January 1 to December 31, 2023 (some information may relate to dates after this period)

### Figures & statistics

Unless otherwise specified, figures and statistics are those for fiscal 2023 or are correct as of December 31, 2023

### How to Use This PDF



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# About Us

We are now in the 24th year since our founding in 2000 and have published this, our first integrated report. In this section, we describe our mission and principles, and give an overview of our company.





# MonotaRO's Mission

## To Innovate Business Procurement Networks

Indirect materials are diverse, the distribution system is complex, and it takes a lot of time and effort to procure them. Quotations and negotiations are necessary, and it is quite difficult to procure materials in a timely manner at a fair price. It takes time to find the right ones. These are the existing but unmet needs that we have been working to solve since our founding.

Our business is founded on the fact that customers' businesses are wide-ranging and the indirect materials that they use are also, by necessity, diverse. This is the reason why only a limited number of distributors are able to handle the wide variety of indirect materials that meet customers' needs. From product procurement to delivery and contact points with customers, we use our internet-based technological and operational capabilities to transform the distribution system for indirect materials so as to solve the problems that customers are facing, and earn their trust.

One of the major indicators of economic growth in society is GDP, which is determined by multiplying the working-age population by per capita productivity. The more a country develops, the more important productivity becomes for its economic growth. By eliminating the hassle customers face in procuring materials, we free up resources for our customers to work on their core business and to improve their productivity. By innovating the business procurement networks, we enable customers to innovate themselves. With these chains of innovation and value, we aim to contribute to further development throughout industry and society.

### Thinking Behind Our Mission

When my colleagues and I founded MonotaRO in 2000 and entered the indirect material market, we realized that we could provide users with new value by changing its complex distribution channels through database marketing using the internet.

However, even this social mission will come to an end if we do not continually consider its importance and evolve and develop it.

We believe that a better company leads to a better society, so we wanted to make the company better to fulfill social missions.

Our first step must be to cultivate a company culture in which we respect others as we do our jobs. By ensuring this mutual respect takes root not just within our company, but is also extended to those outside it, I believe that we can build bonds of trust with society and continue to grow.



**Kinya Seto**  
Founder and Honorary Advisor



# Principles

## Respect Others

### Treat people with respect

By treating people inside and outside the company with respect, we believe that we can bring together different people with diverse backgrounds, thoughts, and interests and harness these positively. Respect for others translates to respect for ourselves, and builds a foundation to take on board diversity and to create trust and dynamism in workplaces. As such, our highest priority is to treat all of those around us with respect.

### Accept mistakes of one's own and others'

We cannot move forward without failure. Therefore, fearing failure, glossing over our mistakes, or criticizing others for theirs, does nothing but waste time. We accept mistakes, learn from them, and work together on the next challenge.

## Listening

### Listen to voices around

We have made innovating business procurement networks our mission, and we are putting this into practice. However, the needs of society are constantly changing, and so the services we offer must also change. We take a wide range of perspectives and listen to feedback to help us evolve our services.

### Capture changes of environment, technology and customers

Even as what once seemed difficult to achieve becomes commonplace through the emergence of new technologies, customers' expectations grow higher. We therefore believe that being able to accurately understand changes in the business environment, technologies, and customers will lead us to growth.

## Ownership

### Challenge the status quo and seek improvement

We cannot expect to make progress by continuing to do things the way we always have, and this mindset will not result in growth for the company. For society to continue to need us, we cannot be slaves to the ways things are; we must instead consider ways we can improve and implement these.

### Share own ideas and autonomously act to realize the ideas

By sharing your ideas, you may feel you are helping, but that alone does not change actually anything. We have to share ideas, involve those around us, and then put them into practice. If some element does not work, fix it and try again. If everyone can enact this cycle, we can evolve.

## Time as Resource

### Appreciate time of customers, other stakeholders and oneself

We will continue to work to minimize the time and effort customers use on purchases so they can concentrate on their main business. We must also recognize that we, our colleagues, and business partners have limited time, and act to ensure it is not wasted to achieve maximum results.

### Start with speed by assessing risks with an appropriate sense of urgency

Many challenges result in failure, but it is possible to redo things. If you are worrying about mistakes and spending all your time planning, without ever reaching the action stage, you have got your priorities backwards. We should not spend more time than we need planning, but instead identify risks and leap into action quickly to produce results.

## Goal and Processes

### Perform with understanding of the goal and overall business processes

If we understand where our individual tasks fit into the overall business process, we can link our own goals into those of the entire company, and this will lead to success. In addition, we should rid ourselves of unnecessary tasks and concentrate on getting better at the tasks that deserve our focus.

### Derive significant results through conducting small hypothesis tests

We act upon the facts as we find them. The first step to come up with measures designed with customers' needs in mind is, fundamentally, to run small trials and see how they do. Only then can they be introduced on a larger scale. Even this type of small-scale trial and error—making hypotheses and then testing them—should be worked on with the aim of achieving big results.

## MonotaRO Spirit

### Find creative solutions without compromising budget and resources

We cannot allow costs or availability of resources to stop us evolving. There will always be limits on these, the costs and resources we can afford, just to varying degrees. We simply have to overcome those constraints and solve the problems that face us.

### Comply with laws, norms and ethics, and carry out our social responsibility

We are part of society and understand that in order for society to grow sustainably, appropriate laws, norms, and foundations, such as a healthy global environment and respect for human rights, are required. We ensure we have a deep understanding of laws and social norms, seek to act ethically, and work toward a more sustainable world.

# VALUE PROPOSITION

By making indirect material procurement much easier and more convenient, we create useful, usable time  
**= Increasing the value of time**

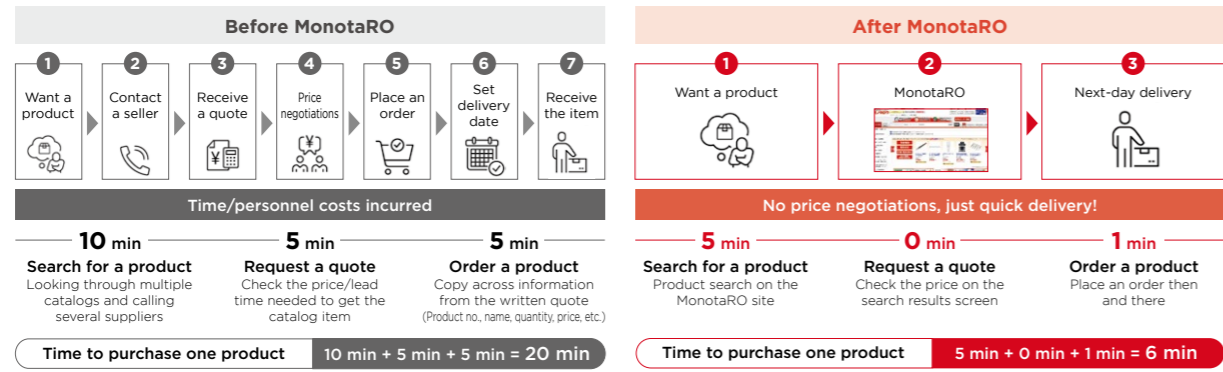
## The MonotaRO Business Model

In line with our mission to innovate business procurement networks, we are working to reform indirect material procurement. In the past, customers would have to physically visit shops or wait for sales representatives from tools shops or hardware suppliers to visit in person. We have changed things so that customers can now order items over the internet from anywhere and at any time, ordering multiple items simultaneously at a time convenient to them. We have also helped customers quickly find what they want from our extensive product offering, and by making purchasing controls simpler, we are helping to make indirect material procurement more efficient.

Conventional suppliers	The value we provide
Unclear pricing, different for every customer	<b>One-Price Policy</b> • The same price applies to everyone • Customers waste less time and effort on small orders
Labor-intensive and small, localized markets	<b>Low-Cost Operations Founded in IT</b> • With online sales, we can efficiently cover demand for each customer and product • Our efficient operations take advantage of our scale
Sales rely on how knowledgeable the sales representative is	<b>Database Marketing</b> • We have replaced sales representatives with advanced database marketing powered by extensive data
Limited product availabilities	<b>Extensive Product Range/One-Stop Shopping with Same-Day Shipping for a Growing Number of Items</b> • We are expanding the product categories of items we sell and run our own distribution centers
Sell mainly expensive national brand products	<b>Desired Private Brand Products</b> • We use our scale to procure these from inside and outside Japan at a reasonable price

## Procurement Processes Can Raise the Value of Time

Using MonotaRO, customers can save effort and time used to procure the things they need to do their jobs. Through our services, they can use the convenience afforded by an ever-evolving search system, an easy-to-understand interface, and other site contents such as services and trivia. Also, by aggregating suppliers, procurement management is made much easier. Despite all this, we still strive to go even further to enhance our customers' overall satisfaction.



Note: Average times according to our research

## What MonotaRO Can Do to Raise the Value of Time for Its Customers

### 1 From product search to order: the products you need available and easy to find

Our extensive product range covers more than 22 million products, but customers can quickly find what they need through an advanced search system and product recommendations based on behavioral data on industry and purchasing trends.

**Example 1: Optimizing search display orders to the user's industry**

Medical user →

Manufacturing user →

**Example 2: Search terms include nicknames of products or commonly used alternative terms in industries indicating particular products**

"Namidame" or tear drop eyes indicating door bumpers

"Neko" or cat indicating wheelbarrow

### 2 From product ordering to delivery: quick deliveries with a clear delivery date

In the product description, the estimated number of days until shipping is displayed, so there is no need to check whether a delivery date suits the customer before shipping. We send the customers notifications when we receive their orders and when products are shipped. Our efficient distribution operations can offer shorter shipping times, including around 666,000 products with same-day shipping and 569,000 ones with next-day shipping.

**当日出荷** (same-day shipping)

**翌日出荷** (next-day shipping)

**3日以内 出荷** (shipping within 3 days)

Example of a notification on receipt of order

Introduction of package drop service

### 3 From product delivery to payment: easy to pull together and manage

By downloading their purchase histories and delivery notes, customers can manage products, order dates, unit prices, quantities, and other information.

### 4 From purchase improvement concepts to completion: resolving purchasing issues

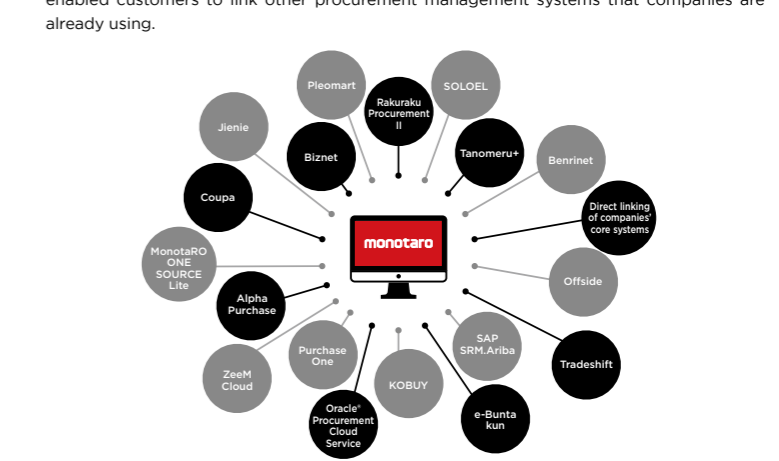
Our system connection teams support customers, particularly larger corporations, to resolve purchasing issues such as by making purchasing activities more visible and strengthening their corporate governance.

- MonotaRO's original procurement management system
- Procurement management system linking (Punchout\*)

**ONE SOURCE Lite**

Our system is as easy to use as our online sales site, and lets customers utilize indirect material aggregated purchase services without introduction or operation costs!

<b>No initial costs! Can be introduced quickly!</b>	<b>No database construction and operation costs!</b>
<b>Put together approval processes!</b>	<b>Close support via a dedicated customer support team</b>



\*A function that allows customers to buy products from external catalog sites linked to their purchasing management system.



# BUSINESS OVERVIEW

We have crafted a sales website where customers can quickly find what they need from our extensive product range, and the sales website is equipped with state-of-the-art database marketing functions that can accurately recommend products to individual customers. At the distribution centers we run, too, we have made advances in data-driven, speedy delivery services. This kind of convenience has been highly praised, and a large number and types of worksites of every scale use our services, including manufacturing-related factories and warehouses, and sites connected to construction, the automotive industries, agriculture, restaurants, education, or research organizations. Our business is not limited to Japan. We have now expanded our indirect material sales business into South Korea, Indonesia, and India, catering to the business environment in each.

## Business in Japan

We run an online sales business selling indirect materials to businesses. For small and medium sized enterprises (SMEs), we offer an online sales website (monotaro.com), and for enterprises we have developed a business in system connections.

Indirect material products, unlike direct materials such as those materials and parts that go into a finished product, usually have lower individual prices and are part of smaller purchases but are characterized by the vast array of different types available. Therefore, for the buyer, the time and effort involved in buying each separately is an issue. Moreover, as we also offer private brand products with good cost performance, we help to reduce the costs associated with indirect material procurement.

We have sited our distribution centers in Ibaraki and Hyogo prefectures, and they cover the east and west of Japan respectively. By holding stock at each, we are able to achieve quick, efficient distribution operations.

We also promote environmental initiatives such as switching the electricity we use in the distribution centers we run to that from renewable or carbon-offset energy sources. Going forward, too, we wish to remain a company that is needed by society and to that end we aim to contribute to the development of industry and society.

### A wide range of products that cater to complex needs

**Approx. 22 million products handled**

By utilizing the strength of the internet, we offer a wide variety of products, including those purchased infrequently (long-tail products), to meet diverse needs.



### Providing a broad range of products more efficiently

**More than 2,000 suppliers**

We deal with suppliers in various countries. Through increasingly sophisticated supply chains, we can procure products for our customers more quickly, more accurately, and more efficiently.



### Distribution facilities that enable swift shipping

**Approx. 559,000 products held in stock**

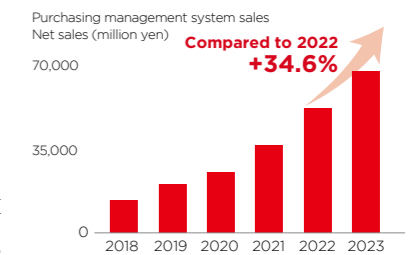
To put in place a faster shipping framework, we carry out warehousing and shipping operations at distribution centers that we operate ourselves. Our highly efficient, flexible operations can minimize the time it takes for customers to get their products, and we are always striving to improve convenience.



### Purchasing management systems for enterprises

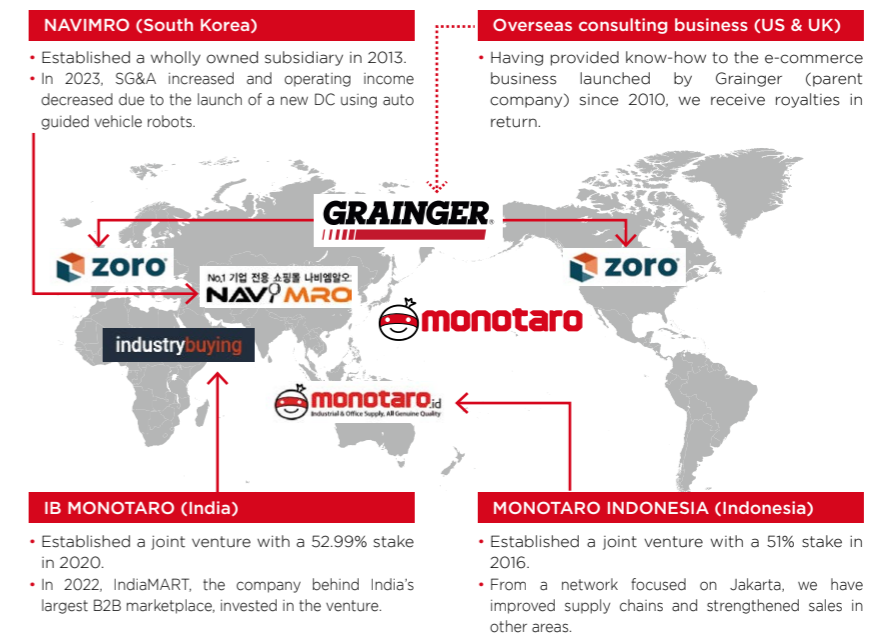
**Approx. 3,500 companies have introduced our systems**

Through the purchasing management systems that we provide, ONE SOURCE and ONE SOURCE Lite, or by linking systems developed by other companies, we help our enterprise customers visualize and hence better understand procurement and achieve greater efficiency. We have also enhanced our IT and customer center support and are driving increases in sales.



## Business Outside Japan

We at MonotaRO may have got our start in Japan, but we are now expanding our business overseas. The potential offered by business outside Japan in growing markets is significant, and we are combining the e-commerce expertise we have gained in Japan to business practices elsewhere. As the MRO procurement market circumstances vary by country, we have adjusted our business for each with local stock and payment systems.



Note: Overseas consulting business revenue is recorded on a non-consolidated basis, while revenue from overseas subsidiary business is recorded as part of consolidated figures.

# 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.



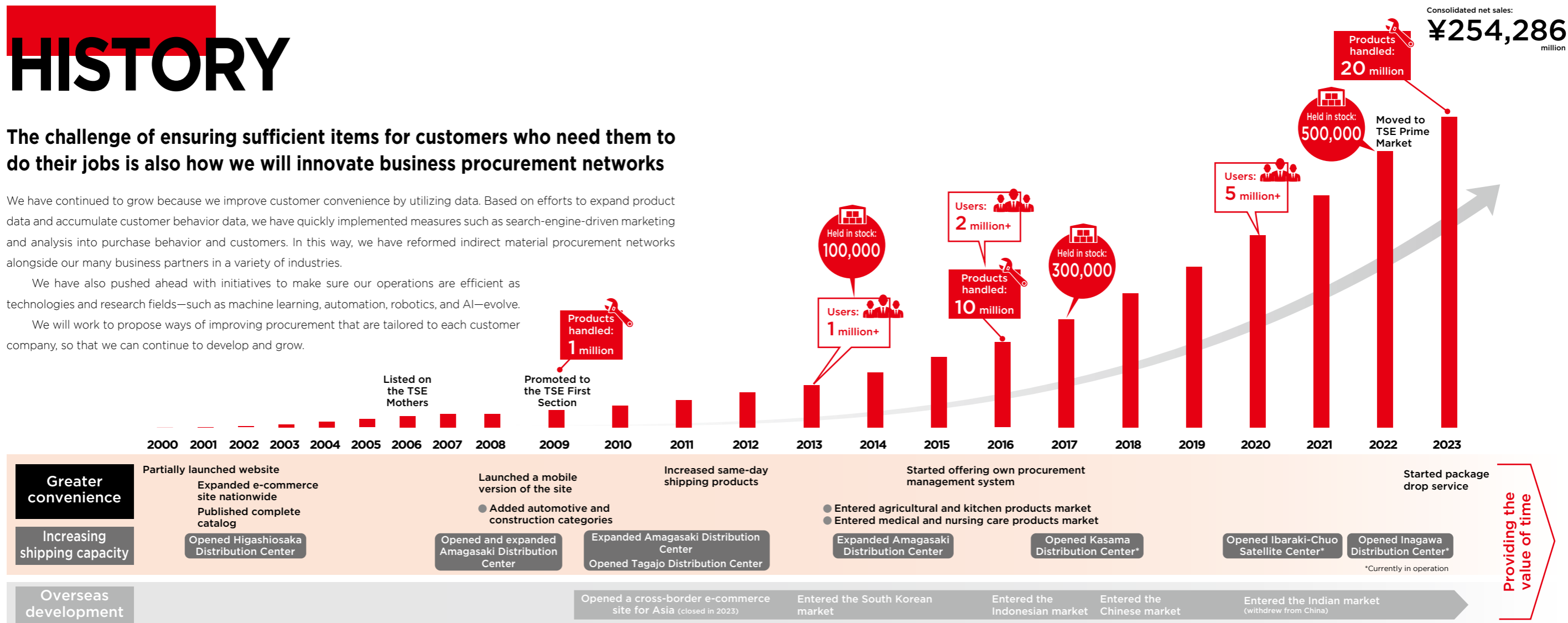
# HISTORY

## 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.



**Greater convenience**

Partially launched website

Expanded e-commerce site nationwide

Published complete catalog

**Increasing shipping capacity**

Opened Higashiosaka Distribution Center

Opened and expanded Amagasaki Distribution Center

Expanded Amagasaki Distribution Center

Opened Tagajo Distribution Center

**Overseas development**

Opened a cross-border e-commerce site for Asia (closed in 2023)

Entered the South Korean market

Entered the Indonesian market

Entered the Chinese market

Entered the Indian market (withdrew from China)

**Providing the value of time**

Started package drop service

Started offering own procurement management system

Entered agricultural and kitchen products market

Entered medical and nursing care products market

Opened Kasama Distribution Center\*

Opened Ibaraki-Chuo Satellite Center\*

Opened Inagawa Distribution Center\*

\*Currently in operation

### 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.

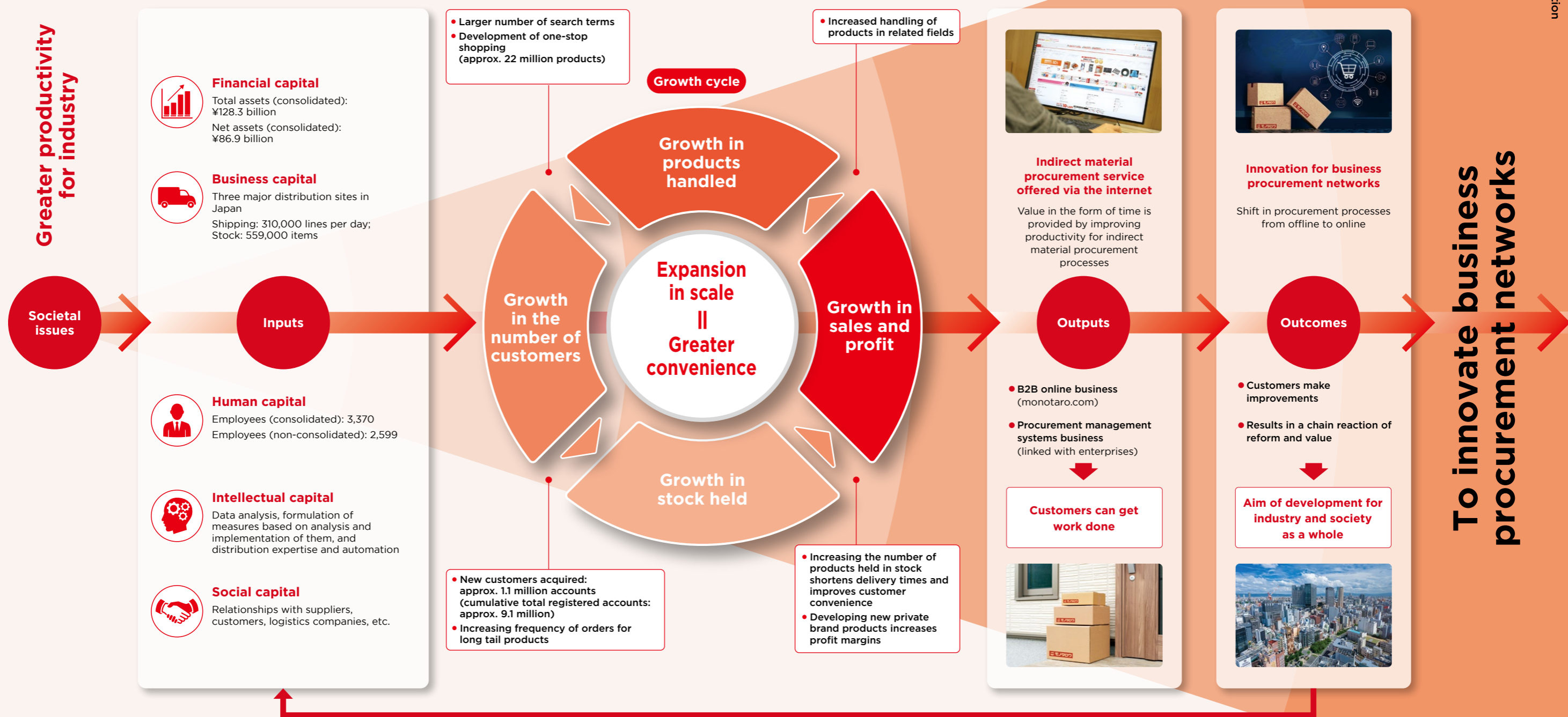
# VALUE CREATION

- 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.

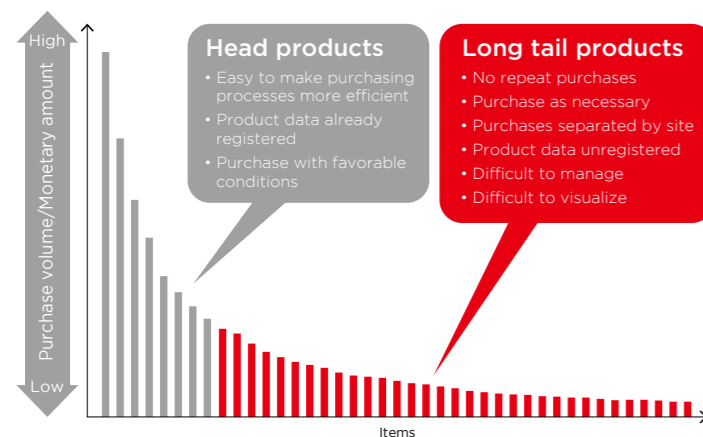
#### Time and energy required

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.

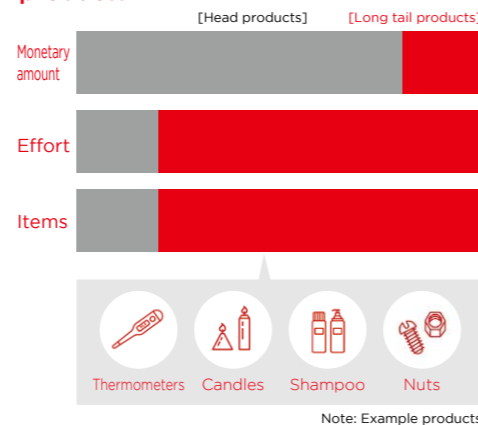
#### Different procurement processes

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.\*

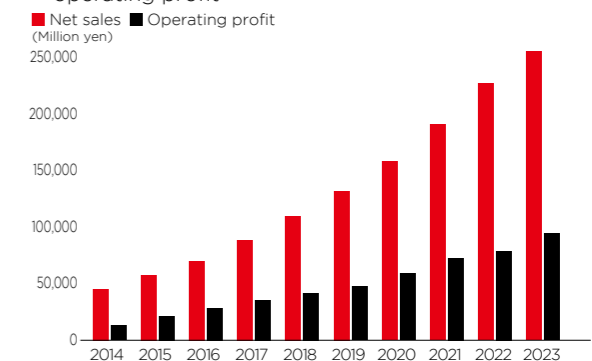
The advantage of having their items delivered so quickly is that customers do not need to keep large stocks at hand themselves but can buy the number of items they need when it suits them. This lessens the burden associated with ordering and order management. When customers recognize this convenience,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



### 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.

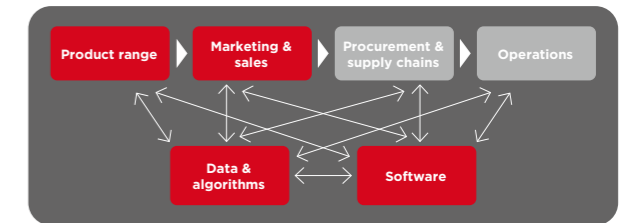
Our competitive advantage is also underpinned by solid foundations. These are formed of the organizational layout that allows us to respond to changes and continue to thrive, and the personnel systems and human resources development that treat our people as a type of capital (i.e., a valued resource) 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.

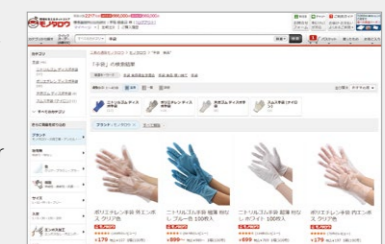
The search system we offer combines full-text searches and machine learning. The former involves providing users with results for product information that includes text that matches their search terms, while the latter function suggests products that are related to those terms. The search results are 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

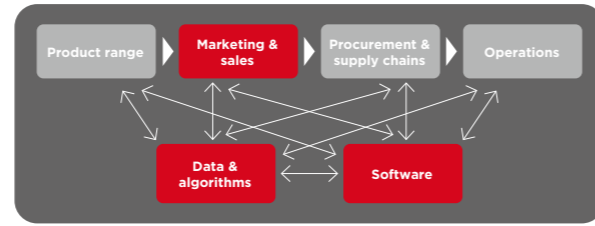




### [Example combination ②]

## 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.



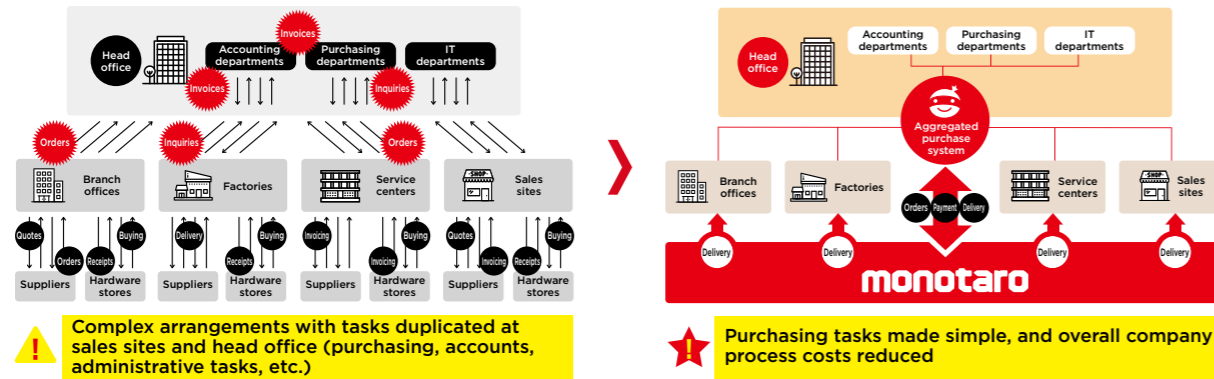
#### Corporate needs

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.

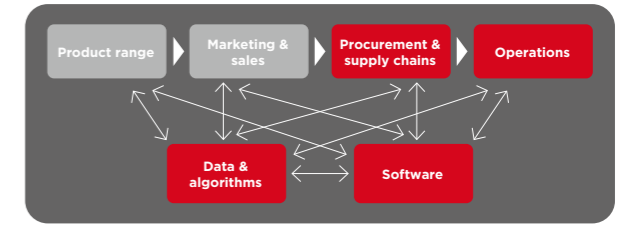
In order for us to run studies into how we can help customers improve their indirect material procurement, we will put energy into visiting production sites going forward. By deepening our understanding of customers' production processes and how they use indirect materials, we can further enhance the 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.

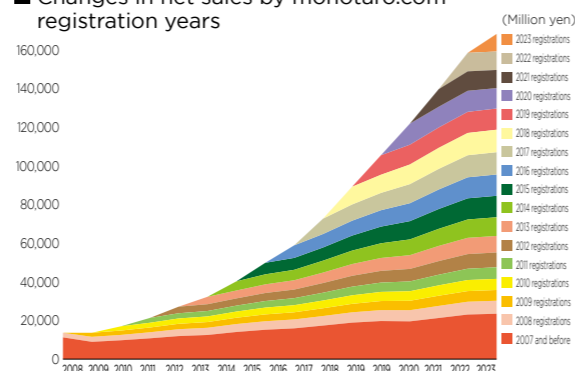
### B2B Online Business (monotaro.com)

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.

■ Changes in net sales by monotaro.com registration years



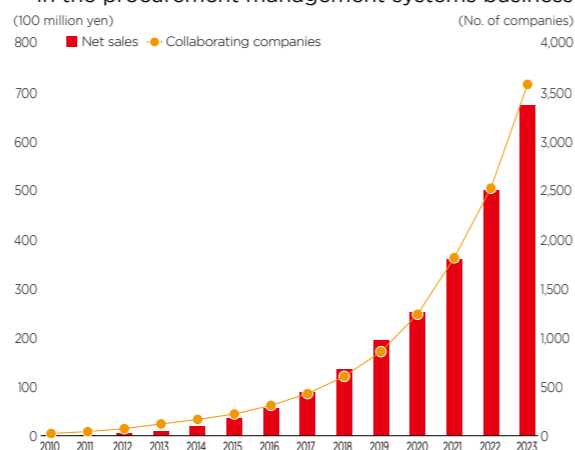
### Procurement Management Systems Business (Linked with Enterprises)

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.

■ Changes in net sales and collaborating companies in the procurement management systems business



### 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/>



# 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.

### 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

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.

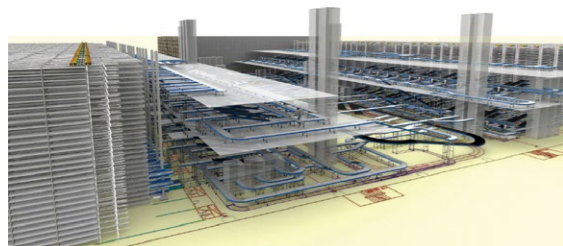
We launched a project and ran an experiment to quantitatively understand the indirect material distribution market in Japan, considered from the two perspectives of the products we handle and our customers' business activities. As a result, we were able to verify anew the size of market was somewhere





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.

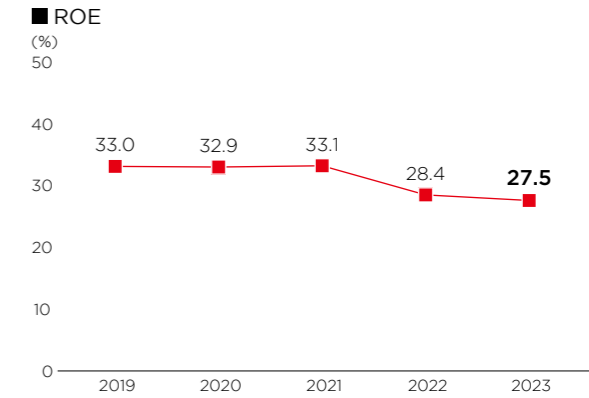
**Financial KPIs and Future Goal**

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%).

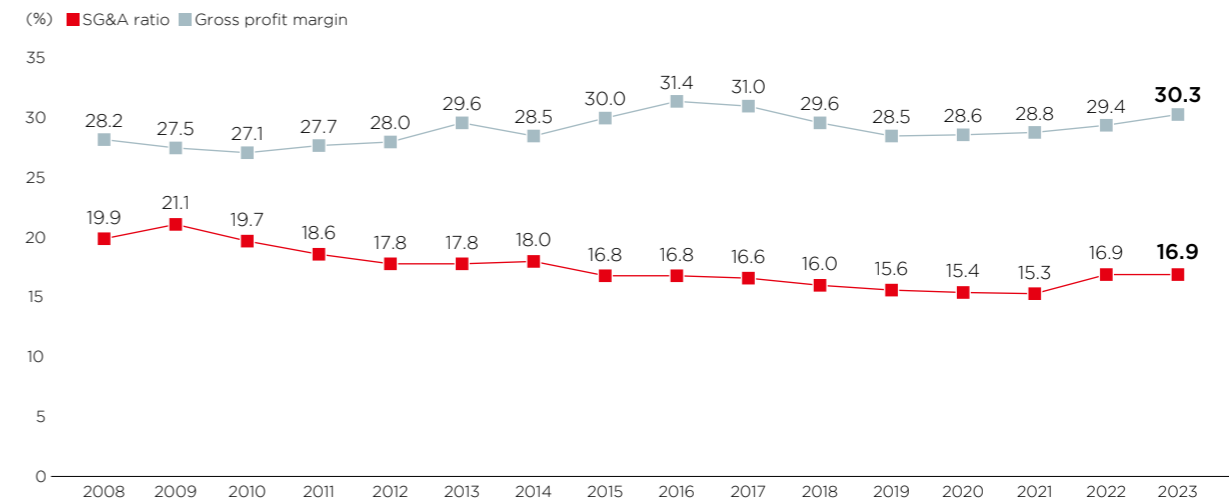
Looking at return on equity (ROE), the important first step is to maintain profits at an appropriate level and make cost-effective investments. On the other hand, for the profit that we create as a result of our business activities, as well as using it effectively as an investment resource for future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

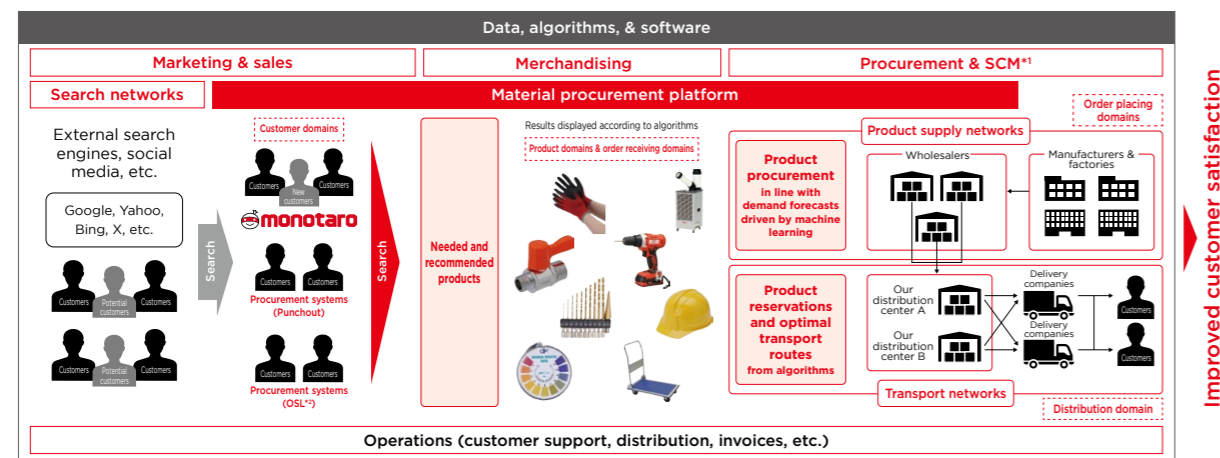
Our systems perform any number of roles, including further evolving the purchasing experiences, first and foremost enabling customers to quickly search for the products they want; advancing our marketing to gain new customers and improve awareness among companies; and optimizing processes from receiving 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

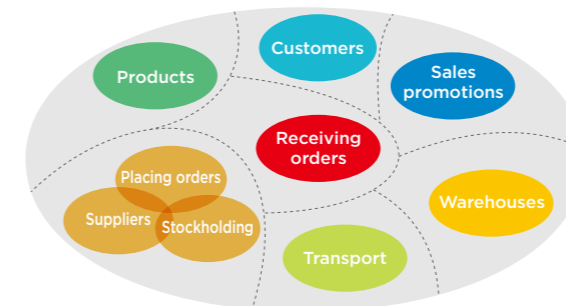
## Rebuilding of Our Architecture

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

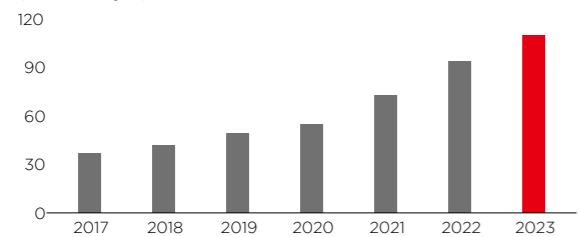
## MonotaRO's Overseas Business

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)



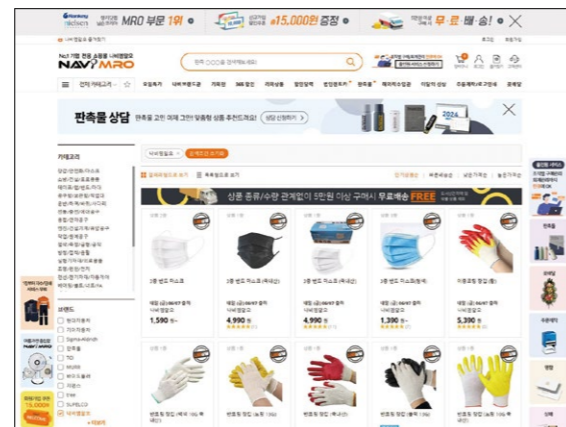
## South Korea



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

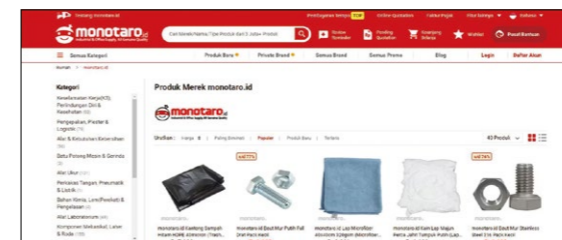


In 2016, we launched a business in Indonesia. What characterizes the Indonesian market is that labor costs are lower than those in Japan and that offline retailers hold a strong position. As the economic value of time is dependent on labor costs, in Indonesia how much time it takes to procure indirect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



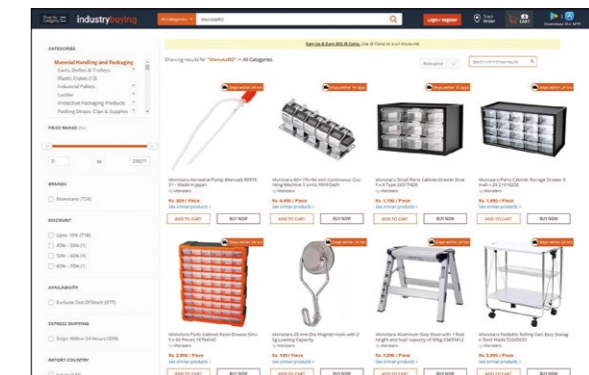
## India



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.

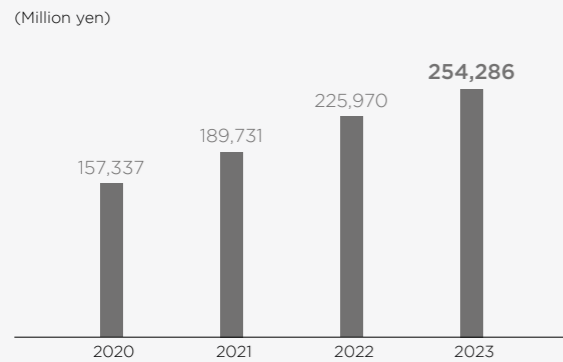
While this market is extremely appealing, some fundamentals of a society—such as addresses and delivery infrastructure—are not sufficiently in place, and another issue is the high rate of returns resulting from the large number of cash on delivery payments.

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.

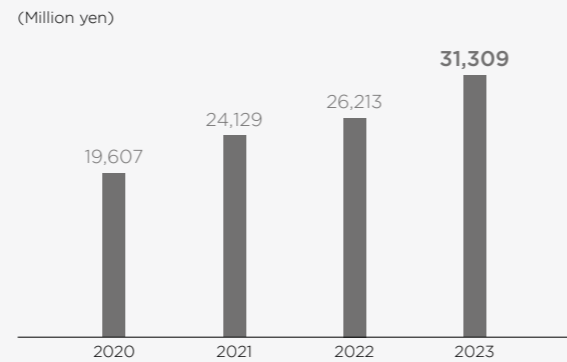


# FINANCIAL HIGHLIGHTS

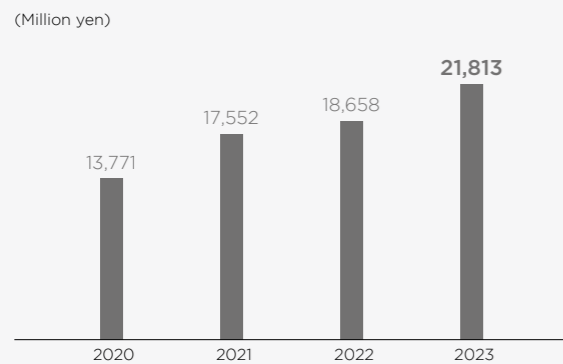
## Net sales (consolidated)



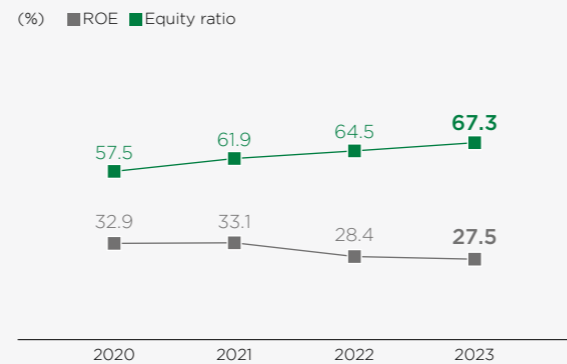
## Operating profit (consolidated)



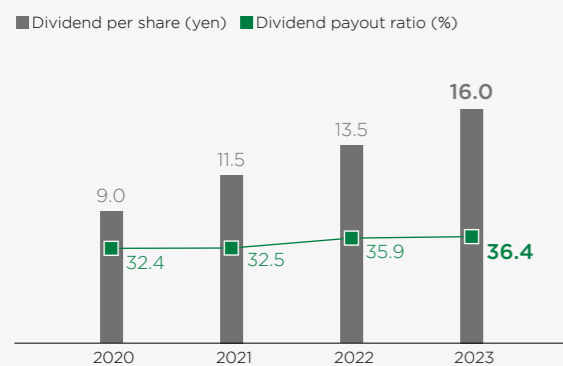
## Net income attributable to owners of the parent



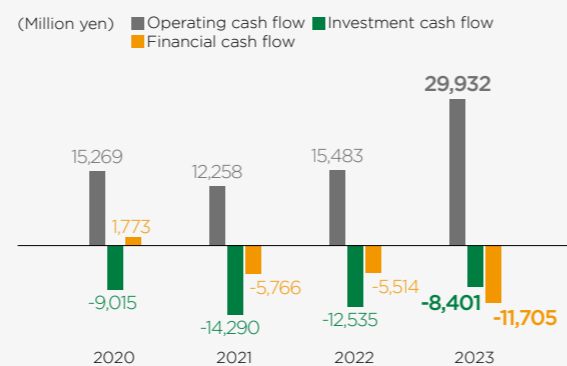
## Return on equity (ROE) / Equity ratio



## Dividend

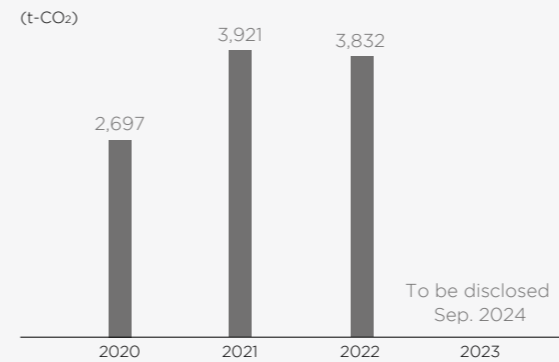


## Cash flows

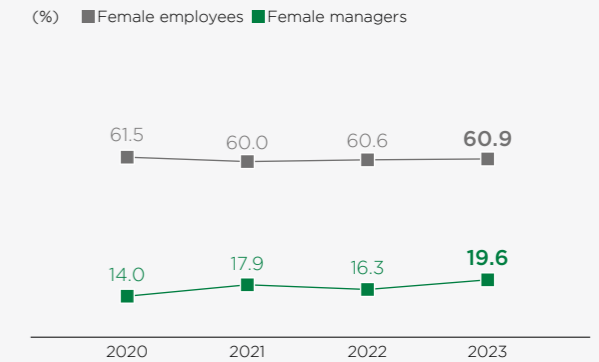


# NON-FINANCIAL HIGHLIGHTS

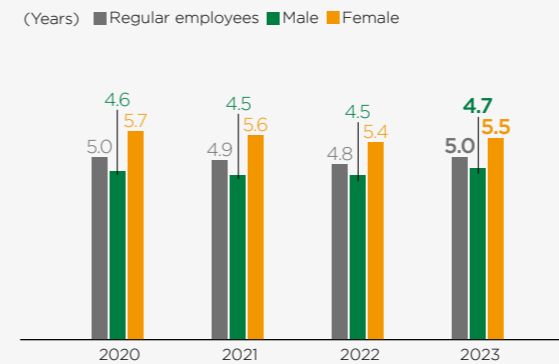
## CO2 emissions (Scope 1 + Scope 2)



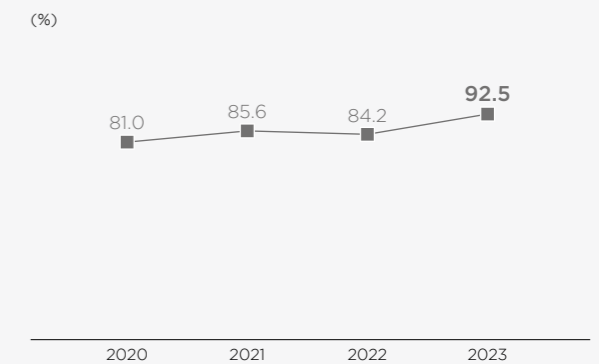
## Percentage of female employees & managers



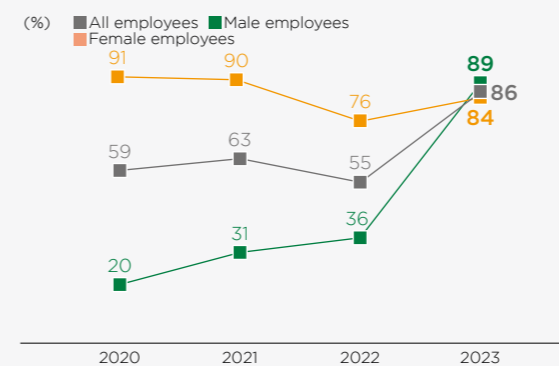
## Average length of service



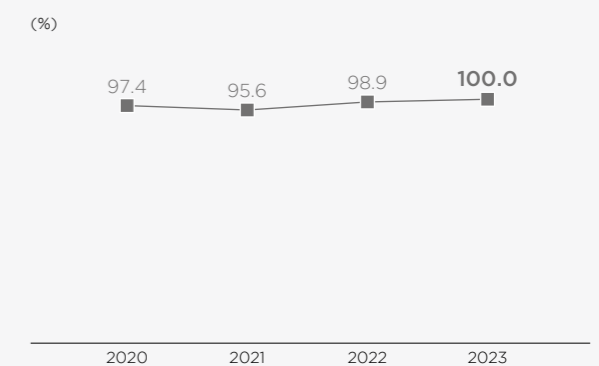
## Paid leave utilization rate



## Childcare leave utilization rate



## Health check uptake rate





# 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

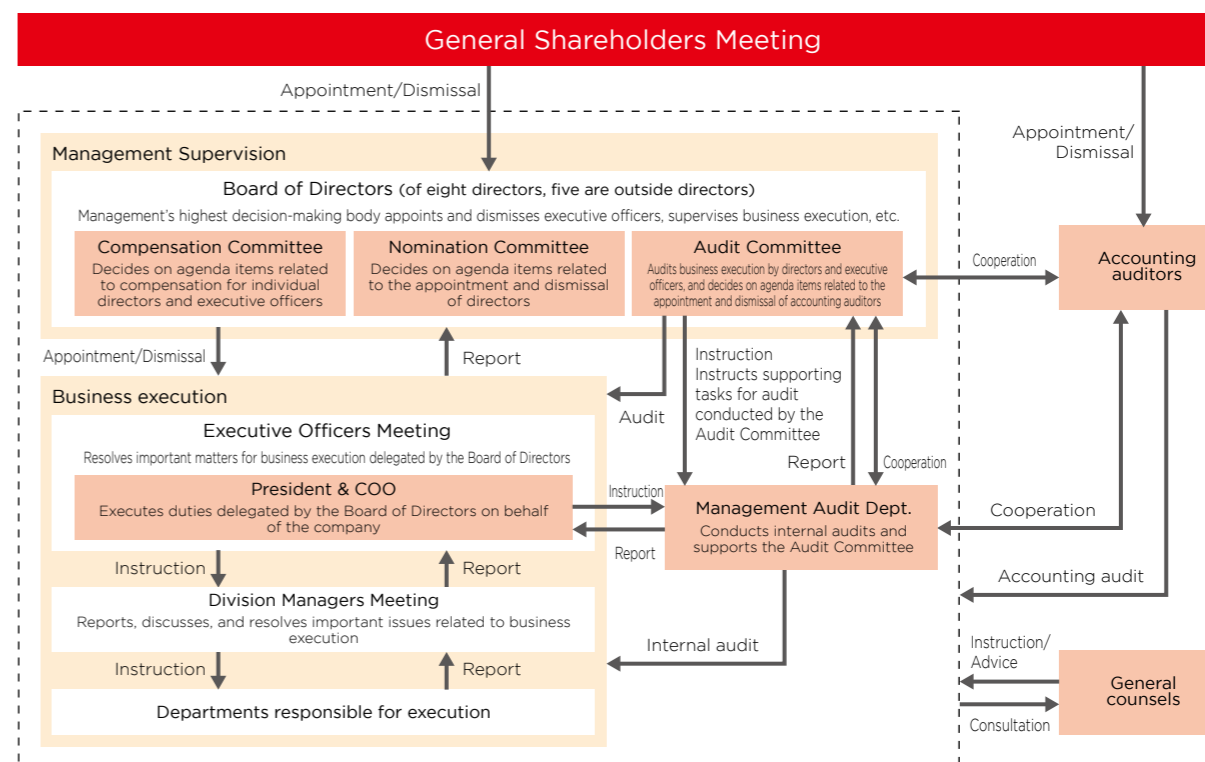
MonotaRO has appointed two representative executive officers from among the executive officers to represent the company. The representative executive officers perform the duties entrusted by dint of the Board of Directors resolution. In addition, the representative executive officers are obliged to report 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 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.

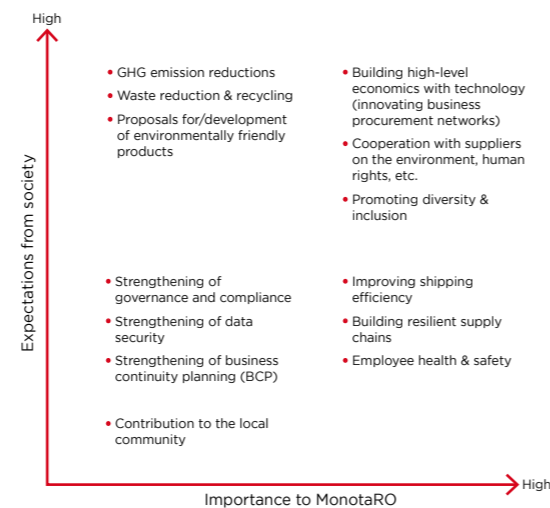
**Sakuya Tamura**  
President and COO

## 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.

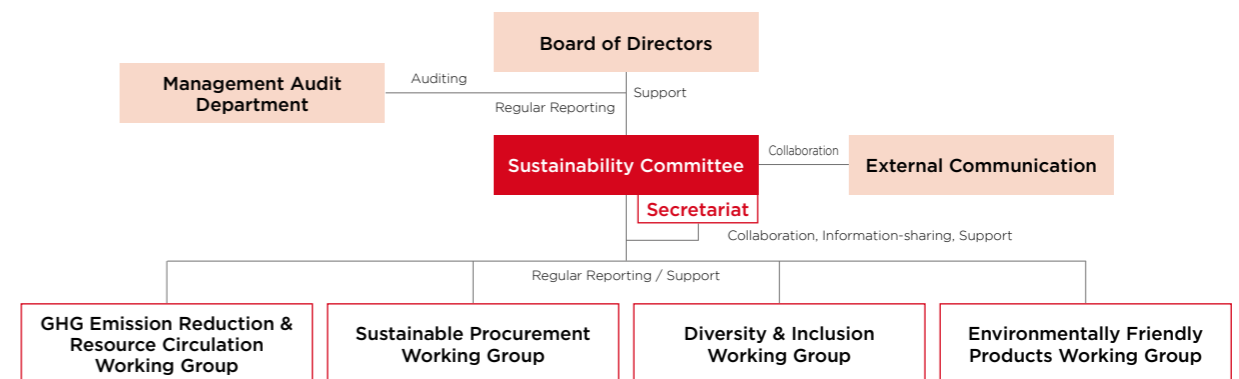


## Relationship Between Priority Areas of Focus and the SDGs

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)

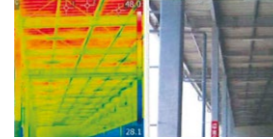
Kasama Distribution Center (Kasama DC) in Ibaraki  
Ibaraki-Chuo Satellite Center (Ibaraki-Chuo SC) in Ibaraki  
Inagawa Distribution Center (Inagawa DC) in Hyogo

- 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

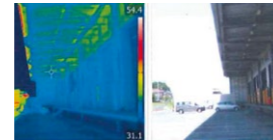
### Promotion of Energy Saving

- 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



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.



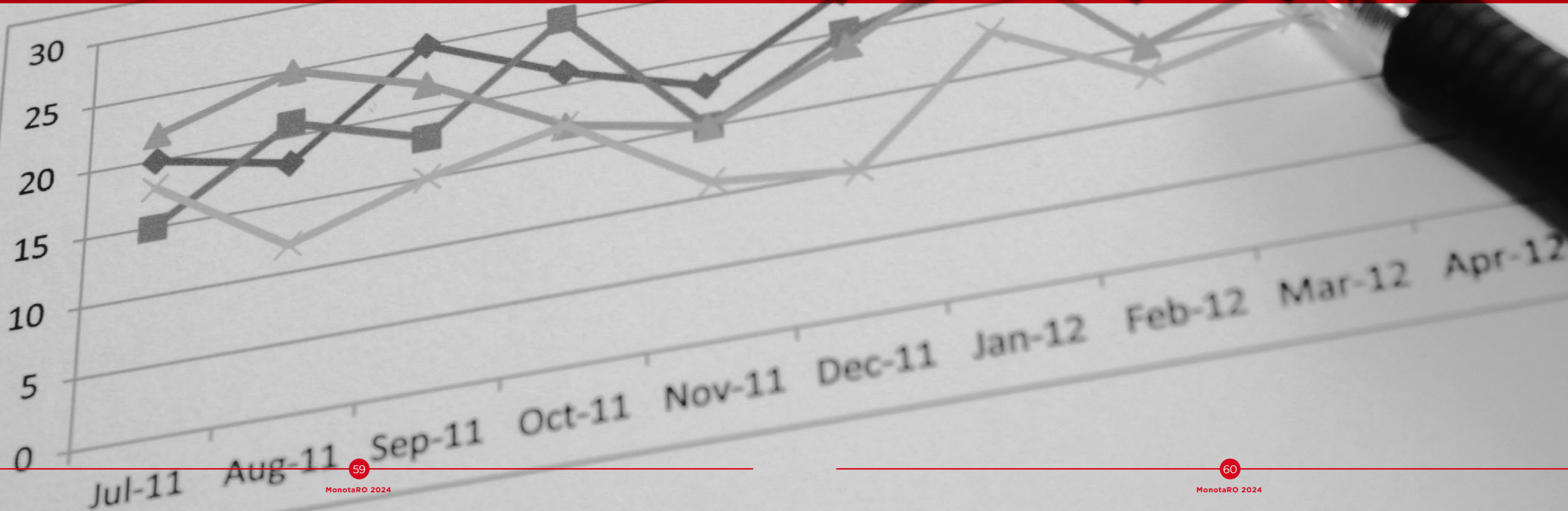
As a measure to make it easier to find environmentally friendly products, we have set up a dedicated page on the website and introduce products that have received various types of environmental certification from third-party organizations. In addition, for our online sales site (monotaro.com) and some 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.

# Financial Information & Company Profile



- A
- B
- C
- D
- E
- F



## Financial Indicators and Ten-Year Trends

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Financial statements (consolidated)</b>											
Cash and deposits	(million yen)	4,184	11,189	7,229	8,688	12,381	11,155	18,843	12,379	8,887	18,644
Total assets	(million yen)	17,868	28,744	36,353	42,861	50,706	59,691	81,263	95,789	111,737	128,352
Total liabilities	(million yen)	8,652	16,112	19,089	19,644	20,867	22,179	33,604	35,505	39,115	41,369
Total net assets	(million yen)	9,216	12,632	17,263	23,216	29,838	37,512	47,658	60,283	72,621	86,982
Net sales	(million yen)	44,937	57,563	69,647	88,347	109,553	131,463	157,337	189,731	225,970	254,286
Gross profit	(million yen)	12,934	17,327	21,895	26,929	32,027	37,095	44,694	54,045	65,437	75,964
Selling, general and administrative expenses	(million yen)	8,610	10,239	12,401	15,091	18,236	21,256	25,086	29,916	39,224	44,654
Operating income	(million yen)	4,323	7,087	9,493	11,837	13,790	15,839	19,607	24,129	26,213	31,309
Ordinary income	(million yen)	4,351	7,120	9,514	11,858	13,788	15,887	19,671	24,302	26,398	31,538
Net income	(million yen)	2,544	4,439	6,349	8,378	9,366	10,751	13,473	17,340	18,194	21,264
Net income attributable to owners of the parent	(million yen)	2,544	4,439	6,368	8,464	9,515	10,984	13,771	17,552	18,658	21,813
Operating cash flow	(million yen)	1,868	3,758	4,982	6,097	10,537	9,064	15,269	12,258	15,483	29,932
Investment cash flow	(million yen)	- 857	- 1,073	- 6,101	- 3,284	- 1,467	- 3,765	- 9,015	- 14,290	- 12,535	- 8,401
Financial cash flow	(million yen)	- 1,107	4,343	- 2,561	- 1,379	- 5,673	- 6,562	1,773	- 5,766	- 5,514	- 11,705
<b>Financial statements (non-consolidated)</b>											
Net sales	(million yen)	44,057	55,607	67,105	84,656	105,331	126,543	151,798	182,472	216,638	243,352
Gross profit	(million yen)	12,788	16,957	21,406	26,204	31,147	36,111	43,475	52,527	63,643	73,759
Selling, general and administrative expenses	(million yen)	8,172	9,593	11,624	14,035	16,868	19,681	23,325	27,993	36,558	41,084
Operating income	(million yen)	4,616	7,363	9,782	12,168	14,278	16,430	20,149	24,533	27,085	32,675
Ordinary income	(million yen)	4,651	7,398	9,800	12,177	14,250	16,444	20,194	24,647	27,239	32,891
Net income	(million yen)	2,843	4,718	6,631	8,699	9,825	11,309	13,139	17,701	19,044	22,072
<b>Shareholder return</b>											
Dividend per share*	(yen)	1.75	3.0	4.5	5.5	6.5	7.5	9.0	11.5	13.5	16.0
Dividend payout ratio (consolidated)	(%)	33.7	33.3	35.0	32.3	33.9	33.9	32.4	32.5	35.9	36.4
<b>Financial indicators (consolidated)</b>											
Earnings per share (EPS)*	(yen)	5.20	9.01	12.87	17.06	19.16	22.12	27.72	35.33	37.55	43.90
Book-value per share (BPS)*	(yen)	18.62	25.47	34.33	46.48	59.54	74.58	94.12	119.33	145.11	173.94
Return on equity (ROE)	(%)	31.0	40.9	43.0	42.2	36.1	33.0	32.9	33.1	28.4	27.5
Equity ratio	(%)	51.2	43.7	46.8	53.8	58.3	62.1	57.5	61.9	64.5	67.3
<b>Business-related data (consolidated)</b>											
No. of employees (regular)		242	282	338	377	480	572	765	994	1,275	1,375
No. of employees (other)		656	807	899	1,156	1,443	1,650	1,809	1,911	2,048	2,006
<b>Business-related data (non-consolidated)</b>											
No. of employees (regular)		207	234	250	278	334	401	490	588	710	772
No. of employees (other)		631	763	829	1,083	1,349	1,536	1,680	1,805	1,911	1,842
No. of products handled	(ten thousand SKU)	800	900	1,000	1,300	1,700	1,800	1,800	1,800	1,900	2,200
No. of products held in stock	(ten thousand SKU)	20.0	25.6	29.8	30.2	41.1	46.1	47.6	49.7	51.8	55.9
No. of products with same-day shipping	(ten thousand SKU)	30.0	38.0	45.0	50.0	52.4	59.0	61.0	61.0	61.0	66.6
No. of shares issued	(hundred shares)	619,260	1,244,988	1,250,154	1,252,342	2,505,404	2,506,232	2,506,310	5,012,750	5,013,476	5,013,510

\*We implemented 2-for-1 stock splits for ordinary shares in October 2015, October 2018, and April 2021. Dividend per share, earnings per share, and book-value for share have been calculated based on the assumption that those stock splits took place at the beginning of fiscal 2014.





# Company Overview & Stock Information

## Company Profile

Company name	MonotaRO Co., Ltd.
URL	<a href="https://corp.monotaro.com/index.html">https://corp.monotaro.com/index.html</a>
Business	Online indirect material products store
Founded	October 2000
Representative	Sakuya Tamura
Headquarters	3-2-2 Umeda, Kita-ku, Osaka, Japan
Employees	3,370 employees (part-time/temporary employees included)
Capital	2,042 million yen
Settlement date	December 31

### Logistics bases

- Kasama Distribution Center
- Ibaraki-Chuo Satellite Center
- Inagawa Distribution Center

### Subsidiaries

- NAVIMRO Co., Ltd. (South Korea)
- PT MONOTARO INDONESIA (Indonesia)
- IB MONOTARO PRIVATE LIMITED (India)

## Stock Information

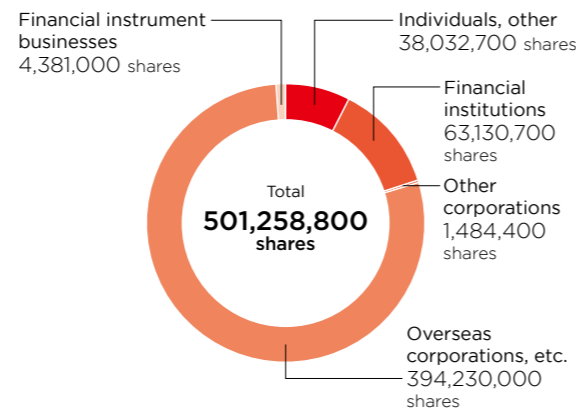
Stock code	3064	Number of shares constituting one trading unit	100 shares
Total number of shares authorized	675,840,000 shares	Stock exchange registration	Tokyo Stock Exchange Prime Market
Total number of shares outstanding	501,351,000 shares	Shareholder register	Mitsubishi UFJ Trust and Banking Corporation
Number of shareholders	59,833	Annual General Shareholders Meeting	In March

### Major shareholders (top ten)

Shareholder	Shares held (thousand shares)	Shareholding ratio (%)
GRAINGER GLOBAL HOLDINGS, INC.	250,112	50.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,082	8.47
Custody Bank of Japan, Ltd. (Trust Account)	13,506	2.72
CITIBANK, N.A.-NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	10,987	2.21
STATE STREET BANK AND TRUST COMPANY 505001	10,208	2.05
SSBTC CLIENT OMNIBUS ACCOUNT	8,711	1.75
MSIP CLIENT SECURITIES	6,675	1.34
THE BANK OF NEW YORK MELLON 140044	6,092	1.23
STATE STREET BANK AND TRUST COMPANY 505103	5,515	1.11
STATE STREET BANK WEST CLIENT - TREATY 505234	4,652	0.94

Note 1: For shares held, shares have been rounded down to the nearest thousand shares, and shareholding ratio has been rounded down to the nearest two decimal places.  
 Note 2: Shareholding ratio calculations have omitted treasury stock.

### Share distribution by shareholder type



\*Excludes 92,200 shares not making up whole share units

For inquiries about this integrated report

IR/PR Group of Business Administration Dept., MonotaRO Co., Ltd. E-mail: [pr@monotaro.com](mailto:pr@monotaro.com)

# Reference Information

### Online store supporting worksites

B2B online sales business (monotaro.com)

<https://www.monotaro.com/>



### Indirect material procurement reforms

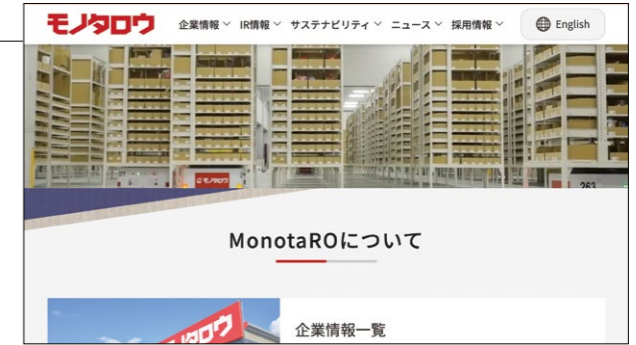
Procurement management systems business (linking with enterprises)

<https://procurement.monotaro.com/>



Corporate information site

<https://corp.monotaro.com/en/index.html>



IR information site

<https://corp.monotaro.com/en/ir/index.html>



**monotaro**

**MonotaRO Co., Ltd.**

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