

# Integrated Report 2025

Year ended December 31, 2024



## monotaro

### 1 About MonotaRO

After presenting MonotaRO's mission and principles, we detail the growth cycle and competitive advantages that have driven our steady growth.

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#### Editorial Policy

In this report, we summarize our value creation and describe the Company's pursuit of providing the value of time. We hope that it will help all stakeholders (customers, investors and others) to better understand MonotaRO. 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.  
<https://corp.monotaro.com/en/index.html>

#### Cautionary Note on Forward-Looking Statements

Earnings forecasts and other forward-looking statements in this integrated report are based on the information available at the time the report was produced, and involve known and unknown risks, uncertainties and other factors. Therefore, changes in these various factors could cause actual results to differ materially from those in forward-looking statements.



## 4 Business Growth

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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: January 1 to December 31, 2024

Note: Also includes some information from before or after this period.

Figures and statistics: Unless otherwise specified, figures and statistics are those for fiscal 2024 or are accurate as of December 31, 2024.

About Our Company Name

# MonotaRO

1

## **Sales of MRO supplies**

Indirect materials are also known as maintenance, repair and operations (MRO) supplies, signified by the capital letters in MonotaRO.

2

## ***Mono ga tariru* (to provide sufficient items)**

We provide one-stop services for whatever MRO supplies are needed.

3

## **The Momotaro of distribution**

We tackle the issues of inefficiency and lack of transparency in MRO supply procurement, like the hero Momotaro who defeated the ogres in the famous Japanese fairy tale of the same name.

## Mission

# To Innovate Business Procurement Networks

## 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 elements in a positive way. Respect for others translates to respect for ourselves, and is the very foundation for embracing diversity and creating trust and dynamism in workplaces. As such, our highest priority is to treat all of those around us with respect.

#### Accept our own mistakes as well as those of 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 with others on the next challenge.

### Time as a Resource



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

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

#### Assess risks with an appropriate sense of urgency

Many challenges result in failure, but it is possible to try again. If you are worrying about mistakes and spending all your time planning, without ever reaching the action stage, you have 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.

### Listening



#### Listen to those around you

We have made innovating business procurement networks our mission and are committed to putting it 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.

#### Perceive changes in the environment, technology and customers

As things that once seemed difficult to achieve become commonplace with the emergence of new technologies, customer expectations also rise. We therefore believe that being able to accurately understand changes in the business environment, technologies and customer circumstances will lead us to growth.

### Goals and Processes



#### Perform duties with an 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. In addition, we should rid ourselves of unnecessary tasks and concentrate on getting better at the tasks that deserve our focus.

#### Achieve significant results by conducting small hypothesis tests

We act upon the facts as we find them. The first step to coming up with measures designed with customers' needs in mind is, fundamentally, to run small trials and see how they turn out. 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 significant results.

### 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 bound by the status quo; we must instead consider ways we can improve.

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

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

### MonotaRO Spirit



#### Find creative solutions despite budget and resource constraints

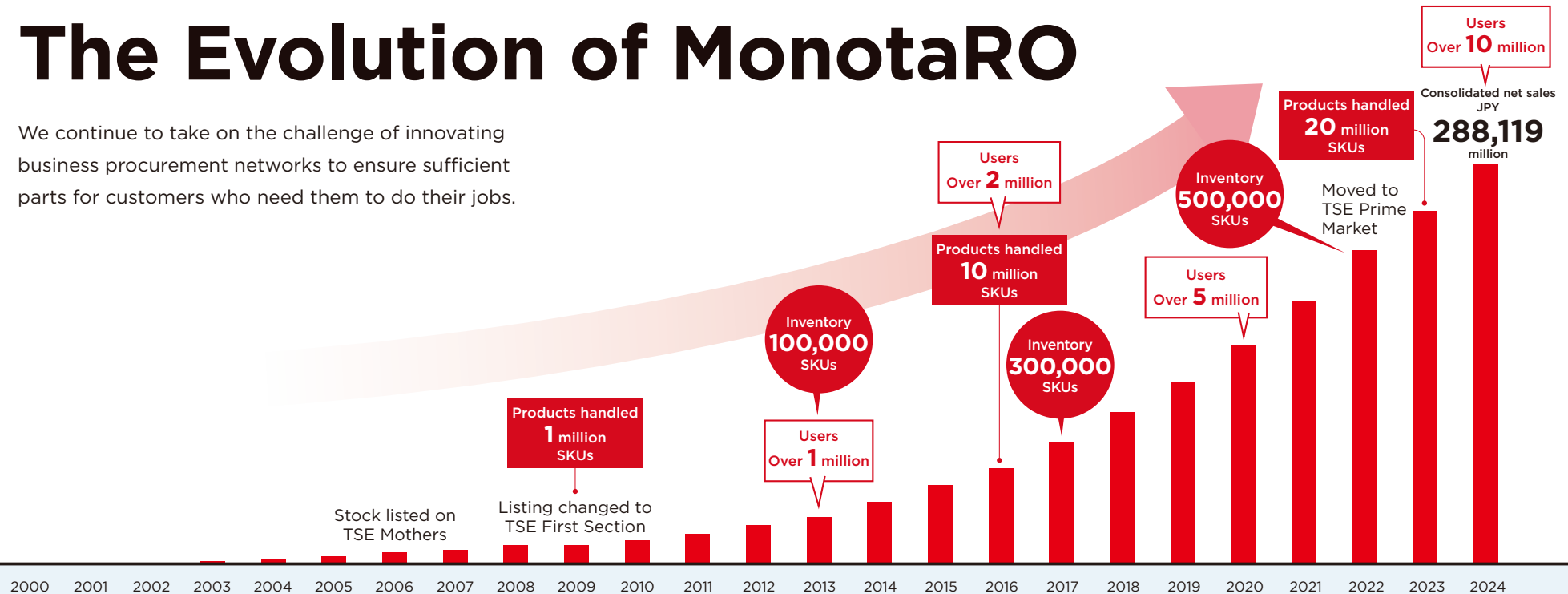
We cannot allow costs or availability of resources to stop us from evolving. There will always be limits on costs and resources we can afford, just to varying degrees. We simply have to overcome those constraints and solve the problems that face us.

#### 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 those related to a healthy global environment and respect for human rights, are required. We have a deep understanding of laws and social norms, seek to act ethically and work toward a more sustainable world.

# The Evolution of MonotaRO

We continue to take on the challenge of innovating business procurement networks to ensure sufficient parts for customers who need them to do their jobs.



## 2000s

The switch from offline to online

When MonotaRO was founded, MRO supply distribution was opaque and inefficient. Different pricing for different customers was common practice, and it was necessary to check estimates and delivery dates every time. With a focus on that issue, we built an e-commerce platform where anyone can find out product prices and delivery dates, as well as complete the MRO supply procurement process online. Back then, the IT environment driven by the technology revolution was beginning to take shape, and we were quick to adopt machine learning in pursuit of greater efficiency and effectiveness. The start of targeted advertising on external search engines provided a tailwind for us, as we did not engage in outside sales activities at that time.

### Main Initiatives

- Start of online sales of MRO supplies
- Development of distribution centers and systems to handle customer orders
- Development and sale of private brand products
- Marketing using machine learning
- Targeted advertising on search engines

## 2010s

Achievement of a high level of productivity through investment in systems and logistics

The number of SKUs increased substantially after investments in IT led to stable management of vast amounts of data. The expansion of long-tail products\* has led to an increase in the number of customers, as well as greater diversity in their industries and the scale of their business. More customers also meant that we were accumulating more behavior data, and we pushed for a data-driven style of management. By building new distribution centers, introducing robots, improving search functions and optimizing demand forecasting, we established a structure to make products even easier to find and faster to deliver. We also achieved higher productivity. In addition, we began a full-scale launch of a business aimed at large enterprises.

\* Products with low purchase frequency

### Main Initiatives

- Major expansion in number of products handled (from 1 million SKUs at end of 2009 to 18 million at end of 2019)
- Major expansion in number of items in stock (from 48,000 at end of 2009 to 461,000 at end of 2019)
- Expansion and opening of distribution centers
- Introduced automated guided vehicle robots in distribution centers
- Started offering own procurement management system

## 2020s

Better understanding of customers and becoming their preferred choice

The impact of shortages caused by a surge in demand and supply chain disruptions related to the COVID-19 pandemic led to a substantial increase in registered customers, including general consumers. The increase in customers accelerated the diversification of needs, so we focused on enhancing the customer experience by promoting personalization of search results and product recommendations. For distribution, we are automating operations and making improvements not only in labor-intensive processes such as picking, grouping of package items, packing and shipping, but also in the receiving, inspection and shelving processes.

### Main Initiatives

- Send out flyers with product advertisements personalized for each customer
- Product recommendations personalized in real time on our sales website (monotaro.com)
- Market analysis by customer business scale
- Measures to improve customer satisfaction (e.g., extension of order deadline for same-day shipping)
- Inventory synchronization with suppliers

# MonotaRO by the Numbers

## Company Information (Consolidated)

Founded

2000

Employees

3,487

Regular Employees

1,432

Numbers of Countries Where  
We Operate

4

## Non-Financial Information (Japan)

Childcare Leave  
Utilization Rate

83%

Percentage of  
Female Employees

60.7%

Percentage of  
Technical Employees

31.2%

Number of Suppliers

More than  
2,500  
companies

Number of Products  
Handled

More than  
24 million  
SKUs

CO<sub>2</sub> Emissions\*

1,168 t-CO<sub>2</sub>

## Financial Information (Consolidated)

Net Sales

JPY

288.1 billion

YoY change

13.3%

Operating  
Income

JPY

37.0 billion

YoY change

18.4%

Operating  
Income Margin

YoY change

0.6 pts.

12.9%

ROE

YoY change

0.2 pts.

27.7%

PBR

12.8 times

PER

50.4 times

Equity Ratio

YoY change

4.2 pts.

71.5%

Total Asset  
Turnover

YoY change

0%

2.1 times

\* Scope 1 and 2 emissions (market based)



See ESG data page on our website for details of non-financial information. (Japanese only)  
[https://corp.monotaro.com/ir/sustainability/sustainability\\_06.html](https://corp.monotaro.com/ir/sustainability/sustainability_06.html)

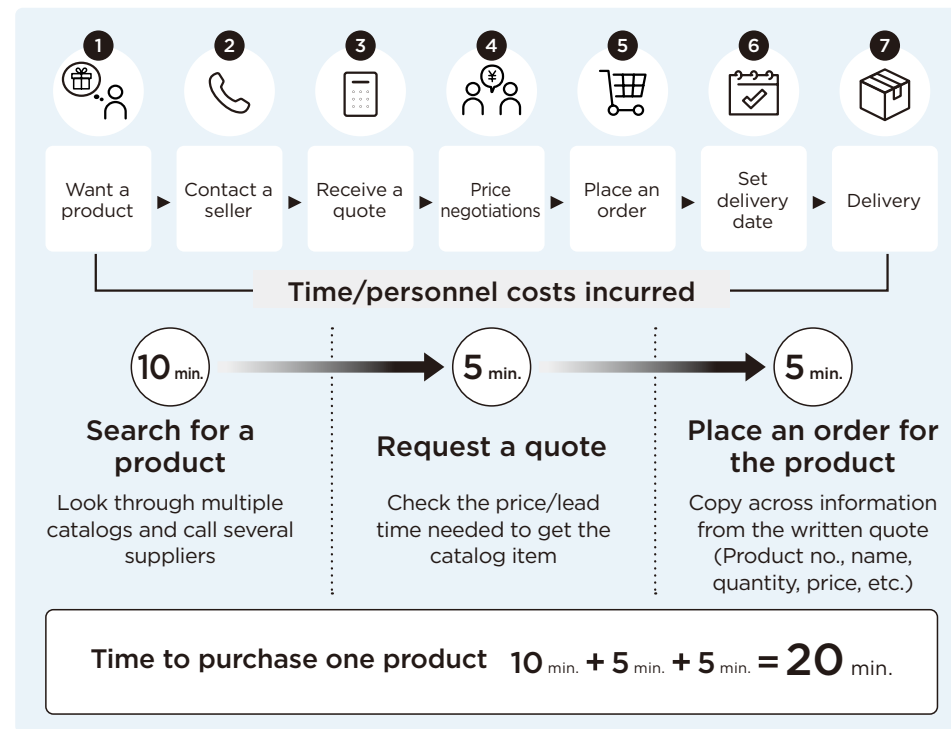
Note: Figures are as of December 31, 2024

# The Challenge of Innovating Business Procurement Networks

**B2B Online Business (monotaro.com)**

Increasing the Value of Time in MRO Supply Procurement

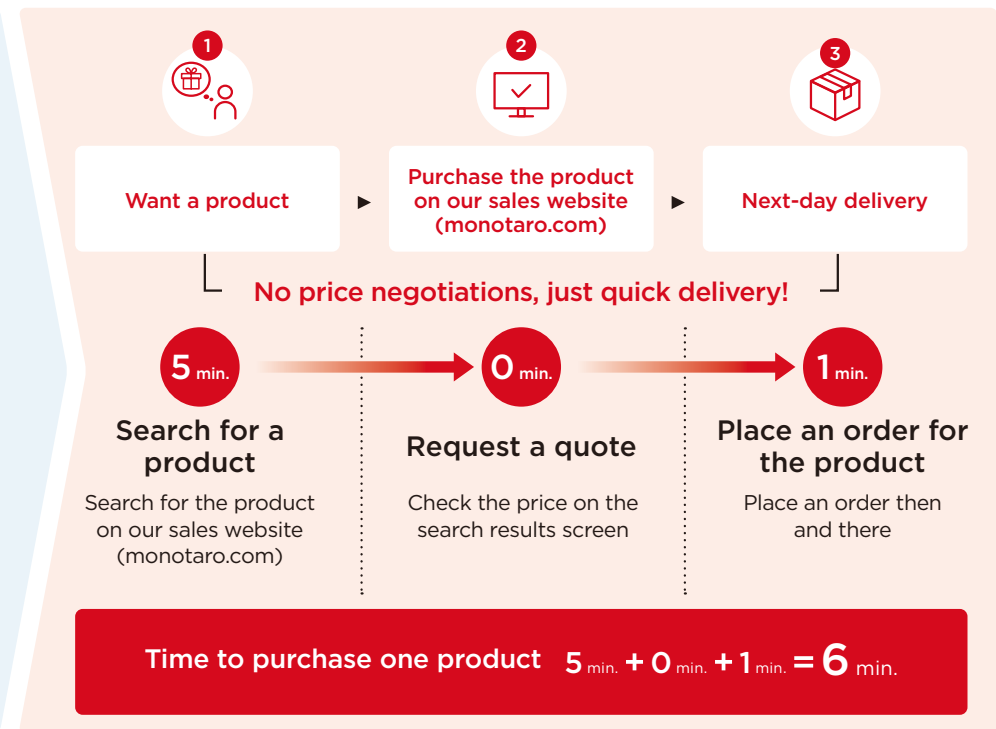
## Conventional Way of Doing Things



Note: Average times according to our research

We offer a sales website (monotaro.com) for sole proprietors and small and medium-sized enterprises (SMEs). Compared with direct materials (such as raw materials or components used in final products), MRO supplies are usually characterized by lower purchase amounts, frequency of individual purchases and the wide range of types available. The time and labor required for purchasing MRO supplies is a key issue for many customers.

## With MonotaRO



Using our sales website (monotaro.com), customers can save effort and time used to procure the things they need to do their jobs. We are growing our customer base by leveraging our extensive database to strengthen initiatives such as enhancing searchability, shortening lead times and expanding the number of SKUs.

## Procurement Management Systems Business (for Large Enterprises)

## Visualizing the Procurement Process

### The Two Types of Solutions We Offer

#### MonotaRO's original procurement management system ONE SOURCE Lite

With the same user interface as our sales website (monotaro.com), this system is easy to use, and customers can begin utilizing MRO aggregated purchasing services with no introduction or operation costs.

**ONE  
SOURCE  
Lite**

MonotaRO's original procurement management system

**No setup fees! Fast and easy to get started!**

**No database construction and operation costs!**

**Create approval processes!**

**Support via a dedicated customer support team!**

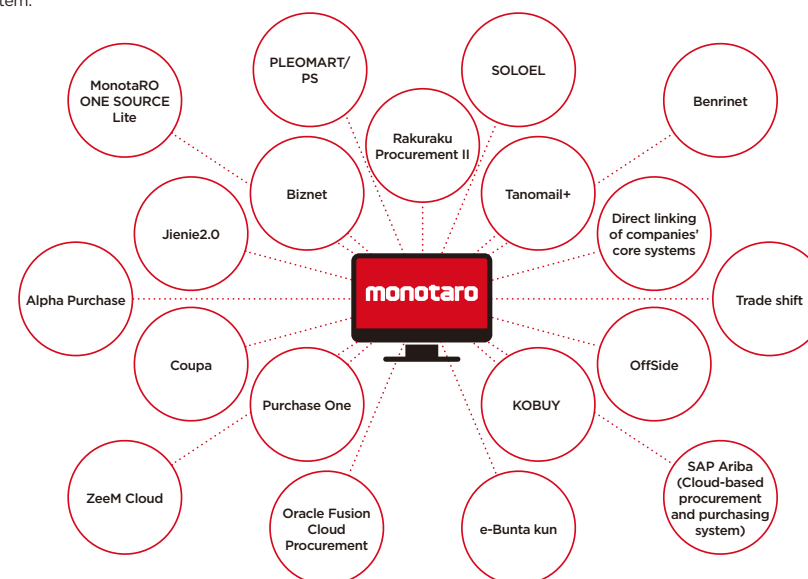
We operate an original procurement management system business that serves large enterprises. One problem facing large enterprises with many operating bases is that each base and site has different procurement processes and rules. This results in increased verification work, which leads to a greater workload for the accounting team.

By introducing a procurement management system, these tasks can be simplified, thereby reducing business process costs for the whole company. In addition, this system makes it easy to centralize management at the head office, which leads to stronger governance.

#### A punchout\* catalog site that links to the purchasing management systems used by customers

Our catalog site can be smoothly connected to a variety of procurement management systems, including proprietary systems of customers.

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



We also regularly provide customers with performance reports on their usage status, purchasing trends and the impact from introducing the system. Furthermore, we listen to customer feedback through visits by our sales representatives, accept inquiries at dedicated call centers and provide consulting support. Through these efforts, we support solutions to issues in procurement processes, which differ at each company.

# Reasons for Our Continued Growth

## Growth Cycle

Based on its corporate mission to innovate business procurement networks, MonotaRO has expanded the number of products it handles **①** and increased its customer base **②**. With the increase in customers, more data is being accumulated, and the greater order frequency of products will enable us to increase the number of items in stock **③**. If we can shorten delivery times by expanding the number of items in stock, greater convenience for

customers will lead to sales and profit growth **④**. And that sales and profit growth will allow us to further expand the number of products handled (leading back to **①**).

This cycle of greater convenience—i.e., generating greater value in the form of time for customers—and business scale expansion is what shapes our growth.

## Characteristics of MRO Supply Procurement

### Wide variety of goods

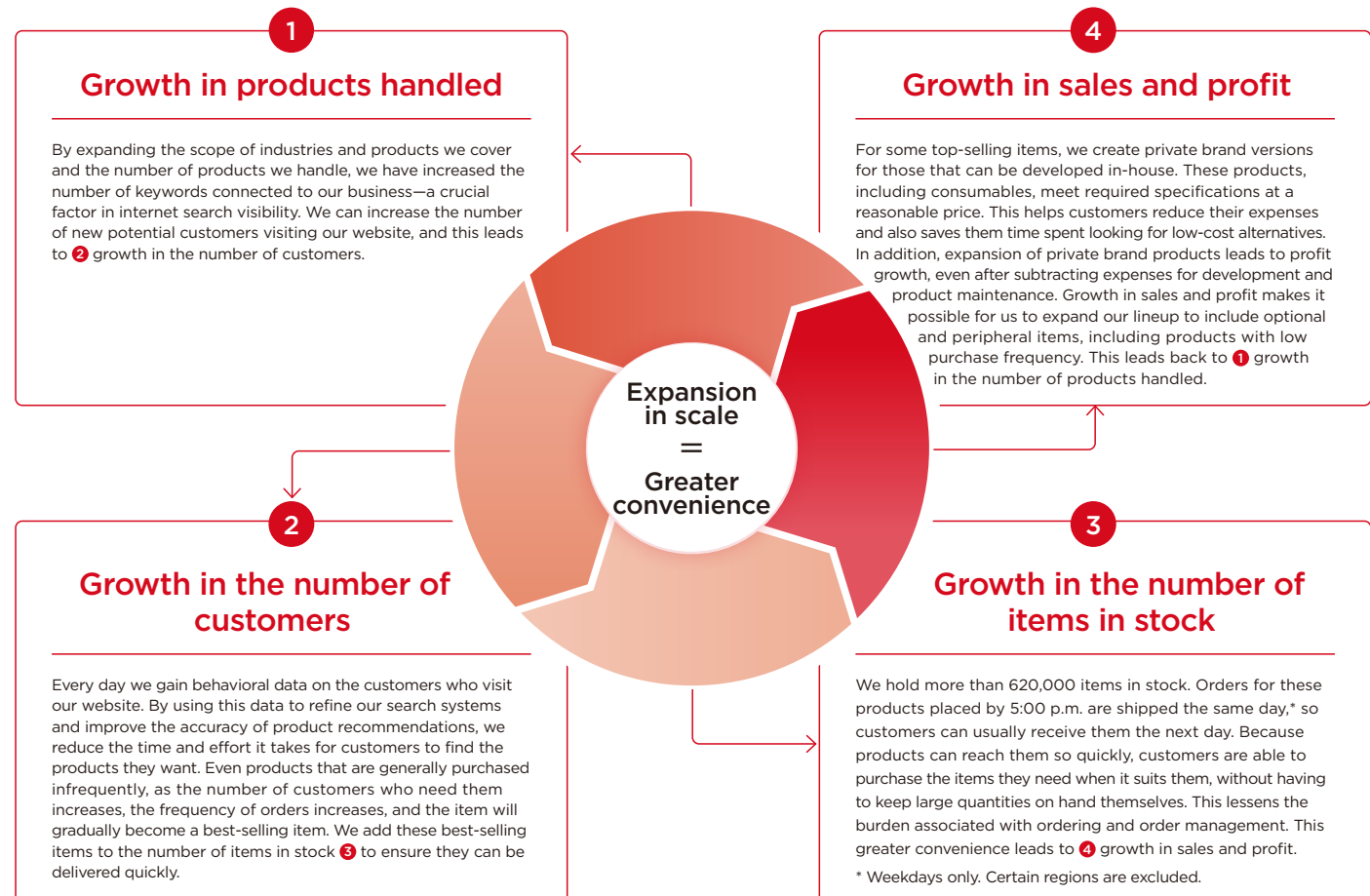
MRO supplies encompass a large variety of items, including cutting tools, abrasives and other processing goods; helmets, gloves and other safety equipment; rustproofing, oil removal spray, grease and other repair supplies; batteries, sheet metalworking goods and other automotive necessities; and all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

### Purchasing in small amounts

Direct materials are generally purchased in large volumes with limited variety, so it is worthwhile getting multiple quotes and negotiating over unit prices to try and reduce costs. For MRO supplies, however, purchases are for a wide variety of items often in small amounts, so the time and effort needed to get quotes and negotiate actually drives costs up.

### Complicated processes

MRO supply procurement involves many different departments and people. This can make purchasing request and approval processes complicated. There are many payees and bills, so the accounting work is also time-consuming.



## Competitive Advantage

Our competitive advantage is that we have teams with deep expertise in each retail process, and that we are always aiming higher and continuing to evolve our business. By developing each individual process through a combination of algorithms, software and other aspects of the IT and data science fields, we are able to gain our own unique perspective and create a competitive advantage.

The foundations that underpin our competitive advantage include the corporate culture we have developed (see page 35); an organizational design that allows us to respond to change; fair personnel systems and training; sound finances; growth investments in line with the growth plan and risk management (see page 53) to identify and take countermeasures against business risks. These foundations support our competitive advantage in six areas.

### Product range and merchandising

The number of products we handle exceeds 24 million SKUs. We also offer many price-competitive private brand products.



### Marketing and sales

We conduct product recommendations and sales promotions based on data such as customer-specific information and the activity history on our website, and implement new customer acquisition measures based on life time value (LTV).



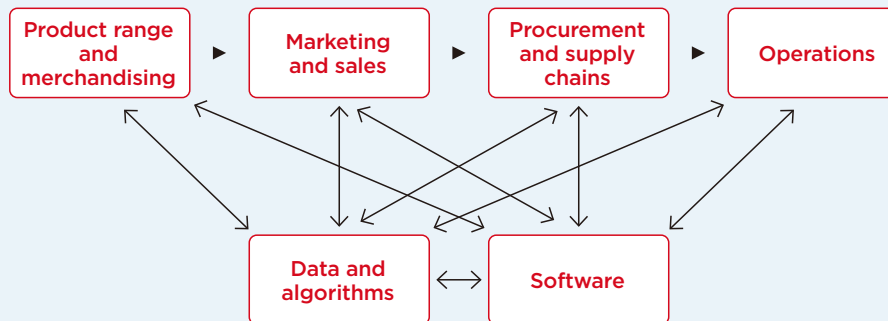
### Data and algorithms

The data we accumulate is embedded in our machine learning and algorithms to quickly perform complex calculations.



## A competitive advantage in six areas

We create a competitive advantage through various combinations of our strengths.



### Procurement and supply chains

We support automated order purchasing based on demand forecasts generated through machine learning. Supply chain improvements enable shorter delivery times.



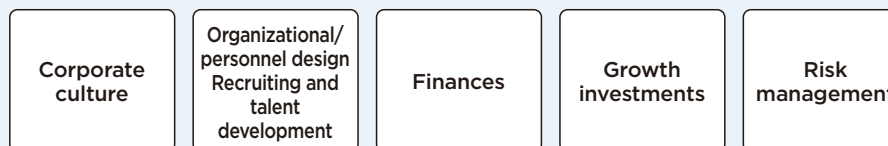
### Operations

We achieve a high level of productivity through automation of tasks using robotic process automation (RPA) and distribution centers equipped with many robots.



### Software

We have insourced most of our core systems, enabling flexible customization.



## Foundations for our competitive advantage

A woman with short dark hair, wearing a light grey blazer over a white top, is seated at a white table in a modern office environment. She is smiling slightly and looking towards the camera. The background is a blurred office space with large windows, wooden tables, and other people working.

# Message from the President and COO

We will enhance our business model based on the themes of “taking on challenges” and “respect” in order to innovate business procurement networks.

**Sakuya Tamura**  
Director,  
President and COO

## Message from the President and COO

### Celebration of the Company's 25th Anniversary

MonotaRO, which began operations in Itachibori, Osaka with a corporate mission to innovate business procurement networks, will celebrate its 25th anniversary in October 2025. We have been able to reach this milestone thanks to the support and patronage of our business partners, customers, shareholders, investors and all other stakeholders. For that, I want to express my heartfelt appreciation.

### Progress and Achievements in 2024: A Year of Deepening Understanding of Markets and Customers

In 2024, we worked to deepen our understanding of markets and customers. We separate customers into four segments based on company size—micro, small, medium and large—and we deepened our understanding of the market scale, customer purchasing habits and needs of each of these segments in the MRO supplies market. Executive officers, including myself, as well as outside directors and employees visited the manufacturing sites of customers, primarily large enterprises, multiple times. As a result, we gained a clearer understanding of our customers, and were able to implement measures faster.

Consolidated net sales for 2024 increased 13.3% year-on-year, 0.5 points above plan. Net sales in the procurement management systems business (connections with large enterprises) increased 27.9%, and accounted for approximately 30% of sales. In the large segment, we are strengthening proposals for new system connections to companies with a particularly large business scale, primarily manufacturers.

We also increased the number of active customers through a measure to reactivate dormant customers by sending out flyers. This has been a focus since 2023. By using flyers with more personalized product recommendations, we are persuading customers that have used our services in the past to use us once again. We have already seen positive results.

We also focused on improving our service level. For example, we extended the order cutoff time for same-day shipping to 5:00 p.m. from 3:00 p.m. This initiative, which started in September 2024, has gradually been expanded regionally, and is currently in effect in 42 of Japan's 47 prefectures. We also began to improve convenience for customers with options such as a package drop service and designation of delivery dates and times.

January 1, 2024, the day I took office as president, also happened to be the day a major earthquake struck the Noto Peninsula. Through our support for procurement of materials and supplies for the impacted region, I reaffirmed the importance of having a wide range of products available to meet constantly changing needs, and a supply chain that can deliver them quickly. To meet the expectations of society and customers even during emergencies, risk management and system development in normal times is crucial. We will further improve our responsiveness to ensure that we can deliver the items that are truly needed at business sites reliably, at a fair price, and at the required time.

### Aiming for a Sales Growth Rate of Over 15%: Medium- to Long-term Growth

The question I have received most often in the past year is, "How much will MonotaRO grow going forward?" This

tells me that many people are interested in our growth. In 2024, we conducted a new and detailed analysis of the market, and set out the medium- to long-term goal of "achieving a sustainable sales growth rate of over 15%, and profit growth that outpaces sales growth."

These are not easy hurdles to clear, but we still have significant room for growth. Our growth is supported by two main pillars: cultivation of the procurement management systems business (connections with large enterprises) and enhancement of the life time value (LTV) of existing customers.

The first pillar, cultivation of the procurement management systems business (connections with large enterprises), involves increasing the penetration rate of procurement management systems. Large enterprises that have introduced our systems have an average of 200 business sites, including factories and offices, and the penetration rate\* averages around 10%, so there is still room for expansion. To increase the penetration rate, we need our customers to change their behavior from conventional MRO supply procurement processes. However, in the case of large enterprises, behavioral change is often difficult due to factors such as differing rules and procedures at each site, or complex approval processes involving many people. Therefore, we plan to further strengthen our sales organization to provide more tailored support that encourages customers to change their behavior in line with their workflow and usage patterns. Through this approach, we will increase the penetration rate at each base, and promote expansion of usage within bases.

\* The percentage of a company's total business sites where at least one person holds a MonotaRO account

## Message from the President and COO

In visiting and talking with customers at their business sites, I gained a clearer sense of the issues they are facing: the labor shortage, the complexity of purchasing work and the need to strengthen governance. At one factory, the person I spoke to said it is difficult to find enough people for complicated procurement work, as the labor shortage has become more serious due to the aging population. Our easy-to-search platform and extensive product selection—together with our one-price policy that eliminates the need for quotations—directly contributes to addressing this issue. This was one example that made me realize how much we are needed at business sites.

The second pillar, enhancement of existing customer LTV, is a measure for our sales website (monotaro.com) for business operators, mainly small and medium-sized enterprises (SMEs). Our business is growing through a cycle in which existing customers find the products they need

for a particular job on our website, and that convenience leads them to purchase even more products through our website—thereby increasing their wallet share with us. To reinforce this cycle, we started issuing paper catalogs again in 2025, and are working to upgrade our integrated marketing platform by using our accumulated data and algorithms.

The foundation of these initiatives, which will become new growth pillars, is our investment in logistics and technology. In 2028, we plan to begin operating a new distribution center (Mito Distribution Center) in Mito City, Ibaraki Prefecture. At the Mito Distribution Center, we will utilize robotics and other advanced technology to further automate and streamline the distribution process, and aim for a threefold increase in productivity compared with the Kasama Distribution Center.

We are also focusing on overseas expansion with an eye on long-term growth. In South Korea, we are prioritizing acquisition of customers with high LTV to achieve an increase in orders while strengthening marketing. In India and Indonesia, we are in the investment phase to establish our business model in each of those countries. It will take a certain amount of time to scale up our business there, just as MonotaRO in Japan took time to become profitable after it was founded in 2000. However, we believe that optimizing our business model developed in Japan based on our understanding of local markets, and deploying it while continuing to test and refine our hypotheses will lead to a future where we provide time (and time savings) as a resource, and the insights gained through that challenge will drive new growth.

### Continuous Growth: Investment in People and Our Corporate Culture

We believe that the source of sustainable growth is people. That is why we are building an organization focused on both recruiting and talent development.

In the engagement survey conducted for the first time in 2024, the overall results were encouraging, particularly in areas such as respect for others and leadership. On the other hand, the survey also pointed to human resource development as an area we needed to address. As our business grows and the number of employees increases, a more systematic approach to training new graduates and mid-career hires will be necessary. We will strengthen initiatives in 2025.

Regular one-on-one meetings\* between supervisors and subordinates are an opportunity for face-to-face dialogue rather than simply information sharing. Through



**We will focus on strengthening sales to large enterprises, acquiring new customers and increasing the penetration rate at sites of existing customers.**

## Message from the President and COO

dialogue, we gain awareness of the thoughts and concerns of each individual, and connect that to organizational improvements. That is our corporate culture.

One of the elements supporting this culture is the Weekly Report\* from employees. The Weekly Report is designed to promote the growth of individuals through self-reflection and to quickly address any issues and changes. The Company principle of “Respect others” is important in order to appropriately act on insights gleaned from the Weekly Report and make improvements.

For me, the Weekly Report is a valuable tool that helps me perceive changes inside the Company and stay connected to frontline operations. I read all of the more than 800 Weekly Reports every week because I believe that sharing daily insights and signs of small changes, and not overlooking them, leads to faster response and innovation. These reports are a way for me to stay attuned to the Company's current state. On the other hand, I always keep in the back of my mind that not every problem is written in a Weekly Report.

Going forward, we will invest generously in people in order to remain a trusted organization, and carefully nurture our sound corporate culture.

\* See “A Corporate Culture and Support for Growth Based on Respect for Others” on pages 35–36 for more information on the Weekly Report, one-on-one meetings and the engagement survey.

### To Our Stakeholders: Aiming to be a Company That Exists for More Than 100 Years

The things I value most as a manager of MonotaRO are the themes of “taking on challenges” and “respect.” Ever since the Company was founded, we have continued to take on the challenge of utilizing technology to transform inefficiencies in the MRO supplies procurement market.

**Guided by our mission to innovate business procurement networks, we will continue working to improve convenience for our customers.**



I intend to carry on this belief, and will fearlessly take on new challenges to continue creating meaningful change for customers and society.

At the same time, I feel that respect is an essential foundation for taking on challenges. Only when we follow the principle of “Respect others” can we perform well as a team. In interacting with more than 650 employees in one-on-one meetings during the past year, my impression was that each and every employee had respect for their colleagues and customers, and wanted to put their skills to use to create a better future.

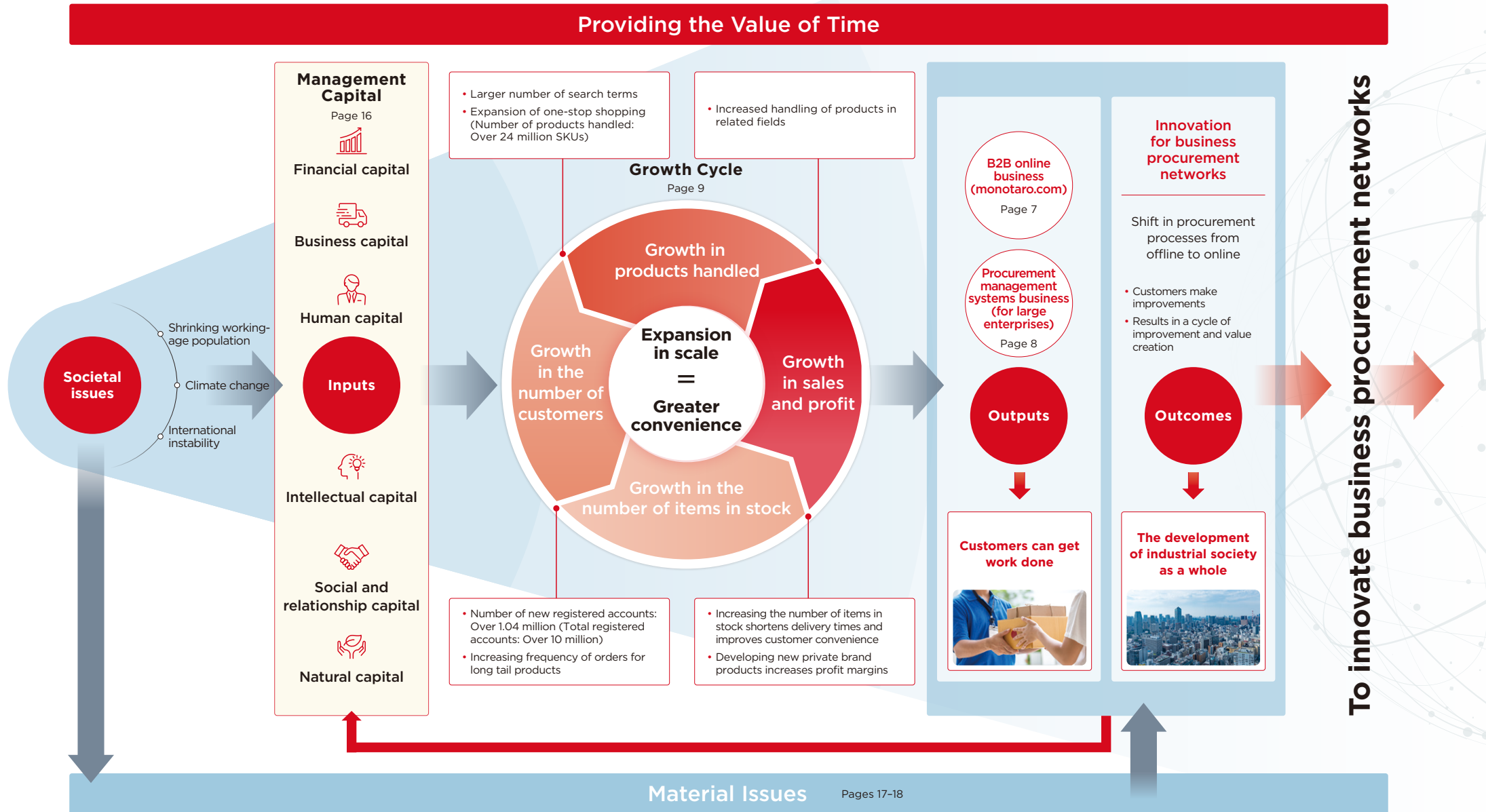
Sharing these values, we are building a corporate culture that facilitates growth and trust. That is what defines MonotaRO, and is the driving force that keeps us moving toward the future.

By continuing to change, we want to be a company that creates the value of “Time as a resource” for society as stated in our Company principles. Our 25th anniversary is merely a stepping stone. Looking ahead, we will steadily take on challenges and evolve in order to remain a company that can deliver value sustainably for the next 100 years or longer.







We will continue to engage in dialogue with stakeholders and move forward step-by-step with appreciation for being able to work together to co-create a better society.

# Value Creation Process

We strive to contribute to the development of industry and society by innovating business procurement networks to help our customers get things done efficiently.



# Management Capital

Management Capital (As of December 31, 2024)		Initiatives	Material Issues
 <b>Financial capital</b>	<ul style="list-style-type: none"> <li>• <b>Total assets (consolidated): JPY 145.0 billion</b> <ul style="list-style-type: none"> <li>• Non-current assets (consolidated): JPY 37.3 billion</li> <li>• Intangible assets (consolidated): JPY 6.5 billion</li> </ul> </li> <li>• <b>Net assets (consolidated): JPY 104.2 billion</b></li> <li>• <b>Net sales (consolidated): JPY 288.1 billion</b> <ul style="list-style-type: none"> <li>• Net sales growth rate (consolidated): 13.3%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Formulation of capital allocation policy</b> <ul style="list-style-type: none"> <li>• Setting of medium- to long-term targets (sales and profit growth)</li> <li>• Return on equity (ROE)</li> <li>• Growth investments and shareholder returns</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Building high-level economic efficiency with technology (innovating business procurement networks)</b></li> </ul>
 <b>Business capital</b>	<ul style="list-style-type: none"> <li>• <b>Major domestic distribution centers: 3</b> <ul style="list-style-type: none"> <li>• Number of products handled: Over 24 million SKUs</li> <li>• Shipping capacity: 310,000 lines per day</li> <li>• Inventory capacity: Approx. 900,000 SKUs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Enhancing convenience for customers and preparing for business continuity</b> <ul style="list-style-type: none"> <li>• Shortening delivery lead times by keeping a sufficient number of items (and volume) in stock</li> <li>• Dispersing the risk of business interruption due to natural disasters and other events</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Improving shipping efficiency</b></li> <li>• <b>Building resilient supply chains</b></li> <li>• <b>Strengthening data security</b></li> <li>• <b>Strengthening business continuity planning (BCP)</b></li> </ul>
 <b>Human capital</b> Page 35	<ul style="list-style-type: none"> <li>• <b>Employees (consolidated): 3,487*</b></li> <li>• <b>Employees (non-consolidated): 2,733*</b> <ul style="list-style-type: none"> <li>• Percentage of female employees: 60.7%</li> <li>• Female manager ratio: 18.3%</li> <li>• Percentage of enterprise business employees: 16.2%</li> <li>• Percentage of technical employees: 31.2%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Organizational development for enhanced competitiveness and sustainability</b> <ul style="list-style-type: none"> <li>• Recruiting of IT, data science and enterprise talent</li> <li>• Promotion of D&amp;I (See pages 35–36 for more information on human capital initiatives and page 45 for more information on social initiatives.)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Promoting diversity and inclusion</b></li> <li>• <b>Improving shipping efficiency</b></li> <li>• <b>Employee health and safety</b></li> <li>• <b>Strengthening governance and compliance</b></li> </ul>
 <b>Intellectual capital</b>	<ul style="list-style-type: none"> <li>• <b>Data accumulation and analysis, and formulation and implementation of measures</b> <ul style="list-style-type: none"> <li>• Growth in products handled</li> <li>• Enhancement of search and recommendation functions</li> </ul> </li> <li>• <b>Logistics expertise and automation</b> <ul style="list-style-type: none"> <li>• Enhanced productivity of operations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Greater convenience for customers</b> <ul style="list-style-type: none"> <li>• Expanding the possibilities of one-stop shopping</li> <li>• Shortening of product search time</li> <li>• Promotion of product awareness through the recommendation function</li> </ul> </li> <li>• <b>Response to aging and declining population</b> <ul style="list-style-type: none"> <li>• Low-cost operations and business continuity</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Building high-level economic efficiency with technology (innovating business procurement networks)</b></li> <li>• <b>Improving shipping efficiency</b></li> <li>• <b>Strengthening data security</b></li> <li>• <b>Product quality, reliability and safety</b></li> </ul>
 <b>Social and relationship capital</b>	<ul style="list-style-type: none"> <li>• <b>Number of suppliers: Over 2,500</b></li> <li>• <b>Registered accounts: Over 10 million</b> <ul style="list-style-type: none"> <li>• Large enterprises: 3,845</li> </ul> </li> <li>• <b>Regions with distribution bases: 2 prefectures</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Procurement guidelines and audits</b> <ul style="list-style-type: none"> <li>• Distributing guidelines to suppliers, collecting agreement forms, conducting self-assessments and audits, etc.</li> </ul> </li> <li>• <b>Building relationships with local governments where distribution centers are located</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Cooperation with suppliers on the environment, human rights, etc.</b></li> <li>• <b>Strengthening governance and compliance</b></li> <li>• <b>Strengthening data security</b></li> <li>• <b>Contribution to the local community</b></li> </ul>
 <b>Natural capital</b>	<ul style="list-style-type: none"> <li>• <b>CO<sub>2</sub> emissions from electricity consumption</b> <ul style="list-style-type: none"> <li>• Scope 1 and 2 emissions (market based): 1,168 t-CO<sub>2</sub></li> </ul> </li> <li>• <b>Expanding offerings and promoting sales of environmentally friendly products</b></li> <li>• <b>Resource circulation</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Environmental impact reduction</b> <ul style="list-style-type: none"> <li>• Reducing CO<sub>2</sub> emissions through the use of non-fossil fuel certified electricity</li> <li>• Reducing air-conditioning use by applying heat-resistant coating to distribution center roofs</li> <li>• Partnership with local government food bank near Inagawa Distribution Center</li> <li>• Increasing waste recycling rate</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Cooperation with suppliers on the environment, human rights, etc.</b></li> <li>• <b>GHG emissions reduction</b></li> <li>• <b>Waste reduction and recycling</b></li> <li>• <b>Proposal and development of environmentally friendly products</b></li> <li>• <b>Contribution to the local community</b></li> </ul>

\* Includes part-time and temporary employees

# Material Issues and Areas of Focus

## Positioning

As part of our mission to innovate business procurement networks, we aim to help our business customers streamline their MRO supply procurement processes and increase productivity. The sustainability of the customers, suppliers and employees who support our growth—as well as the society that forms their foundation—is essential to achieving that goal. We conduct sound business activities and aim to contribute to the advancement of industry and society based on appropriate corporate governance, with an emphasis on the foundations of society, including the environment and human rights. This is our basic thinking in addressing sustainability issues and identifying material issues.

In addition, we have identified the most impactful material issues from two perspectives: expectations from society and importance to MonotaRO. Furthermore, we determined areas of focus as a new initiative to contribute to the sustainability of business growth.

## Material Issue Identification Process

To ensure that our business can continue to grow in harmony with society, we deepened our discussions from various perspectives, and determined material issues in terms of sustainability through the process shown in the chart below.

We periodically review the material issues, taking into account changes in the business environment and society.




















## Reassessment of Material Issues

In 2024, about three years since identifying material issues in 2021, we carried out a reassessment of the issues, referring to changes in the external environment and international sustainability standards (SASB, GRI and ISO 26000). As a result of our reassessment, “product quality, reliability and safety”—an important factor for us to address as a distributor—was added as the 14th material issue in 2025. We will continue to monitor changes in the business environment and society, and conduct further reassessments periodically.

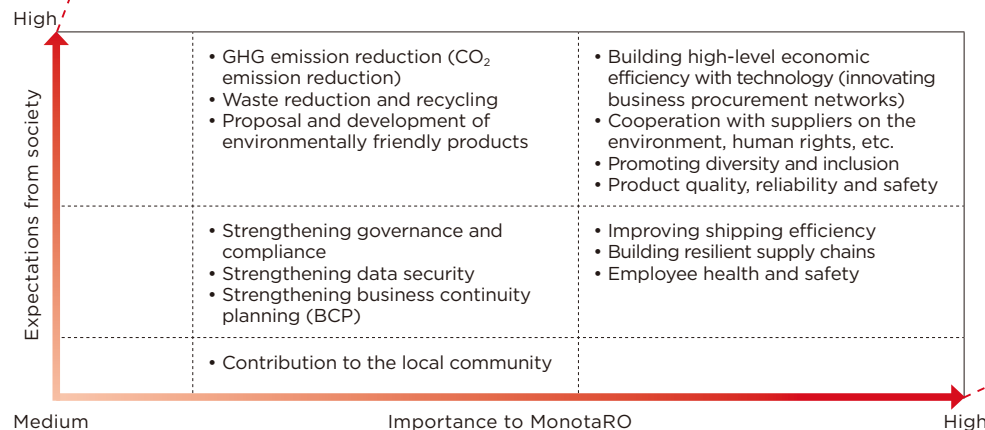
## Material Issue Identification Process



## Areas of Focus

Areas of Focus	Relevant Working Group	Initiatives	Relevant SDGs
Reduction of CO <sub>2</sub> emissions to address climate change	GHG Emission Reduction & Resource Circulation Working Group	<ul style="list-style-type: none"> <li>Switching to electric power derived from renewable energy sources</li> <li>Achieving energy-saving operations</li> <li>Reducing CO<sub>2</sub> emissions by improving transportation efficiency</li> </ul>	    
Achieving a resource-recycling model through waste reduction and recycling		<ul style="list-style-type: none"> <li>Waste reduction</li> <li>Recycling</li> </ul>	 
Cooperation with suppliers aiming at the development of an industrial society that considers the environment and human rights	Sustainable Procurement Working Group	<ul style="list-style-type: none"> <li>Establishing a procurement policy and guidelines and distributing them to suppliers</li> <li>Conducting sustainability audits</li> </ul>	  
Promoting diversity and inclusion	Diversity & Inclusion Working Group	<ul style="list-style-type: none"> <li>Supporting the empowerment of diverse human resources and fostering an inclusive corporate culture</li> <li>Establishing systems that allow employees to choose flexible work styles</li> <li>Creating fulfilling work environments</li> </ul>	  
Proposal and development of environmentally friendly products	Environmentally Friendly Products Working Group	<ul style="list-style-type: none"> <li>Expanding environmentally friendly products and making items easier to find</li> <li>Development of private brand environmentally friendly products</li> </ul>	     

## Material Issue Map



## Selection of Areas of Focus from Material Issues

Among the material issues, we also set items that require cross-departmental efforts in the sustainability category as areas of focus, apart from what we do in daily business activities. Concrete initiatives in the areas of focus selected by the Sustainability Committee are being implemented by the working groups\* in collaboration with the Sustainability Committee.

\* See "Sustainability Promotion Structure" on page 40.

## Value Creation Examples

Part

01



## Supporting Customer Base Growth

## Product Range



### Point

## Growth in sales and profit

MonotaRO handles over 24 million products. To provide a service where everything is available at MonotaRO with reliable delivery in short lead times, we are collaborating with manufacturers and suppliers to expand our extensive product range to reflect the diverse needs of our customers.

We analyze 26 product categories using customer feedback through product reviews and customer support information, as well as data on sales. Among these, we are especially focused on expanding the product range in categories with high growth potential. In 2023, with the aim of enhancing customer value we formed a Service Development Group that supports the streamlining of procurement-related operations. In 2024, we introduced new services: shelf and workbench assembly and installation and cardboard printing and custom sizing.

The mission of product-related departments is to showcase strengths across all areas of the product range, pricing, promotion, ease of purchase and service—in order to create value that keeps customers coming back. We will continue to aim for sustainable growth in the MRO supply market.

### Point

## Structure supporting rapid product delivery

In product-related departments, we set issues and develop strategies for each product category, then work to achieve flexible and efficient operations through collaboration across the merchandising, product development and digital merchandising (DMD) departments. The Merchandising Department and the Product Development Department are responsible for product selection and development, pricing and promotion. The DMD Department pursues the creation of an easy-to-search, easy-to-choose shopping experience by streamlining information registration and providing updates, including bulk CSV uploads of product information and automatic image data conversion.

### Phase

1

### Research and Exploration

- Market research
- Category policy development
- Product and supplier search

2

### Negotiation and Selection

- Supplier negotiation and contracting
- Product proposals (pricing decisions)
- Product selection (sales scheduling)

3

### Product Registration

- Product registration data creation
- Supplementary product registration data input

4

### Sales

- Sales data analysis
- Handling product inquiries (feedback and requests)
- Product information data maintenance
- Search function and search user interface (UI) improvements

5

### Product Sales Expansion

- Website content planning
- Website production
- Creation and management of various promotional materials

6

### Product Revision and Discontinuation

- Inventory and discontinued product adjustments

### Point

## Private brand product development

MonotaRO private brand products are developed under the concept of “optimal quality at reasonable prices.” We create value-added private brand products that can only be purchased through our site. We define our target quality level as “a state where customers are satisfied and choose to make repeat purchases,” and we aim to create long-lasting loyalty by carefully adjusting specifications and conducting thorough inspections that reflect customer needs and intended usage. We also conduct factory audits as necessary. In 2022, the Quality Assurance Group became an independent organization, strengthening our quality control system.

We are promoting the development of products that sell continuously for 10 years or more. This includes taking on the challenge of developing high-difficulty products and enhancing quality assurance.

### Private Brand Product Development MonotaRO Original Cleaning Products

In 2021, we launched the Fables Project. This initiative involves developing original products with the aim of offering higher-performance items that better meet customer needs. This is separate from the OEM\* product development we were already conducting. We began with cleaning products because of their widespread use across industries and the number of top-selling items. We looked at the condition (dirtiness) of customer sites and how cleaning products are used—conducting extensive research and development. As our initial product, we launched “Orange Cleaner: Strong Dissolution Cleaning” in November 2024. It is suitable for a wide range of customers across all industries. Following this, in April 2025 we launched our second product, “Super Concentrated Oil Stain Cleaner Cleaning Power Rich,” which focused on using effective ingredients.



\* The development and sale of own brand products based on the outsourcing of manufacturing to specialized manufacturers while handling planning and quality control internally.

Example of Customer Feedback

# Customer Feedback

## Procuring approximately 90% of the items needed at construction sites improves productivity



**Masahide Sato**

Manager, Accounting Center, Accounting Department,  
Panasonic Homes Co., Ltd.

Panasonic Homes introduced MonotaRO's ONE SOURCE Lite to promote DX and improve efficiency in accounting operations. The reasons for introducing the system included cost savings, the extensive product range that covers about 90% of the items needed at our construction sites, and an easy-to-navigate website with detailed product information. We also appreciate the ability to have products delivered to construction sites under particular conditions. In addition, purchasing information has been digitalized, which has changed awareness at each site, and we believe this has strengthened governance throughout the company. After introducing the system, we saw reduced costs and site productivity improvements—increasing the time available for customer service. Going forward, we plan to utilize accumulated purchasing data for business management and private brand product substitution, while applying the time gained through DX-driven efficiency improvements to management accounting tasks—enabling us to contribute even more to overall business operations.

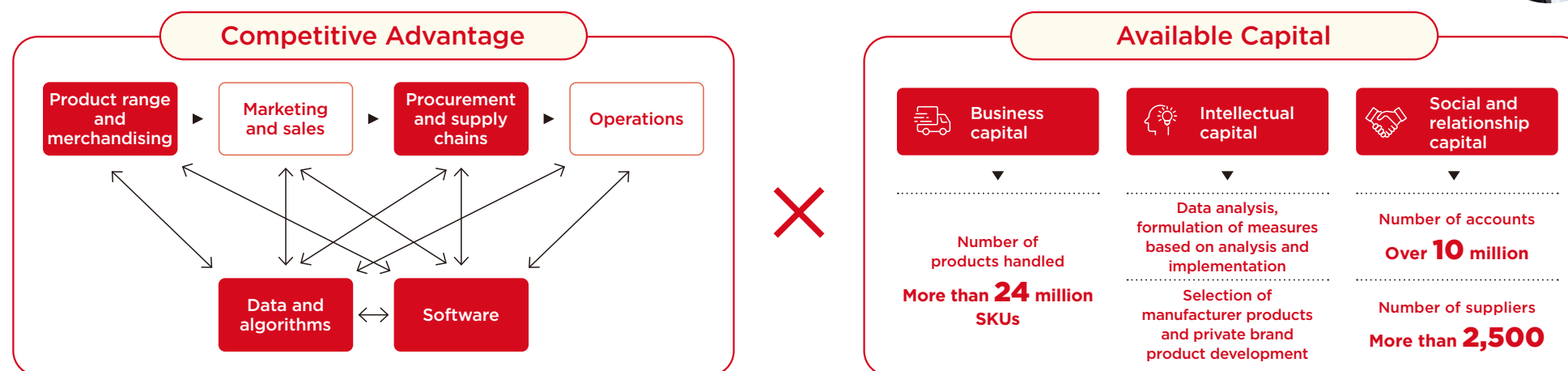
**Main Business Activities:** Construction business, development and real estate business and prefabricated housing systems sales business  
**Responsibilities:** Management of centralized accounting operations nationwide

### Message from an Employee in Charge

I believe MonotaRO's strength is in how quickly it helped us expand our product range. This is supported by three mechanisms. First is cross-departmental collaboration and division of labor. Through collaboration among product-related departments, we have streamlined the registration of product information and enabled timely publication on our website. Second is training for employees with limited experience selecting products. Through this, we establish a system that enables all staff to have the ability to select new products (to a certain degree). Third is data utilization and standardization. By introducing analytical frameworks, we can enhance problem-identification skills and improve efficiency and speed throughout the entire process.

B Group, Group Manager  
Product Sourcing  
Merchandising Department

**Tokihiko  
Morioka**





## Finding Needed Products

## Product Search

### Point

### Enhanced search accuracy through vector search

We believe that “searchability”—or the ability to quickly find desired products from our diverse product range—is one of the most important aspects of online purchasing. For MonotaRO, which handles over 24 million products, improving search accuracy is a priority. Therefore, we will continue to focus on enhancing search accuracy to boost the operational efficiency of our customers.

Since our founding, we have worked to enhance search accuracy by combining a full-text search system that matches search terms with text information contained in product information and our proprietary machine learning based on data analysis, including

customer behavior history. This has enabled us to deliver personalized search results based on customers’ registration information, such as industry type, and to match searches using various industry-specific terminology.

In November 2024, we added vector search to our sales website (monotaro.com) to improve convenience. This technology captures the semantic meaning of text as vectors and displays optimal search results by measuring similarity (semantic proximity) between vectors. Whereas conventional full-text search focuses on matching keyword strings, vector search allows for efficient discovery of products with strong semantic relevance that goes beyond surface-level word differences.

To implement vector search, we utilized our extensive primary data,\* including product information and customer purchasing habits,

to develop our proprietary model that converts customer text input into vectors. This has enabled us to ensure high relevance (accuracy) between search terms, whether using colloquial or written language, sentence-based searches (e.g., “draw white lines on factory floor”—see the figure below) and products. As a result, we can display more accurate product lists for almost all search terms.

The introduction of vector search reduced “No Search Results Found” by about 70%. This shows that customers can now find the products they need more quickly and easily.

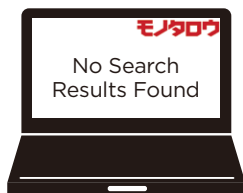
We will keep using technology and data to improve our algorithms, aiming to cut down the time customers spend searching for products and ultimately to make things more convenient.

\* MonotaRO’s product information and data on customer purchasing habits

### Example of Search Results Before and After Vector Search

#### Before

#### Products do not appear unless the search terms are appropriate



Products do not appear unless search terms are suitable for searching, such as “white\_line\_factory” with space-separated keywords.

Q Draw white lines on factory floor

#### After

#### Approximately 70% reduction in “No Search Results Found”



Related products can be found for almost all search terms, including phrases like “draw white lines on factory floor.”

Q Draw white lines on factory floor

# Customer Feedback

## Products can be found immediately, reducing the time required for evaluation



**Hirohiko Kitagawa**

Representative Director,  
KitagawaParisu Auto Service Co., Ltd.

We buy consumables and parts needed for automotive maintenance through MonotaRO's sales website (monotaro.com). When we search for automotive maintenance parts by manufacturer name, part number or product name, products similar to what we are looking for appear in the search results. This reduces the time needed to find what we are looking for and enables us to quickly locate the right items. In addition, MonotaRO provides extensive product information, including on dimensions, diagrams and photos. We can confidently buy products based on the posted information. Furthermore, since MonotaRO handles a wide range of products, we can easily find the necessary items by searching when customers request vehicle customization, making it extremely convenient. We plan to keep using MonotaRO to provide services that meet our customers' needs.

**Main Business Activities:** Automotive sales and maintenance, car leasing and insurance agency services

**Responsibilities:** Company management, automotive inspection, and selection and purchasing of goods and services

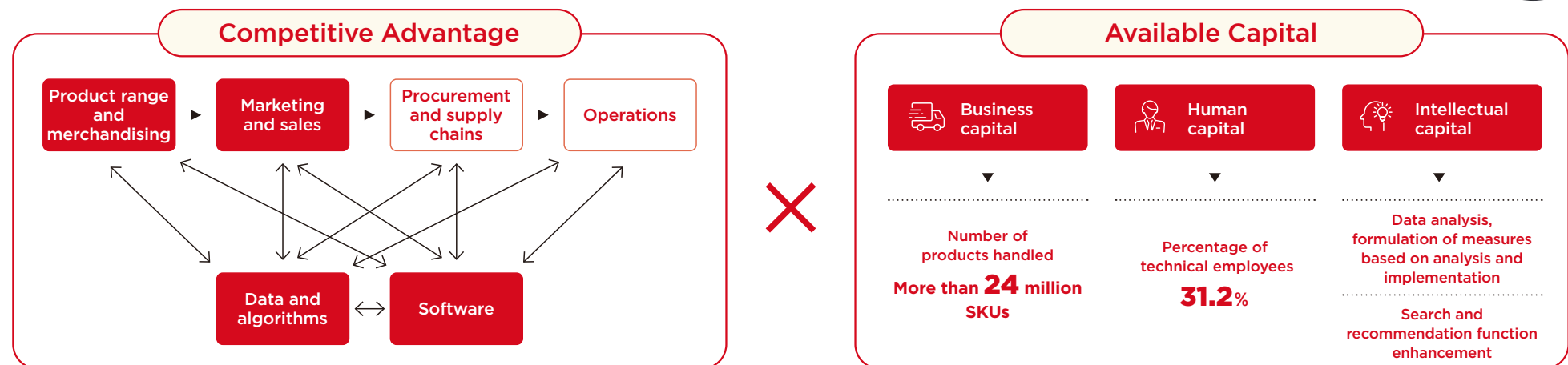
### Message from an Employee in Charge

The vector search we introduced in 2024 created a system that enables product searches based on the meaning of words by developing a proprietary model using MonotaRO's primary data. During development, we struggled to balance search speed and accuracy, but with our proprietary algorithms and models, we improved search results, including reducing "No Search Results Found" by about 70%, without sacrificing our existing high-speed search performance.

As a result, we feel that customers can now find the products they need more quickly. We will keep using technology and data to further enhance convenience for customers.

Group A, Group Manager  
Data Science  
Data Science Department

**Kazuaki Inada**



# Value Creation Examples

Part

03



## Enhancing Customer Satisfaction

## Delivery Fulfillment

Point

### Delivery fulfillment initiatives

MonotaRO aims to improve the efficiency of MRO supply procurement, thereby enhancing customer satisfaction. To meet diverse working styles and on-site needs, we focus on strengthening delivery fulfillment.\* We are creating an environment where customers can smoothly receive the products they need, when they need them, at their designated locations. We believe that enhancing customer satisfaction and forming lasting relationships while building trust through problem-solving and by improving convenience will support MonotaRO's growth and benefit society.

\* The entire purchasing experience from product ordering to receipt and payment

Point





### Responding to customer needs

Our products, with MRO supply sales to businesses as our core business, are mainly delivered to offices and factories. Therefore, we maintain a high first-delivery success rate of about 95%. However, in recent years, there has been an increase in requests related to delivery timing, such as "wanting to receive delivery during on-site working hours," "wanting to adjust delivery according to the day of the week" and "wanting reliable delivery aligned with manufacturing and maintenance schedules." For large products, there is also a need to specify times when enough personnel are available to handle delivery.

To meet these needs, we are working to enhance our delivery service levels even further.

#### Specific Initiatives

In 2024, we updated our contactless delivery service, introduced a delivery date and time specification service and extended the order cutoff time for products eligible for same-day shipping from 3:00 p.m. to 5:00 p.m. Through these initiatives, we have reduced the number of redeliveries as well as related CO<sub>2</sub> emissions, improved customer convenience and helped customers get their work done more efficiently.

Initiatives	<b>Contactless Delivery Service Update</b> (May 2024 onward) 	<b>Post-Shipment Delivery Date and Time Specification</b> (June 2024 onward) 	<b>Extension of Order Cutoff Time for Products Eligible for Same-Day Shipping</b> (September 2024 onward) 	<b>Delivery Date Display</b> (April 2025 onward) 
Details	We expanded target areas from 14 prefectures to nationwide, and in addition to corporations and sole proprietors, individual customers can now use the service.	It is now possible to change delivery method and date/time from delivery notification e-mails sent by our shipping partner Yamato Transport Co., Ltd.	To ensure that products ordered by customers during working hours arrive in time for the next day's work, we extended the order cutoff time for products eligible for same-day shipping from the conventional weekday 3:00 p.m. to 5:00 p.m. Starting in September 2024 in the Southern Kanto region, we have steadily expanded the coverage area. As of April 2025, it has grown to include 42 prefectures.	On the order confirmation screen, it is now possible to check delivery dates for each delivery unit. This makes it easier to plan work schedules.
Target Channels	<ul style="list-style-type: none"> <li>Sales website (monotaro.com)</li> </ul>	<ul style="list-style-type: none"> <li>Sales website (monotaro.com)</li> <li>MonotaRO's unique procurement management system ONE SOURCE Lite</li> </ul>	<ul style="list-style-type: none"> <li>Sales website (monotaro.com)</li> <li>MonotaRO's unique procurement management system ONE SOURCE Lite</li> <li>A punchout catalog site that links to the purchasing management systems used by customers</li> </ul>	<ul style="list-style-type: none"> <li>Sales website (monotaro.com)</li> <li>MonotaRO's unique procurement management system ONE SOURCE Lite</li> </ul>



For details, please see "MonotaRO's Initiatives for Delivery Service Improvement and Burden Reduction" (Japanese only)  
<https://www.monotaro.com/topic/fulfillment/>

Example of Customer Feedback

# Customer Feedback

## Delivery as early as the next day enables immediate implementation and efficient work



**Ryota Toyoshima**

Design Technology Department, Environmental Technology Division, KONDORH - FRP Co., Ltd.

I work in the Environmental Technology Division, where I am involved in design, construction management, and development of grease traps, which are the oil and fat separators required in commercial kitchens such as those in restaurants. I buy parts for manufacturing prototypes and finished products through MonotaRO's sales website (monotaro.com). In the past, I ordered parts from individual manufacturers, and delivery usually took around five days. Using MonotaRO, products arrive as early as the next day, so I can quickly turn ideas into reality, making my design work much more efficient. In addition, since the order cutoff time was recently extended to 5:00 p.m., products arrive the next day even when I order just before the end of the workday, making it even more convenient to use. I look forward to even more convenience in the future.

**Main Business Activities:** Manufacturing and sales of drain traps for air conditioning equipment, bio-processing grease traps, etc.

**Responsibilities:** Design of bio-processing grease traps

### Message from an Employee in Charge

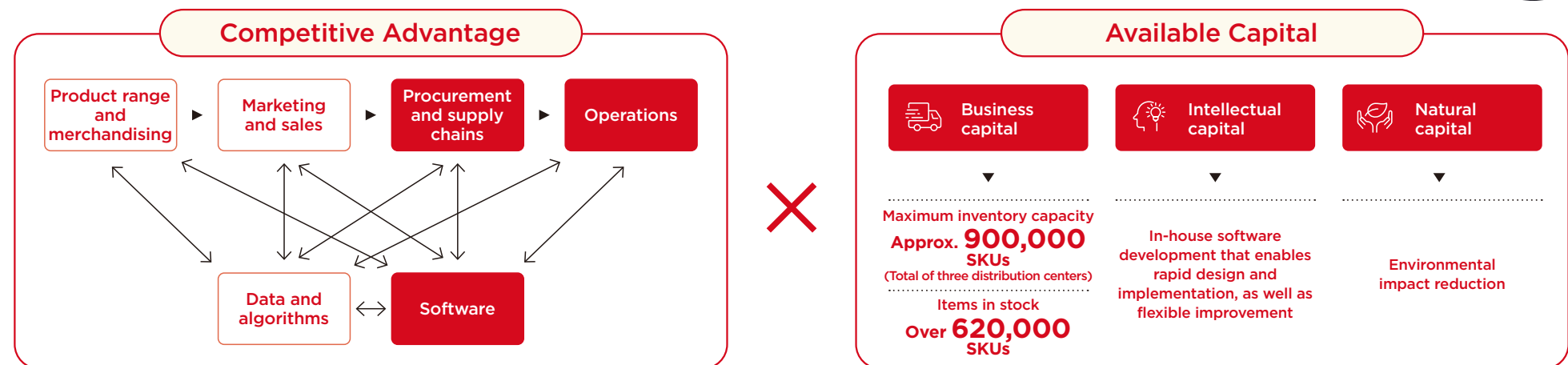
To improve customer convenience in delivery, we made a department-wide effort to extend the order cutoff time for products eligible for same-day shipping to 5:00 p.m.

The points we focused on with the service launch were reducing shipping operation lead times and expanding the workforce needed to support day-to-day operations. To address these challenges, we implemented process improvements such as optimizing robot use and reviewing workflows. Furthermore, to strengthen our department, we have improved recruitment and training systems.

MonotaRO's strength is in its ability to collaborate and solve problems as a unified organization, not just within individual departments. We will keep working together as one to achieve stable service operation.

Group Manager  
Kasama Outbound Group  
Kasama Distribution Center  
Logistics Department

**Masami Hashimoto**



# Value Creation Examples

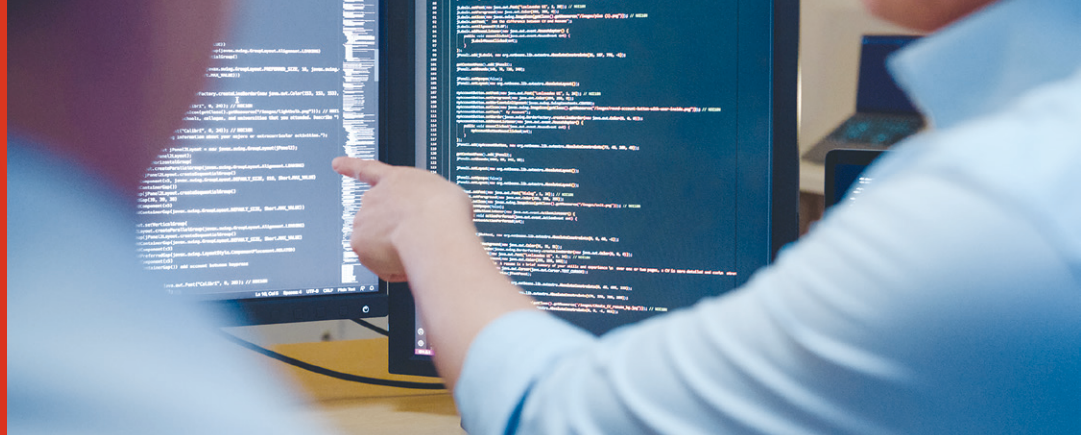
Part

04



## Supporting MonotaRO's Growth

## Systems



Point

### Uniqueness Created Through Technology

Our systems and software are closely integrated with all business processes. We drive many operations through technology, including improving the purchasing experience with a focus on product searches; acquiring new customers; increasing utilization rates; optimizing procurement, inventory and shipping; and customer support.

In addition, because we develop our systems in-house, we are able to design and implement features quickly and make flexible improvements. This contributes to our uniqueness and helps us differentiate ourselves in the B2B online market. Strengthening the foundation that integrates data, algorithms and software operations is key to supporting our sustainable growth.

#### MonotaRO Tech Vision Pursued by Our Development Organization

"We fully leverage data and technology in order to deliver one-of-a-kind customer value that ensures businesses always choose us."

Point

### System Modernization

The systems we had continued to invest in since our founding became increasingly large and complex as MonotaRO grew, leading to a greater development burden. To fundamentally resolve this issue, we began system modernization in 2022. To deepen understanding of these improvements, we established the MonotaRO Dojo as an organizational learning hub for modernization. By untangling complex systems and dividing core operations into multiple domains, we were able to accelerate development and hypothesis-verification cycles. This has improved system adaptability and led to a stronger competitive advantage.

Going forward, we will continue to support sustainable growth through the power of system development.

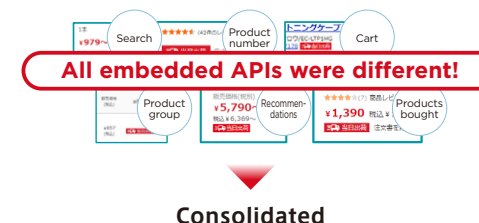


For details about MonotaRO Tech Vision and the MonotaRO Dojo, please see the MonotaRO Tech Blog. (Japanese only)  
<https://tech-blog.monota-ro.com/entry/2024/02/01/090000>

#### Example 1 Supporting Extended Order Hours and Delivery Date Display

We started extending order cutoff time for products eligible for same-day shipping in September 2024 and introduced a delivery date display system in April 2025. By consolidating previously scattered and hard-to-modify inventory functions and shipping calculation processes into the Availability API,\* we achieved a significant reduction in development timeframes and further evolved our customer services.

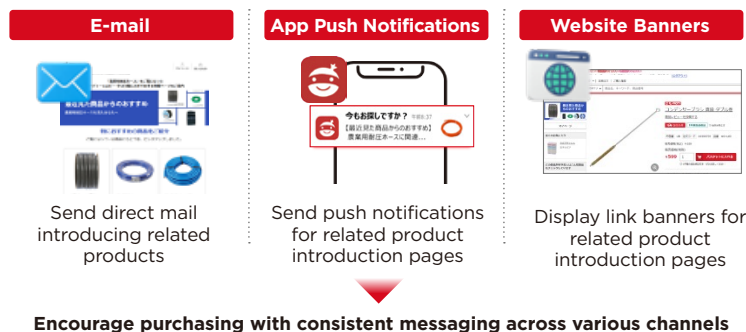
\* A system that centrally provides responses related to product inventory status and availability



#### Example 2 Supporting an Integrated Marketing Platform

We renewed our platform with the goal of promoting customer behavior change. Previously, we carried out promotional activities separately through multiple channels, including e-mail, app push notifications and website banners. With our new platform, we can deliver messages tailored to each customer across channels. For customers searching for specific products on our sales website, we recommend related items suggested by our proprietary recommendation engine, which is coordinated across multiple channels. In the future, we aim to establish automated promotions that achieve better results at lower costs based on customer sales forecasting.

Development of promotional platform systems that facilitate more advanced integrated marketing and personalization



Example of Business Partner Feedback

# Business Partner Feedback

## High level of technical expertise utilizing generative AI



**Yasuhiro Arai**

Director and CTO, Creationline, Inc.

I provide support for MonotaRO's system modernization. Systems that have been in use for many years become overly complex, making it difficult to add features and implement improvements. Therefore, system modernization is crucial for maintaining competitiveness and continually improving the customer experience.

I have personally supported the development of many e-commerce and business systems, and MonotaRO's technical skills and in-house development capabilities are at an unprecedented level in the retail and distribution industry. IT environments and technical capabilities that are not easily reflected in IR documents can also be considered important corporate assets. Going forward, the evolution of generative AI will enhance the optimization of the purchasing experience and supply chains, as well as help automate system development. During this period of transformation, I expect that MonotaRO's early adoption of generative AI and its strong technical skills will provide it with another competitive advantage and become a model for companies in Japan.

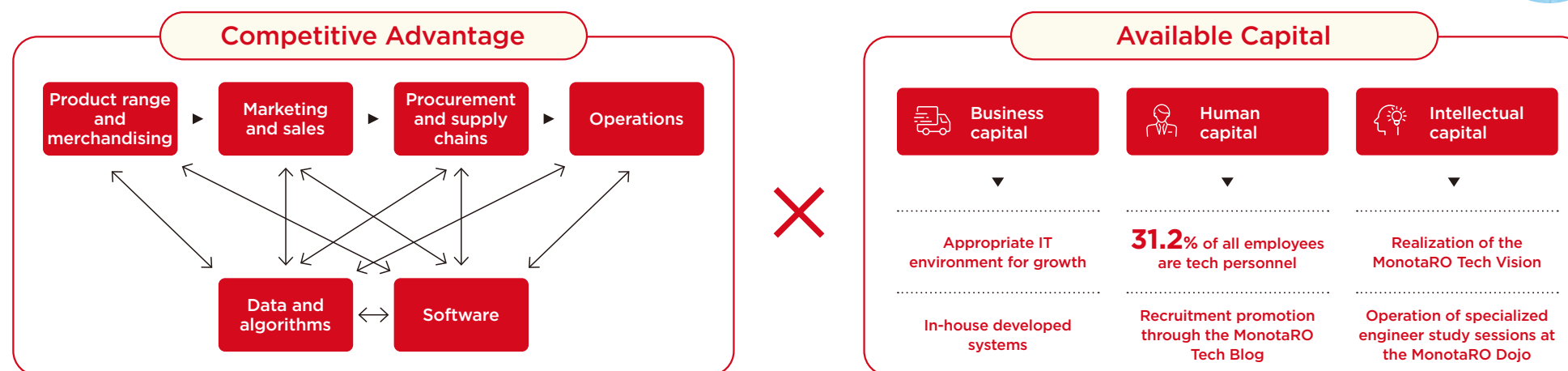
**Main Business Activities:** Performance-based service development, agile development support services and AI/LLM\* consulting and implementation support  
\* Large language model

### Message from an Employee in Charge

Optimizing content, message channels and timing is essential for creating promotions tailored to each individual customer. MonotaRO is promoting system development to enable marketing that flexibly adapts to change and encourages customer behavior transformation. We are systematizing 25 years of marketing know-how from manual tasks to reduce the operational workload of marketers. Through data analysis, we identify effective marketing patterns to improve customer convenience, boost sales through timely product recommendations and cross-selling, and increase touchpoints for unpurchased categories—all aimed at enhancing customer life time value (LTV).

Group Manager,  
Marketing Platform Group  
Department General Manager  
E-Commerce System  
Engineering Department

**Osuke  
Noguchi**



For details about MonotaRO Tech Vision and the MonotaRO Dojo, please see the MonotaRO Tech Blog. (Japanese only)  
<https://tech-blog.monotaro.com/entry/2024/02/01/090000>

A portrait of Yohei Yuki, a middle-aged man with dark hair, wearing a dark blue suit jacket over a light blue button-down shirt. He is standing in front of a large window with a view of a city skyline. The image is partially overlaid by text on the right side.

# Message from the CFO

**We will maintain the sound expansion that stakeholders expect while emphasizing business growth and capital efficiency.**

## **Yohei Yuki**

Executive Officer  
General Manager, Business  
Administration Department  
In Charge of Finance  
and Disclosure

### **My Thoughts on the Mission of a CFO**

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I was appointed CFO of MonotaRO in March 2025. In my previous job at an electronics manufacturer, I worked in accounting and finance, business planning and management of overseas subsidiaries. After joining MonotaRO in 2021, I was involved in IR support in the Business Administration Department and in operations related to internal controls. Then, from the second half of 2023, I led internal audits as head of the Management Audit Department. In the second half of 2024, my participation in discussions on the allocation of future cash flow generated through business growth was the catalyst that led to the appointment to my current position.

What stakeholders expect from us, first and foremost, is business growth. We have announced our capital allocation policy based on medium- to long-term goals of sales growth of more than 15% year-on-year and profit growth exceeding sales growth, as well as ROE of 30% or higher. My role as CFO is to achieve sustainable improvement of corporate value through disciplined

## Message from the CFO

decision-making on growth investments, precise cost management, capital efficiency-oriented balance sheet management, and advancement of the management systems that support these elements, as well as through transparent communication with shareholders and investors.

### 2024 Results and Financial Soundness

In fiscal 2024, we achieved consolidated net sales of JPY 288.1 billion, a 13.3% increase from the previous year. Sales in the procurement management systems business for large enterprises, which we have focused on in recent years, grew significantly, increasing by 27.9% year on year.

Net sales on a non-consolidated basis increased 13.5% year on year. In 2023, growth slowed in the B2B online business (monotaro.com) targeting small and medium sized enterprises (SMEs). Therefore, in 2024, we refined our approach by conducting more granular market analysis

according to customer size—micro, small, medium and large. Partly owing to the success of these efforts, in 2024 we saw a recovery in the growth of existing corporate customers of the B2B online business (monotaro.com), in addition to the procurement management systems business for large enterprises. Aiming for further improvement, we recognize the importance of strengthening our efforts to gain market share across all customer segments—micro, small, medium and large.

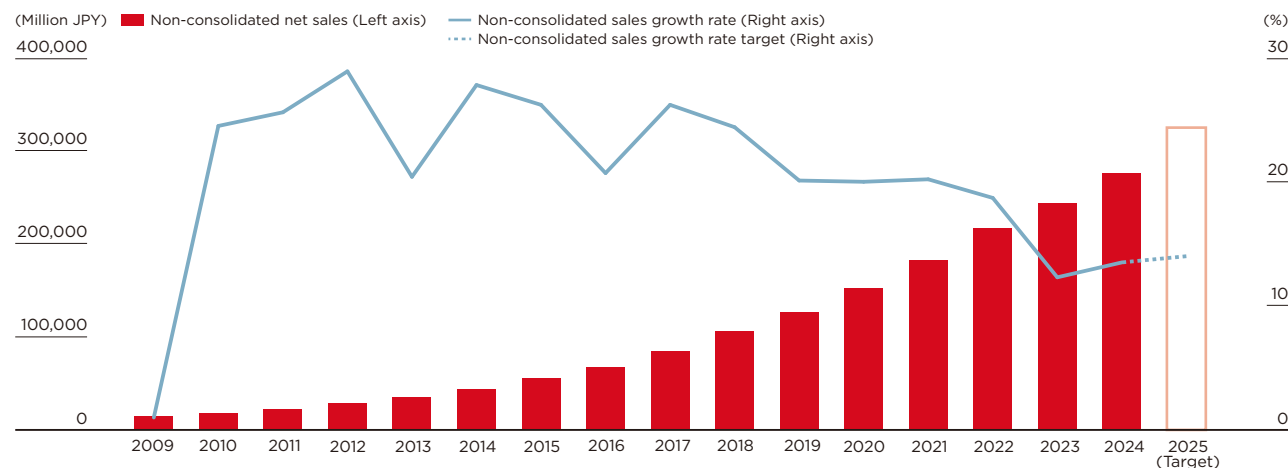
In overseas operations, it is essential to create a cycle of winning repeat orders by implementing measures tailored to the supply chain and market needs in each country. In this way, we will be able to bring the value we have provided in Japan to other countries. We will implement effective measures to build a competitive advantage in each country.

The gross profit margin has been steady at around 30%. We will continue to maintain a reasonable gross

profit margin by appropriately passing on fluctuations in purchase prices, and optimizing pricing based on changes in demand. Selling, general and administrative (SG&A) expenses will naturally arise from growth investments and various other measures, but up to now, we have maintained or improved the operating income margin by continuously enhancing productivity while controlling SG&A expenses as a percentage of sales. In addition, the ratio of distribution expenses to sales temporarily increased during the startup period of distribution centers, but as the operating rate and productivity improve, we have been able to reduce these expenses. We are also focusing on managing and optimizing IT-related costs. In the future, we will continue to achieve sales and profit growth while maintaining a sound financial structure.

Our balance sheet is characterized by high efficiency. It mainly consists of working capital, distribution centers and other operating bases, and software—with no assets that are not directly related to our business. We efficiently manage working capital. To give one example, in the area of supply chain management, we are focusing on inventory optimization based on highly accurate demand forecasting using machine learning. This allows us to maintain working capital at an appropriate level. With these measures, we have achieved a lean and efficient balance sheet and ROE of 27.7%. Using detailed, quantitative return on investment analysis, we have made a number of investments, primarily in distribution centers. In the future, we plan to further improve our decision-making framework to capitalize on various growth-oriented investment opportunities that will contribute to business expansion.

### Non-Consolidated Net Sales and Sales Growth Rate



Message from the CFO

Measures for Capital Efficiency and Enhancement of Corporate Value

To further enhance corporate value, we are focusing on growth investments, shareholder returns and optimization of the cost of capital. First, we will allocate the cash accumulated from business growth primarily to growth investments. Moreover, we organize growth investments into six types based on the objective.

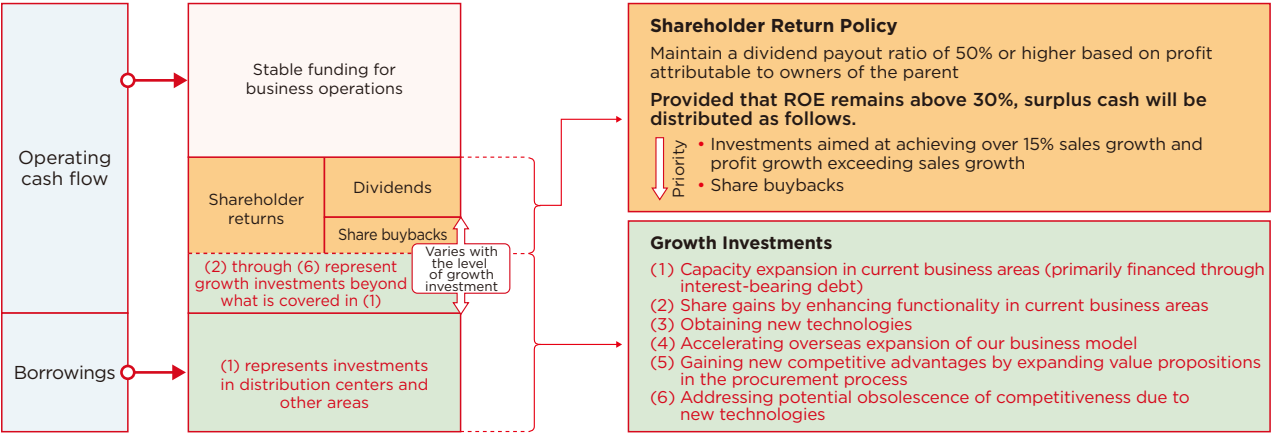
Currently, we are constructing the Mito Distribution Center in Mito City, Ibaraki Prefecture at an investment cost of about JPY 50 billion, with the start of operation expected in May 2028. Such investments in (1) capacity expansion in current business areas are primarily financed through interest-bearing debt, as the future return on investment is relatively predictable. We expect this strategy to lead to optimization of the weighted average cost of capital (WACC) and ensure the financial flexibility required for growth investments and shareholder returns. For other investments, our policy is to use equity capital for funding to meet the long-term growth expectations of shareholders and investors. We will actively pursue all of our growth investments while focusing on discipline from the perspective of ROE.

We aim to further enhance ROE, and have set a medium- to long-term ROE target of 30%. Considering this target and the scale of growth investment opportunities, we will pay dividends based on a payout ratio of at least 50% of profit attributable to owners of the parent as part of our commitment to delivering sustainable returns to shareholders. Based on this dividend policy, we will take steps to strengthen management focused on shareholders and investors.

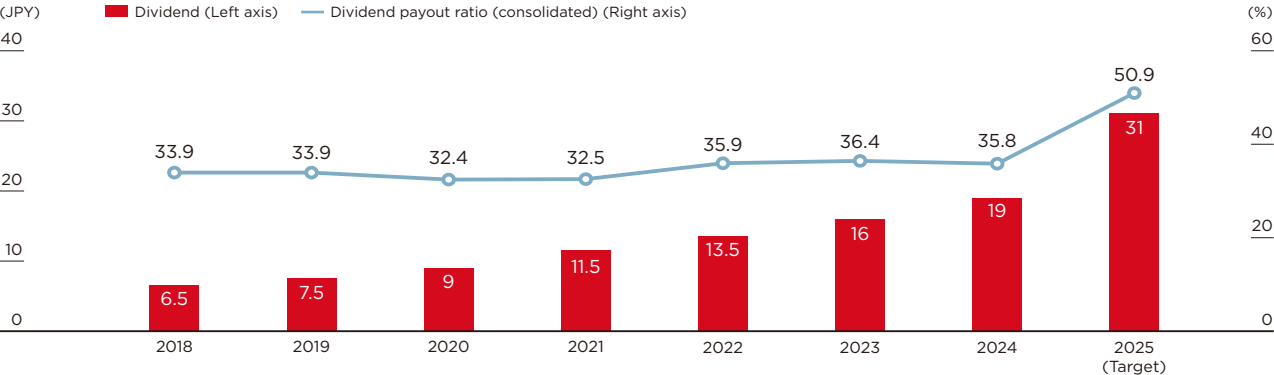
We calculate and disclose the cost of equity using both the capital asset pricing model (CAPM) and the earnings yield model to facilitate dialogue with shareholders and investors. This is based on our view that relying solely on the CAPM—in which the beta value (a measure of a

stock’s volatility relative to the broader market) is the only parameter unique to the Company—does not provide a comprehensive view of the cost of equity that adequately reflects stock market expectations. We believe that by also disclosing the cost of equity using the earnings yield

Approach to Cash Allocation



Dividend



## Message from the CFO

model, which assumes the current stock price level (PER) and medium-term profit growth as the stock market's expectations, we can enhance dialogue with shareholders and investors who value transparency and effectiveness.

### Growth Potential and Medium- to Long-Term Outlook

MonotaRO has significant room for growth. In 2024, we re-estimated the domestic MRO supply market using macro statistics and other data, and confirmed that the market scale is JPY 8–JPY 10 trillion. Our share of that is still no more than about 3%. With the shift to e-commerce likely to continue, we are working to speed up our share gain.

Based on the aforementioned market scale, we have set a medium-term goal of year-on-year sales growth of 15% or more. By investing proactively in optimal sales measures for the micro, small, medium and large customer segments, we will accelerate sales growth in each segment. We have established an integrated marketing platform as a major growth investment for future new customer acquisition and enhancement of life time value (LTV). This integrated marketing platform will enable us to conduct more personalized and appropriate sales promotions through channels tailored to each customer segment. We believe that this will encourage behavioral change in customers so that they make repeat purchases. We are focusing on accelerating wallet share growth by strengthening sales to business bases of large corporate customers that have higher potential.



### Value Creation Supported by Our People, Organization and Business Model

The source of our value creation is the corporate culture we have been cultivating since our founding. The values of “work together to achieve greater heights” and “share own ideas and autonomously act to realize these ideas” are embedded in our Company principles, which emphasize respect for others and ownership. Based on these values, a cost-conscious, data-driven mindset has taken root in

every employee and throughout the organization, and I believe this will lead to business growth and higher ROE.

As our organization and business scale grow, managing profitability will become even more critical in terms of both business growth and communication with shareholders and investors. We will continue to implement a capital policy focused on growth investment and return on capital, and will realize sustainable enhancement of corporate value through transparent dialogue with shareholders and other stakeholders.

**Distribution Centers with  
More than 24 million  
Products Handled and  
620,000 Items in Stock**



## Initiatives for Efficient Distribution

2000s



2020s

### Strengths and Initiatives

MonotaRO handles more than 24 million products, and holds more than 620,000 items in stock. Manually ordering such a huge number of products by relying on the knowledge and experience of the people in charge is difficult and inefficient. Early on, we developed an automated ordering system, and conducted demand forecasting that incorporated machine learning.

In addition, because we ordered items not held in stock after receiving the order, it was sometimes difficult to obtain the shortest delivery date data, and there were some cases where we discovered a product was discontinued after the order was received. Currently, by linking inventory information with some suppliers, we are making service improvements in ways such as enhancing delivery accuracy, keeping up with product modifications and discontinuations and preventing stock-outs.

### Koichi Kitashita

Executive Officer  
General Manager,  
Logistics Department  
In Charge of Operation

## Distribution Process

### Order Placement

Manual ordering

Automatic ordering using  
machine learning

Inventory linkage with suppliers

### Receiving/Inspection/ Shelving

Introduction of 3D measuring  
instruments

Introduction of shelf  
transport robots

Introduction of sorting robots

### Picking

Shipping instructions are printed,  
and workers walk to the shelves

Instructions on a tablet device  
indicate the best route

Shelf transport robots

Instructions by projection mapping

### Grouping of Package Items/Packing/Shipping

Introduction of automated  
warehouses

Introduction of automated box-  
making machines

Introduction of automated sealing  
machines

We have carried out automation and made improvements with a focus on processes that are more labor-intensive because of their complexity, such as picking, grouping of package items, packing and shipping. Now we are undertaking similar initiatives in the receiving, inspection and shelving processes.

One example is the introduction of 3D measuring instruments for more efficient identification of storage space that matches the sizes of items in stock. In addition, we are improving productivity by utilizing automated shelf transport robots, which were originally introduced to increase picking efficiency, in the product shelving process as well. Sorting robots that were introduced at the Inagawa Distribution Center in January 2024 automatically sort and transport incoming products—verified by receiving staff—to their designated storage areas. Productivity has improved as a result.

In initial picking work at the distribution center opened in Amagasaki, Hyogo Prefecture (its functions have now moved to the Inagawa Distribution Center), workers carrying papers with printed shipping instructions would walk around the warehouse and gather items from the shelves. The papers with the shipping instructions were later replaced by tablet devices, which displayed the best route to take to pick up multiple items, improving productivity.

When the Kasama Distribution Center opened in 2017, we introduced automated shelf transport robots for the first time. The shelves holding the ordered products automatically move to the locations (stations) where the pickers are, saving substantial time and labor. Since 2019, we have increased work efficiency by giving instructions to workers using projection mapping to identify the locations and number of shelves from which products will be taken. The workers put the picked items into a container, which is then put onto a belt conveyor.

The containers that individually picked items were put into are automatically lined up and sent to the area where packaging workers are waiting. Cardboard boxes for delivery are automatically formed by a machine to match the size and shape of the product. Sizing the cardboard boxes to fit the products not only reduces the amount of packing material used, but also leads to the reduction of shipping costs and environmental impact. The work of sealing the box containing the products and attaching the invoice is done automatically.



Attaching the invoice

## Automation and DX in Distribution

In developing our B2B online business, we have proactively introduced new machinery and systems in our constant pursuit of accurate, safe and efficient operations. Behind that effort is a corporate culture in which we clearly understand the level of service customers expect, and employees consider, share and discuss current issues every day to make improvements. Today, when technologies and services are coming out one after another, the pace of innovation is accelerating. By sharing awareness of problems and discussing them (even if there are no good improvement proposals at that particular time), when new technologies or services do emerge, we are better able to correctly and quickly judge whether they will truly contribute to solving the problem, and what issues may arise when introducing them.

With this corporate culture as the backdrop, we have been making use of warehouse management and other software to digitalize paper-based, manual and other non-digital processes, and are implementing measures to manage distribution data in real time. Currently, we are automating processes by introducing material handling, robotic and other equipment to achieve efficient operations. At the Mito Distribution Center, which is scheduled to open in 2028, we will promote even more efficient operations by utilizing new automation technology and logistics data, and expect to be able to provide more stable services.

To make MRO supply procurement more convenient for our customers, we are shortening delivery lead times by increasing the number of items in stock, improving customer satisfaction and building a sustainable distribution platform. We will continue to make use of advanced technologies in our constant push for further service improvements.

## BCP and Safety Measures

Our distribution centers are designed and operated with disaster preparedness in mind, including the selection of suitable locations and structural measures such as seismic isolation and earthquake resistance. In the event of a disaster, ensuring the safety of employees will be our first priority, but we also have an important duty to ensure business continuity. We consider it part of our social responsibility to maintain shipments and deliveries of items from the wide range of products that we handle and sell, and are therefore working on disaster preparedness measures.


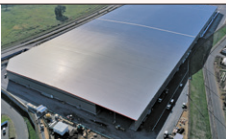


As a Companywide activity, we have put in place a business continuity plan (BCP) to ensure we can recover our operational capabilities as quickly as possible to prevent any interruption to the time value we provide to customers, even if a devastating disaster occurs. With that in mind, we carry out simulations during normal times and make advance preparations for the equipment, materials and systems we would need. For disaster recovery support, we will continue to strengthen cooperation with the central government and local governments in order to fulfill our social responsibility more quickly and without interruption.

Even in daily tasks, the safety of employees and others involved in our business is the number-one priority. It is important that all related parties, as well as managers, maintain a strong awareness of safety, understand potential risks and take prompt and proactive measures in response. In addition to strengthening efforts at each base, we are creating an organizational structure that extends across all distribution centers and introducing systems that promote mutual cooperation in order to enhance organizational capabilities and promote the sharing and utilization of knowledge. We will continue, where necessary, to review the systems at our distribution centers and make improvements to ensure safer operational processes.

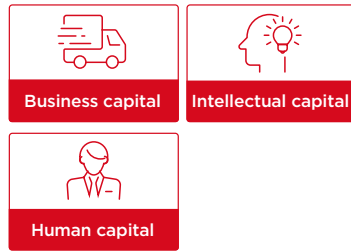
Should an accident occur at a distribution center, we will respond by quickly sharing information, investigating the root cause and taking countermeasures. Moreover, we are conducting risk assessments that incorporate input from frontline employees in line with the occupational health and safety management system. We conduct study sessions and provide support for working safely, including promoting transportation safety during the commute to and from work, and take into account the needs of older workers and those with disabilities.

 For more details, see the Health and Safety section of our website.  
[https://corp.monotaro.com/en/ir/sustainability/sustainability\\_03.html](https://corp.monotaro.com/en/ir/sustainability/sustainability_03.html)

### Mito Distribution Center (Ibaraki)

	Kasama Distribution Center (Ibaraki)	Ibaraki-Chuo Satellite Center (Ibaraki)	Inagawa Distribution Center (Hyogo)	Mito Distribution Center (Ibaraki)
Exterior				
No. of floors	Single floor	Single floor	Six-floor building	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. 74,000 m <sup>2</sup>
Maximum inventory capacity	Approx. 330,000 SKUs	Approx. 30,000 SKUs	Approx. 550,000 SKUs	Approx. 500,000 SKUs
Shipping capacity (per day)	100,000 lines	30,000 lines	180,000 lines	300,000 lines
Start of operation	April 2017	April 2021	April 2022	Scheduled for May 2028

# Data Science That Drives Our Growth and Competitive Advantage



## The Data Science Supporting Our Growth

The power of data science is a key element supporting MonotaRO's sustainable growth. We accumulate large amounts of product data and information on customer purchasing habits. We utilize that data to upgrade all aspects of our business in pursuit of our mission to

innovate business procurement networks. We achieve business growth by analyzing and utilizing this unique primary data.

Specifically, we are working to improve our search and recommendation functions tailored to individual needs so our customers can find the items they need more quickly and accurately. Data science also contributes to stronger business growth and competitiveness in ways such as supply chain optimization and more efficient marketing.

MonotaRO's business growth is driven by the cycle of growth in products handled, the number of customers, inventory, and sales and profit (see page 9). Data science plays a foundational role in key decision-making at each

stage of this cycle, while also supporting efficient operations. This is a unique feature of the Company, and one of its greatest strengths.

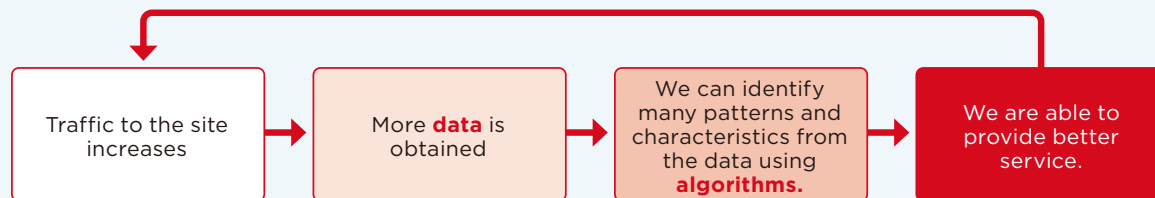
## Creating a Competitive Advantage Through Data Science

One of the six key areas in which we hold a competitive advantage is our proprietary data that other companies cannot easily match and the sophisticated algorithms for utilizing that data. We continuously make investments and improvements in this area.

**Xinpeng Zhang**  
Executive Officer  
General Manager, Data  
Science Department  
In Charge of Data Science

### A cycle of data and algorithms

An enormous amount of **primary data\*** that other companies cannot match together with our original **algorithms** creates a **competitive advantage**.



The more MonotaRO grows, the more data it collects.  
This creates a structure in which **services automatically improve**.

\* MonotaRO's product information and data on customer purchasing habits

Using our data, we conduct in-depth analysis of customers' search behavior and purchasing habits, the product information they focus on and other characteristics. This allows us to provide information optimized for the needs of each individual customer. In addition, we continue to systematically develop our data analysis infrastructure to provide a platform that enables data scientists to concentrate on sophisticated analysis and algorithm development. In this way, our proprietary data, sophisticated analysis capabilities and solid infrastructure form a three-in-one structure that establishes a competitive advantage unique to MonotaRO.

In 2024, we introduced vector search\* to the product search system on our sales website (monotaro.com) to enable customers to find the products they are looking for more smoothly. This has improved search accuracy, making it easier for users to search for and find the items they need in less time.

\* See page 21 for details on vector search.

## The Four Pillars of Data Science

### Providing the best e-commerce services

With the power of data and algorithms, we will provide e-commerce services optimized and personalized for each individual customer.

### Improvement of business productivity

Through automation and optimization based on data and algorithms, we will increase productivity throughout the Company.

### Pursuit and innovation of advanced technologies

We will create new value by staying on top of industry trends in our search for new technologies.

### Contribution to growth

Using data and algorithms, we will transform our vast store of data into insights to bolster our competitiveness and promote business growth.

## Nurturing Data Science Talent

MonotaRO is working to develop data science talent to support the continued evolution of data science and its contribution to our business. Led by the Data Science Center of Excellence (CoE) Group, we are enhancing data utilization capabilities across the organization through the establishment of a systematic career development program, formulation of a recruitment policy, cooperation with data scientists within and outside the Company, and through other initiatives.

We are focusing in particular on developing multidisciplinary talent who have operational knowledge in each business area as well as data science expertise. By helping employees acquire such knowledge, we are cultivating data scientists who are not simply analysts, but are adept at problem-solving that contributes directly to sales and our business.

We are also actively promoting cooperation with internal and external data scientists to upgrade our technical capabilities through the introduction of the latest technologies and solutions and by sharing knowledge and experience. Looking ahead, we aim to deliver value to a wider range of fields by clearly defining roles within our organization and assigning specialists in each business area. We will focus on reinforcing talent with a high level of expertise and the manager class, securing specialists in product information structuring and developing business analyst-type data scientists. We will make it easier for every employee to map out a career plan, and promote the further evolution of data science.

## Future Prospects

We will continue to promote the evolution of data science to make MonotaRO an essential company to its customers. We have established four pillars of data science for the future (see the figure on the left).

In particular, we will actively leverage AI to provide product information more efficiently, and raise the level of customer support through AI agents. In addition, we will build a data platform for integrated management and use of our various data to expedite data-driven decision making.

In the future, when AI technology is further embedded in people's daily lives and work, MonotaRO will lead the industry in innovating business procurement networks. To that end, it will be essential for all employees to have data-driven thinking, and to embrace the challenge of new value creation by strengthening cooperation across departmental lines.

# A Corporate Culture and Support for Growth Based on Respect for Others



## Human Capital Management That Supports Our Corporate Mission to Innovate Business Procurement Networks

We consider human capital the most important business resource for achieving our mission to innovate business procurement networks. We respect the ambition and autonomy of each and every employee, and support them in skill and career development. To improve organizational engagement based on our corporate culture founded on respect for others, we nurture our employees' ability to innovate procurement of MRO supplies. MonotaRO's human capital management is the foundation for growing together with our employees, and continuing to contribute to society.

## Approach to Recruiting and HR Development

MonotaRO seeks people who are aligned with our principles, including respect for others, and can demonstrate those principles. We focus on recruiting candidates who are not afraid of change and can bring new perspectives. We also aim for an inclusive workplace where all people, including those with disabilities, can make full use of their talents.

To improve organizational engagement based on our corporate culture founded on respect for others, we nurture our employees' ability to innovate procurement of MRO supplies. We have established an environment that supports growth in various ways, including one-on-one meetings to support growth through dialogue, and growth plans to assist employees in career development.

each person to organize their thoughts about the week, and to help the Company address the issues shared in the reports and make organizational improvements. The reports are read by directors, including the president, department general managers and the respective group managers. The opinions and suggestions in the Weekly Reports often lead to improvements in the Company.

Another characteristic of the Weekly Reports is that they are registered in the talent management system, and are available for viewing by all regular employees. The Weekly Report promotes open communication, is used in Companywide problem-solving and decision-making and is an important tool for MonotaRO.



## Corporate culture

### Respect for Others

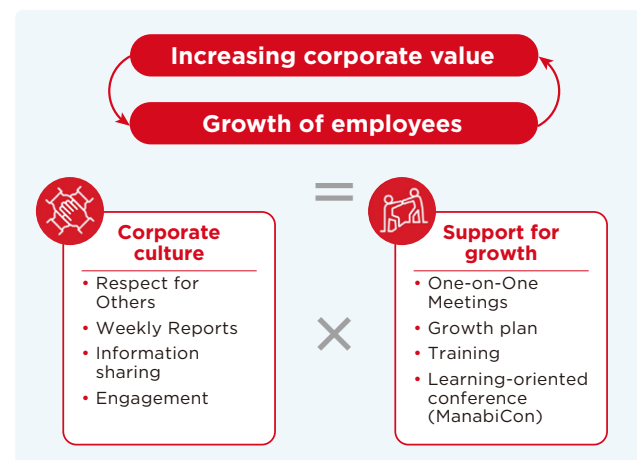
One characteristic of MonotaRO's corporate culture is that we have made "respect others" our most important principle. At the same time, this is the basis of our human capital management. In the engagement survey, the principle of "respect others" recorded the highest score among all question items, indicating that this principle is deeply rooted in MonotaRO. "Respect others" has become a common language, and a corporate culture of mutual cooperation and openness, where people listen to each other's ideas, has formed around it.

### Weekly Reports

All regular employees submit a Weekly Report every Friday. This is more than just a work report; its purpose is to get

### Town Hall Meetings

Once a month, the president holds a town hall meeting for all regular employees to directly inform them about the current state of the Company, its future direction, shared issues and other matters. Having the opportunity for direct communication from management enhances information transparency, and helps everyone understand the Company's vision and the direction in which it is going so that they can think about how these issues relate to their own jobs and work with a sense of togetherness.



## Information Sharing and Cooperation

In addition to the Weekly Reports, the minutes of the Executive Officers Meeting and the Division Managers Meeting are also shared with all regular employees. Information materials are also readily shared across departmental lines, and people who proactively seek out information have access to a variety of documents and data. A corporate culture and environment of generous information sharing and cooperation has thus taken shape.

## Employee Engagement

Starting in 2024, we conduct an engagement survey to understand the current state of the organization and issues to be addressed, and to consider solutions. In the 2024 survey, the results were good in each of the areas covered—organizational management, the Company principles and business direction. Of these, results showed that many employees feel that we have an excellent workplace environment and good interpersonal relations based on principles. We also found that there are issues we can address to make further improvements. We will work to address these issues as part of our effort to foster an even better corporate climate.

## Support for growth

### One-on-One Meetings

Supervisors (coaches) and their subordinates (members) have one-on-one meetings once every week or two. The purpose of these meetings is to maximize performance and support the growth of individual employees. Through dialogue, subordinates are encouraged to raise the quality of their work and gain new insights, while also enhancing productivity by alleviating or removing physical and psychological barriers.

In one-on-one meetings, employees reflect on their work, share information and set goals. They also engage in dialogue about a wide range of themes, including discussions about their career and any problems they may be experiencing in their work. This is an important opportunity to build trusting relationships between supervisors and subordinates, and to support growth.

## Growth Plan

Once a year, employees plan their own career (growth) plan for three, five and ten years in the future, based on their experiences and strengths. A growth plan in which they put into words what they want to do in the future, and how they will acquire the skills for achieving that is periodically taken up as a topic in the one-on-one meetings, and subordinates develop that plan while receiving support from their supervisor. If they think a job change is suitable for their growth, they can also indicate that in their plan, and the job transfer wishes they submitted are considered by different departments.

## Training

We provide training according to position and rank for the purposes of strengthening organizational foundations, business understanding, and skill and career development. A system is in place for interested employees to develop their skills, with many training options available.

## Learning-Oriented Conference “ManabiCon”

The internal conference “ManabiCon”<sup>\*</sup> is held annually for employees to not only review what they have learned through

their work in projects, but also to share their experiences and learn from one another in a formal, Companywide setting. This is an opportunity for the presenters to make new discoveries by reflecting on their experiences and sharing their knowledge, and for listeners to understand the work and perspectives of other departments. It is a key event driving the growth of the whole Company.

In 2024, there were a total of 33 presenters from all departments, and a total of 800 people participated as listeners, setting a new record.

<sup>\*</sup> Manabi (learn) plus Con (conference)



## A Multifaceted Training System

		Professional position (management)	Professional position	Expert position	Generalist position	Operational position	Part-time
Strengthening organizational foundations	All employees	Compliance training					
		Business Conduct Guidelines training					
		Unconscious bias workshop					
		Five Factors and Stress (FFS) workshop					
Business understanding		Business issue exploration training					
			Training in department upon joining the Company				
			Internal operations training				
Skill and career development					New graduate employee training		
		• Assessment workshop • Onboarding • New appointment training	Analogy-based thinking		• Critical thinking training (basic and frameworks) • Ability to summarize information training		
				Project management training			
			In-house lending libraries				
	Interest-based or selective			Data utilization training (lecture edition)			
				Data utilization training (workshop)			
				IT upskilling training			
		Overseas training program					
		English and Chinese language training					
		Japanese language training (for non-Japanese employees)					
	External partnership training (training by issue and by specialization)						

Note: Compliance training for all employees consists of workplace harassment training, personal information handling training and information security training. In addition, training on entertainment and gift-giving, related-party transactions and insider trading is conducted for all regular employees.

# Business in Japan

## B2B Online Business (monotaro.com)

### Business Overview and Strengths

This business has grown by offering a wide product selection that allows customers from various industries to find everything they need in one place, along with enhanced searchability and fast delivery. A notable feature of our business is that the high repeat rate and the increase in types of products purchased leads to an increase in the annual purchase amount per customer. We aim to provide services that will be used by customers for a long time, and we will continue to evolve them.

#### Growth Approach

##### New customer acquisition

- Targeted advertising in online searches, search engine optimization (SEO), TV commercials, etc.
- Sending direct mail and flyers to prospective customers

##### Increase in usage by existing customers

- Improving the retention rate through new sales promotion activities
- Marketing aimed at dormant customers
- Measures to improve customer satisfaction

#### Personalized direct mail and advertising flyers

We are expanding our recommendation functions beyond the website to include personalized product suggestions in direct mail and flyers. The customer retention rate is rising, in part because we send direct mail to dormant customers who have not used our services for a certain period of time to encourage them to use us again.



#### Integrated Marketing

We are strengthening customer-driven sales promotion. We have developed a sales promotion system aimed at increasing LTV for customers. It integrates sales promotion measures across multiple sales channels, including e-mail, flyers, our website and apps. For example, to customers who searched for “pressure resistant hose” for the first time, we recommend related products such as hose nipples in multiple sales channels. Going forward, we will calculate marketing costs from customer LTV growth, and aim to develop a system that automatically creates the optimal messaging.

## Procurement Management Systems Business (For Large Enterprises)

### Business Overview and Strengths

We offer two solutions for large enterprises according to the customer’s circumstances and requests (see pages 7–8). In addition to solving challenges facing large enterprises in MRO supply purchasing—namely, the labor shortage and stronger governance—we also help them to cut costs by offering private brand products. This business continues to grow by offering free implementation and providing post-contract support.

#### Growth Approach

##### Acquiring new customers

- Strengthening sales targeting the medium and large business segments
- Holding seminars on improving MRO supply procurement

##### Follow-up with companies that have introduced the system

- Interviews about issues: Sales representatives interview customers whose post-registration use has not grown to learn about their issues in on-site operations.
- Recommendation of private brand products: Based on customer purchasing history, we encourage them to try private brand products that help reduce costs while maintaining essential functionality, and to consider switching from existing products.

#### Strengthening on-site sales

Large enterprises have an average of about 200 operating sites, and we are strengthening on-site sales at those with the greatest potential to use our services. We hold internal seminars at these locations, and work to increase their awareness of our products, including private brand products.



#### Reorganization and Strengthening of Sales Operations

To expand the procurement management systems business that serves large enterprises, we are reinforcing our sales structure. We plan to increase sales personnel by 25%, mainly in eastern Japan, by the end of 2025. This will allow us to strengthen sales to promote use of MonotaRO at customer bases with the highest potential, which will lead to sales expansion from existing customers. Specifically, we are conducting seminars to increase awareness of our procurement management system, introducing products that can be purchased through customer intranets, and holding on-site exhibitions where customers can actually try our private brand products.

# Business in Japan

## Approach Based on Customer Business Scale

### Market Analysis

By linking external database information—such as customer business scale and operating sites—with internal data for analysis, we will be able to gain a more accurate understanding of market size by customer and our base penetration rate.

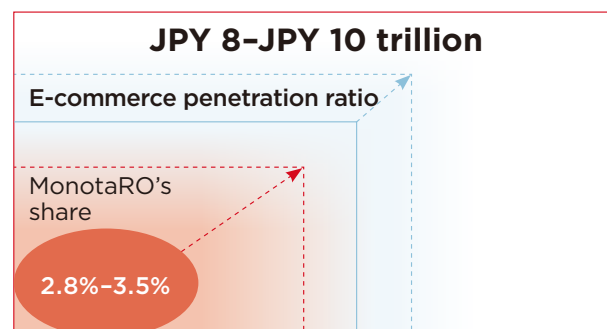
### Estimation of Market Size and Our Share

The size of the market for MRO supplies in Japan is estimated at JPY 8–JPY 10 trillion. We estimate that customer businesses in the large segment with sales of JPY 30 billion or more account for more than half of that market size.

Since we have been expanding business with a focus on small and medium-sized enterprises, our share in the small segment is currently around 5%, but in the large segment, it is only about 1%.

While we will continue to pursue growth opportunities in the small and medium segments, we are working to solve customer challenges and improve services to expand our share in the large segment, which has even greater potential.

### MRO Supply Market Size



### Micro

Sole proprietorships, general consumers and others

#### 2024 in Review

- Demand for emergency products temporarily increased due in part to the impact of alerts over risk of a Nankai Trough megaquake

#### Strategies for 2025

- Optimize direct marketing by taking into account expected LTV

### Medium

Corporations with JPY 2 billion to under JPY 30 billion in annual sales; approx. 60,000 companies

#### 2024 in Review

- Updated customer list and started measures to acquire new bases and customers and retain them based on expected LTV (e.g., started flyers and inside sales from August)
- Restarted sales activities targeting customers in the medium segment to expand new connections with our system (from December)

#### Strategies for 2025

- Strengthen measures to acquire new customers and retain existing customers by improving each channel and the sales promotion system
- Strengthen sales activities targeting customers in the medium segment to create new connections with our system

### Small

Corporations with under JPY 2 billion in annual sales; approx. 4.5 million companies

#### 2024 in Review

- Increased active customers with measures to reactivate dormant customers
- Renewed customer list and strengthened acquisition and retention of new customers based on expected LTV (e.g., sending flyers starting in August)
- Released sales promotion system that enables more advanced integrated marketing and personalization (May)

#### Strategies for 2025

- Strengthen measures to acquire new customers and retain existing customers by improving each channel and the sales promotion system
- Create sales outlets (e.g., catalogs) aimed at accelerating sales growth from first-time purchases for existing customers, for whom growth rates have been declining since 2023

### Large

Corporations with JPY 30 billion or more in annual sales; approx. 6,500 companies

#### 2024 in Review

- Refinement of potential based on company and location
- Strengthened sales system has led to new system connection with 50 companies of sales over JPY 100 billion (exceeding the plan)
- Started on-site sales activity trials

#### Strategies for 2025

- Continue activities to acquire customers with new system connections
- Strengthen on-site sales activities targeting high-potential bases
- Develop services for large enterprise customers (e.g., specification of delivery date and time)

# Business Outside Japan

## Introduction

MonotaRO continues to grow, and has set the goal of achieving year-on-year sales growth of more than 15% in the medium to long term. As of 2024, sales from overseas subsidiaries still account for a small share of consolidated sales. However, we are actively pursuing overseas business opportunities with strong growth potential as we look toward long-term growth over the next 10 years.

The Global Business Office in Japan supports subsidiaries operating in three countries. Based on our know-how cultivated in the Japanese market, we provide a wide range of support, including marketing measures for business expansion, analysis of business challenges, examination of improvement measures and formulation of investment plans based on ROI. Our goal is to promote sales growth and ensure the future profitability of overseas subsidiaries.

In addition, local initiatives and success stories of overseas subsidiaries are shared in Japan, enhancing our mutual knowledge and experience.

The situation differs in the three countries where we operate. In South Korea, we have recorded losses after achieving profits, while Indonesia and India operations are in the investment phase. We will take the necessary actions in a timely and steady manner to ensure that our subsidiaries in each market grow and increase their significance in the form of profitability.

## Strengths and Initiatives



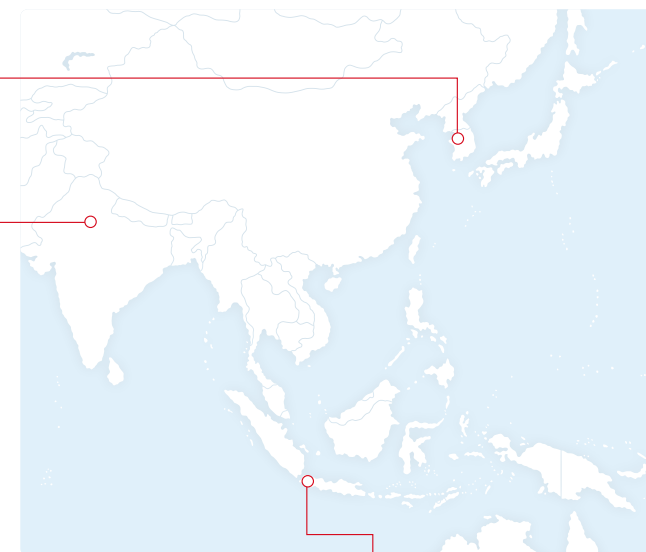
### South Korea

We began business in South Korea in 2013 because it has some similarities with the Japanese market, including the industry structure, competitive landscape and infrastructure environment, as well as the fact that the manufacturing industry plays a critical role. The South Korea business recorded a profit in 2019, seven years after the start of operations, but rising prices eroded the gross profit margin, and it posted a loss in 2023 due to expenditures for construction of a new distribution center that began operation in 2023. It recorded a loss again in 2024, but operating cash flow excluding depreciation of the new distribution center was positive. Business catering to large enterprises is growing, and we are working to ensure earnings recovery in the South Korea business. In 2025, we will implement business improvements to restore profitability by increasing the operating rate of the new distribution center through sales growth and the related increase in volume.



### India

India is a market where demographics and technological innovation are fueling rapid growth in a wide range of industries, and demand for MRO supplies is also expected to grow. For that reason, we entered that market in 2021. We were unable to achieve our sales target in 2024, but the frequency of use improved as a result of our focus on sales of consumables. Our efforts to strengthen new customer acquisition in regions with high projected LTV have led to an increase in the percentage of large corporate customers. In addition, we have established distribution bases in three locations to shorten lead time in India, which has a vast land area. In 2025, sales are projected to be virtually flat year on year due to a shift in the customer segments we focus on, but we will continue to promote use by new customers and improve differentiation from other companies in ways such as by making our own deliveries.



### Indonesia

We have been operating in Indonesia since 2016. Although the Indonesia business is still in the investment phase, sales in 2024 grew by approximately 25%, driven by an increase in corporate customers who make purchases regularly. We increased the number of products handled and strengthened linkage with suppliers, and expanded the promotion of one-stop shopping that enables customers to complete all their purchases with one company, monotaro.id (PT MONOTARO INDONESIA). In 2025, we will expand new customer acquisition through further promotion of direct sales. In Indonesia, which is made up of many islands, we will ensure business area expansion by constructing a new distribution center on the island of Kalimantan, which is located in the central part of the country.

# Sustainability

For more details



## Sustainability Policy

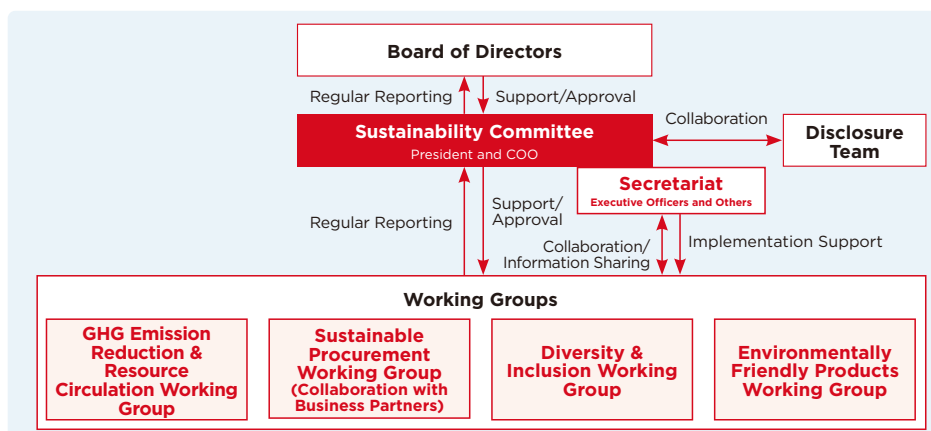
MonotaRO offers a highly convenient MRO supplies service to support the sustainable development of industry and society. We are committed to co-existence and co-prosperity with the environment and society as well as respecting human rights, and have positioned the use of recycled materials, the handling of environmentally friendly products, reduction of CO<sub>2</sub> emissions, resource circulation and promoting diversity and inclusion (D&I) as key issues. We also aim to be a foundation that supports industrial development and technological innovation through appropriate corporate governance and sound business practices, while strengthening the sustainability of the supply chain as a whole.

## System for Promoting Sustainability

The Sustainability Committee, which consists of the president and other members, is positioned as a core organization within MonotaRO. Matters discussed by the committee are regularly reported to the Board of Directors.

Formulating and implementing measures for each material issue is carried out by working groups led by the heads of relevant departments. Within each working group, a practical leader is appointed to take the lead in promoting initiatives.

## Sustainability Promotion Structure



## Sustainability Committee Meetings in 2024

Date	Working Group in Charge of Presentation
February 2024	GHG Emission Reduction & Resource Circulation Working Group
April 2024	Diversity & Inclusion Working Group
May 2024	Sustainable Procurement Working Group
June 2024	Environmentally Friendly Products Working Group
July 2024	GHG Emission Reduction & Resource Circulation Working Group
September 2024	Diversity & Inclusion Working Group
October 2024	Sustainable Procurement Working Group
November 2024	Environmentally Friendly Products Working Group

## External Recognition (As of July 22, 2025)



# Environment



Material Issue

Reduction of CO<sub>2</sub> emissions to address climate change

GHG Emission Reduction & Resource Circulation Working Group

Fundamental Approach

We are working to reduce and limit emissions of CO<sub>2</sub>—considered the primary cause of climate change—from our business activities.

Initiatives

- Use of Renewable Energy
- The three distribution centers we operate utilize non-fossil certificates, achieving effectively zero CO<sub>2</sub> emissions from the power they use.
  - At the Inagawa Distribution Center, which we lease as a tenant, we began using electricity from solar power supplied by the property owner in 2024.

- Reducing Our Environmental Impact
- A thermal insulation coating has been applied to the rooftops of the Kasama Distribution Center and Ibaraki-Chuo Satellite Center, which helps to lower HVAC power consumption by reducing indoor temperature fluctuations.
  - Brightness optimization in unoccupied areas of the Inagawa Distribution Center reduces power consumption
  - Launched “Container Round Use” program in 2024 to improve efficiency by reducing the transport distance of empty containers

Impact of the roof insulation coating

Uncoated

Coated

Thermographic image of Ibaraki-Chuo Satellite Center on the same day and same time before the coating was applied

Thermographic image of Kasama Distribution Center where the coating has been applied (July 21, 2021)

Brightness optimization in unoccupied areas

Before

After

TCFD-Based Disclosure

1. Governance

We have established the Sustainability Committee chaired by the president and COO to promote the reduction of greenhouse gas emissions and implement climate change countermeasures. The committee regularly reports to the Board of Directors, as well as discusses key issues and develops concrete initiatives led by the practical leaders of working groups.

2. Strategies

We have developed scenario analyses of a world in which average global temperatures at the end of the twenty-first century are “under 2°C” and “over 4°C” warmer than pre-industrial levels, and are studying the potential impact on our business performance and financial condition.

Risks

Physical Risks (2050 Projection)	Transition Risks (2030 Projection)
<ul style="list-style-type: none"><li>• Increased cost of maintaining working environments</li><li>• Shutdown of distribution centers due to storm or flood damage</li><li>• Delays in arrival and delivery of products we handle</li></ul>	<ul style="list-style-type: none"><li>• Increase in energy procurement costs</li><li>• Greater difficulty or delay in development of environmentally friendly private brand products</li><li>• Loss of customers and investor confidence due to delayed implementation of initiatives</li></ul>

Countermeasures

- Reduction of risk by automating operations
- Reduction of risk by dispersing operating bases across multiple regions
- Energy procurement from non-fossil sources and introduction of solar power generation equipment
- Enhanced private brand product development capabilities for environmental technologies
- Enhanced development of environmentally friendly products

Opportunities

- Growing demand for environmentally friendly products
- Lower costs due to improved transportation efficiency
- Expanded needs for disaster prevention and disaster recovery products
- Expanded sales of environment-improvement products such as heatstroke prevention products and air-conditioning materials

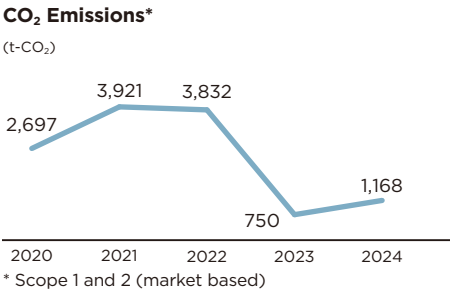
3. Risk Management

Reports submitted to the Sustainability Committee are shared with the Risk Management Office and the Audit Committee. We have established a framework for continuously monitoring risks and the status of countermeasures.

4. Indicators and Targets

For Scope 1 and 2 emissions, reduce absolute CO<sub>2</sub> emissions by 50% from 2020 levels (2,697 t-CO<sub>2</sub>) by 2030

Results: Reduced Scope 1 and 2 (market based) emissions to 1,168 t-CO<sub>2</sub> at the end of December 2024, a 50% reduction from 2020 levels, but left the target unchanged, taking into account the head office relocation in 2023 and the planned start of operation of Mito Distribution Center in 2028.



# Environment

## Material Issue

### Achieving a resource-recycling model through waste reduction and recycling

GHG Emission Reduction & Resource Circulation Working Group

## Fundamental Approach

We are promoting waste reduction and recycling with the goal of realizing a circular economy.

### Initiatives

- ▶ Specification of disposal process for unnecessary items and calculation of waste
- ▶ Promotion of recycling of unnecessary items
  - Conversion of industrial waste to materials with value through more detailed waste separation and selection of suitable waste management companies

Unneeded Materials Emissions and Recycling Rate	2023	2024
Amount of waste generated (t)	1,289	1,214
Amount of general business waste (t)	261	235
Amount of industrial waste (t)	1,028	979
Final disposal amount of industrial waste (incineration/landfill) (t)	623	489
Amount of valuable materials (t)	3,771	4,084
Total amount of valuable materials and recycled materials (t)	4,176	4,575
Total amount of unneeded materials (t)	5,060	5,298
Recycling rate (%)	82.5%	86.4%

Note: Unneeded materials are classified into valuable materials and waste

### ▶ Avoiding and reducing generation of unneeded items

- Improve accuracy of demand forecasts
- Avoid product waste disposal through inventory clearance sales and *mottainai* ("too good to waste") sales
- Prevent damage by providing education in damage-prone distribution operations
- Improve methods of loading easily damaged products
- Request improved loading of easily damaged products when they are delivered to us
- Reduce waste by using damaged products internally or donating them as part of CSR activities

#### Examples

##### Internal use of damaged products and similar items

- We are promoting the internal use of copier and report paper no longer fit for sale due to defects such as damaged packaging.

##### Donations to food banks

- We make donations to food banks in cooperation with the social welfare councils of Inagawa Town and Kawanishi City (both located in Hyogo Prefecture).



Donation to Inagawa Town Council of Social Welfare

### ▶ Providing a recycling service to customers

- Battery recycling service and sale of recycled items
  - Recycled batteries for cordless power tools
  - Recycled batteries for handheld terminals
  - Recycled batteries for laptop computers
  - Recycled batteries for electric bicycles
- Rentals
  - Rental of measuring and surveying instruments
  - Rental of laboratory instruments
  - Rental of transceivers
  - Rental of welding equipment
  - Rental of construction machinery
- Repair and recalibration
  - Fixed-rate repair of pneumatic tools
  - Fixed-rate repair of measuring and surveying instruments
  - Recalibration of measuring and surveying instruments
  - Fixed-rate repair of power tools
  - Lever block repair service
- Other services
  - Injector cleaning
  - Ink cartridge collection box (free)
  - Sale of rebuilt parts

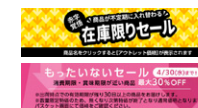


For more details, see the Convenient Services section of our website. (Japanese only)  
<https://www.monotaro.com/topic/service/>

### Future Initiatives

We are planning initiatives such as establishing a waste volume calculation process, and formulating reduction and recycling promotion plans.

For more details



Industrial waste guidebook



Supporter of the "No-Foodloss Project," a national campaign of the Ministry of Agriculture, Forestry and Fisheries

# Environment

For more details



## Material Issue

### Proposal and development of environmentally friendly products

Environmentally Friendly Products Working Group

## Fundamental Approach

To help customers incorporate environmental awareness into their material procurement process, we are expanding our lineup of environmentally friendly products and making them easier to find. As part of that effort, we launched an ecology product\* page on our website with an improved search filter function for environmental labels, and are developing environmentally friendly private brand products.

\* Products that have received certifications related to addressing the SDGs are designated as "ecology products."

 **Ecology Product Page (Japanese only)**  
<https://www.monotaro.com/topic/sdgs/>

## Examples of Initiatives

### ► Five key points of environmentally conscious material procurement and related certifications



For all companies, considering the environment when procuring materials is important in building a sustainable future. This does not just mean using renewable resources and environmentally friendly materials—it requires taking the environment into account in all processes, including energy used during product manufacturing, the impact on the environment after the item is used, and the method of material procurement. We focus on five key points in providing an environmentally friendly MRO supplies service to companies that are working to protect the environment.

## Products with Environmental Labels

Environmental Label	Number of Products Handled	Environmental Label	Number of Products Handled
Environmentally friendly from production to disposal		CO <sub>2</sub> emission reduction	
Eco Mark Certification	51,106 items	Biomass Plastics Mark	193 items
Green Procurement	448,453 items	Biomass Mark	1,848 items
Ecosystem protection		Waste reduction and recycling	
Biodegradable Plastics Mark	98 items	Green Mark	10,147 items
FSC® Certification	736 items	Recycled Paper Symbol (R) Mark	18,611 items
PEFC® Certification	16 items		
Restriction of hazardous substances			
RoHS 10 Compliance	6,113,439 items		

(As of March 12, 2025)

### ► Sale of environmentally friendly private brand products

#### Plain A-flute Cardboard Boxes

This product uses recycled cardboard waste from our warehouses.

<https://www.monotaro.com/g/06323054/>



This eco-friendly cardboard box is created from MonotaRO's cardboard recycling program.



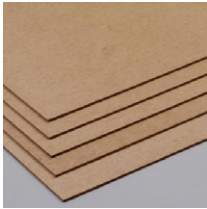
#### Medium-Density Fiberboard Using Palm Oil Waste

This board uses PALM LOOP®, a recycled wood board technology developed by Panasonic Housing Solutions Co., Ltd. PALM LOOP® uses oil palm waste as a resource to reduce waste and greenhouse gas emissions, and to prevent deforestation.

This helps to promote a circular economy that reduces environmental impact while also contributing to local job creation. We will continue to promote product development.

<https://www.monotaro.com/g/06113432/>

Note: PALM LOOP® is a registered trademark of Panasonic Holdings Corporation.

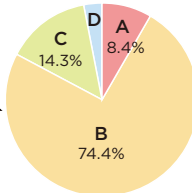


### ► User survey results

We asked our customers to complete an environmental survey.

#### Degree of Attention to Labels and Certifications

When choosing SDGs-related products to purchase, how much attention do you pay to product labels and certifications?  
 (Not limited to purchases through MonotaRO)



A: A lot of attention  
 B: Some attention  
 C: No attention  
 D: Don't know

# Social

For more details



## Material Issue

Cooperation with suppliers aiming at the development of an industrial society that considers the environment and human rights

Sustainable Procurement Working Group

## Human Rights Policy

We have referenced the International Bill of Human Rights and the labor standards set forth by the International Labour Organization (ILO) in formulating our human rights policy. We respect the human rights of all workers and work to create a safe and hygienic work environment. We also treat each and every MonotaRO employee and business partner with respect and strive to realize a society in which diversity is respected.



Human Rights Policy (Japanese only)

[https://corp.monotaro.com/ir/upload\\_file/m010-m010\\_04/20240910\\_human\\_rights\\_policy.pdf](https://corp.monotaro.com/ir/upload_file/m010-m010_04/20240910_human_rights_policy.pdf)

## Initiatives

### ▶ Human Rights Education

We do not tolerate discrimination or harassment based on age, gender, nationality, race, ethnicity, religion, social status, sexual orientation, gender identity, disability, job type or employment status. To foster respect for human rights among employees, we provide harassment training and Grainger's Business Conduct Guidelines training, which includes human rights topics, to all employees once a year.

### ▶ Establishment of Consultation and Whistleblower Hotline

See the "Compliance" section on page 52.

### ▶ Fair and Highly Transparent Employee Evaluation and Compensation System

We evaluate the job competence of each employee based on what they do, without regard to age, years of service, gender, nationality, or other such attributes, and have established a fair and highly transparent employee evaluation and compensation system. Evaluations are conducted twice annually.

## Sustainable Procurement Policy and Guidelines

In our procurement policy, we have included co-existence and co-prosperity with our business partners; consideration of human rights and working conditions; legal and regulatory compliance and protection of confidential information; and consideration for the environment as important elements. We also established procurement guidelines for compliance with laws and regulations, human rights and labor, safety and hygiene, the environment, fair trade and ethics, quality and safety, information security, and the management structure.

The sustainable procurement policy and guidelines are centered around the following four main points:

### 1 Co-existence and Co-prosperity with Our Business Partners

MonotaRO and its business partners respect each other's opinions and work to deepen trust so that all parties can grow and flourish. In addition to quality, lead times and pricing, we confirm business partners' social responsibility to help ensure transparent transactions. We will create a sustainable procurement network based on understanding of environmental measures, technological trends, and customer needs, to build a better society together.

### 3 Legal and Regulatory Compliance and Protection of Confidential Information

We have been able to grow as a business based on the trust cultivated through our compliance with applicable laws and regulations and proper information management. Therefore, our employees recognize that we are all members of society and conduct procurement activities while fully complying with the relevant laws, regulations and norms.

### 2 Consideration of Human Rights and Working Conditions

We respect international human rights standards and the human rights of all working people, and strive to create safe and hygienic working conditions. In addition, we believe in treating all MonotaRO employees and business partners with dignity as we aim to create a society where diversity is respected.

### 4 Consideration for the Environment

We actively address various issues related to the global environment while also remaining considerate of local environmental concerns to ensure the health and safety of the people who live there. We also remain committed to providing environmentally friendly products to our customers.



Sustainable Procurement Policy and Guidelines (Japanese only)

[https://corp.monotaro.com/ir/upload\\_file/m010-m010\\_10/20230329\\_procurement\\_policy.pdf](https://corp.monotaro.com/ir/upload_file/m010-m010_10/20230329_procurement_policy.pdf)

## Initiatives

### ▶ Supplier Notification of Policies and Guidelines

We distribute the procurement guidelines and conduct self-assessment questionnaires. As of December 31, 2024, we had distributed the procurement guidelines to approximately 2,500 companies.

### ▶ Audits

We conduct CSR audits at some of the suppliers' manufacturing sites under our supervision. Items that we believe require improvement as a result of these audits are shared with our suppliers, and we then maintain dialogue with them to confirm the issues, conduct follow-up audits and request improvements.

### ▶ Raising Awareness and Promoting Understanding Internally

We hold several briefing sessions for our employees, including those in the procurement department, on our procurement guidelines and initiatives.

# Social

For more details



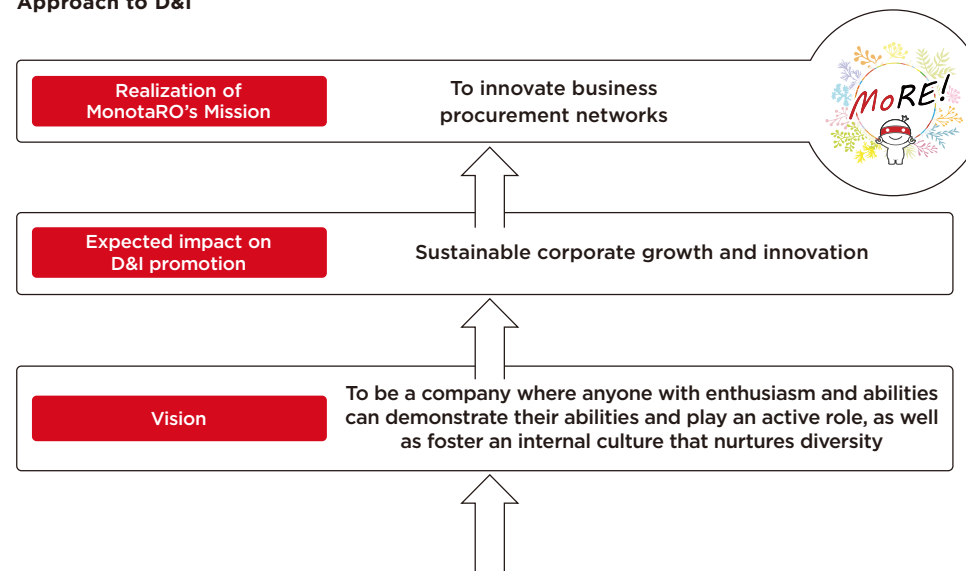
## Material Issue



## Fundamental Approach

At MonotaRO, diversity means respecting the individuality of each and every employee. We believe that creating an environment where employees can be themselves gives rise to innovative and creative ideas, and will lead to continued growth. Based on a culture in which we recognize each other's differences, we established the slogan "MoRE!" to promote D&I, and are committed to creating work environments where people can make the most of their individuality and continue to flourish.

## Approach to D&I



D&I slogan: MoRE!		
MoRE! We transform differences into value!	MoRE! We act together!	MoRE! A company where everyone wants to continue to work!
We recognize and respect each other, believing that each individual's differences are our strengths.	We believe that everyone at MonotaRO plays on the same team. We eliminate all barriers including social categories (gender, disability, nationality, etc.), professional differences and organizational affiliation.	We will continue to build a company where everyone wants to continue to work by listening to each other and by removing obstacles that hinder retention and career growth.
Support for acceptance and empowerment of diverse people	Fostering an inclusive corporate culture	Systems that support flexible work styles and for creating a rewarding workplace
<b>Main Initiatives</b> <ul style="list-style-type: none"> <li>• <b>Provide upskilling and career advancement training and subsidize language learning</b> See the section about support for growth on page 36 for details.</li> <li>• <b>Payment of self-improvement allowance</b> Subsidies for book purchases and qualification acquisition for upskilling and career advancement</li> <li>• <b>In-house lending libraries</b> A program for lending books, including business books recommended by senior management, technical books, and books that deepen cultural and general knowledge</li> <li>• <b>Growth plan</b> Supervisors support employees in the growth plans they develop after analyzing their strengths</li> <li>• <b>Fair and transparent personnel evaluation and compensation system</b> Job performance is evaluated without regard to age, years of service, gender, nationality, etc.</li> <li>• <b>Promotion of employment of people with disabilities</b> Seminars to promote understanding of working together with people with disabilities, and foster acceptance of and provide onboarding support for disabled individuals</li> </ul>	<b>Main Initiatives</b> <ul style="list-style-type: none"> <li>• <b>Events to promote understanding of D&amp;I</b> Seminars on mental health, nursing care preparation and unconscious bias</li> <li>• <b>Town hall meetings</b> See the section about our corporate culture on page 35 for details.</li> <li>• <b>One-on-one meetings</b> See the section about support for growth on page 36 for details.</li> <li>• <b>Internal communication</b> Promote use of chat app and subsidize social gathering expenses</li> </ul>	<b>Main Initiatives</b> <ul style="list-style-type: none"> <li>• <b>Systems for creating a rewarding workplace</b> Accumulated paid leave that can be used for childcare, nursing care or medical care (including infertility treatment), flextime/shortened working hour system, family support leave, etc.</li> <li>• <b>Welcome Back hiring program</b> A program for rehiring employees who previously left for unavoidable reasons such as childcare, nursing care or family relocation</li> <li>• <b>Roundtable discussions on parenting</b> Roundtable discussions in which regular employees who are raising or preparing to raise children gather to talk about parenting</li> <li>• <b>Nursing care seminars</b> Seminars based on balancing nursing care with work, covering topics such as preparing for caregiving, understanding caregiving approaches and how to find appropriate care facilities</li> <li>• <b>Employee surveys</b> Conducted since 2024. We plan to continue conducting and further improving surveys.</li> </ul>

# Management Team



Peter Kenevan  
Director

Hiroshi Miura  
Director

Mari Sagiya  
Director

Kiyoshi Nakashima  
Director

Barry Greenhouse  
Director

Tomoko Ise  
Director

Masaya Suzuki  
Director,  
Chairman and CEO

Sakuya Tamura  
Director,  
President and COO

Masahiro Kishida  
Director

# Corporate Governance

## Fundamental Approach to Corporate Governance

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

## Corporate Governance System

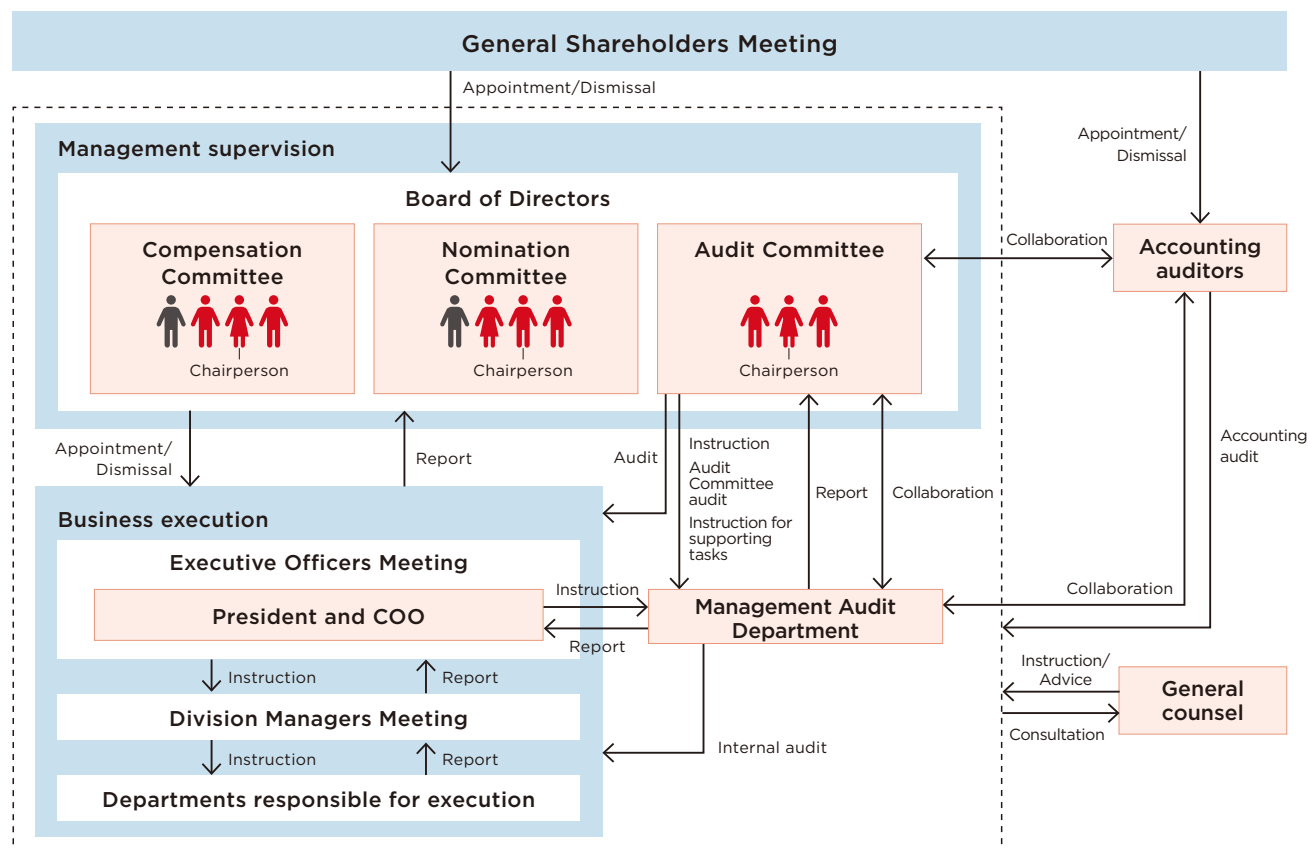
We believe that the separation of management supervision from business execution is important, and it is at the core of our corporate governance system. We have therefore adopted the structure of a company with a nomination committee.

## Strengthening Corporate Governance

- **Transition to a company with a nomination committee structure (2006)**  
To ensure management transparency by separating business execution and supervision
- **Percentage of outside directors**  
6 of 9 (66.7%) are outside directors (as of March 31, 2025)
- **Percentage of female directors**  
3 of 9 (33.3%) are female directors (as of March 31, 2025)
- **Percentage of non-Japanese directors**  
2 of 9 (22.2%) are non-Japanese directors (as of March 31, 2025)

## Corporate Governance Overview (As of March 31, 2025)

 Internal directors  Outside directors



- **Protection of interests of minority shareholders**  
To ensure that MonotaRO can make its own management decisions, the Board of Directors has appointed two directors who also serve as officers or employees of the parent company. We will continue to ensure that the number of directors who concurrently serve as officers or employees of the parent company remains less than half of the membership of MonotaRO's Board of Directors.

## Corporate Governance

## Activities of the Board of Directors and Committees

## Main Activities and Matters Discussed

## Board of Directors

- Monitor current status and financial results of the Company and its subsidiaries
- Appointment of president and COO and executive officers
- Budget and settlement of accounts
- Investment in logistics facilities
- Board effectiveness evaluation
- Important regulation revisions

## Nomination Committee

## Compensation Committee

- Nomination of director candidates
- Determination of individual compensation amounts for directors and executive officers

## Audit Committee

- Monitor status of development and operation of internal control system (risk management, governance, etc.)
- Monitor status of overseas subsidiary management
- Confirmation of progress of business plan and status of investments
- Monitor conflicts of interest
- Compliance
- Evaluation of accounting auditors

(As of December 31, 2024)

Name	Position	Board of Directors		Nomination Committee		Compensation Committee		Audit Committee	
		Attendance	Attendance rate	Attendance	Attendance rate	Attendance	Attendance rate	Attendance	Attendance rate
Masaya Suzuki	Director, Chairman and CEO	12/12	100%	—	—	4/4	100%	—	—
Sakuya Tamura	Director, President and COO	12/12	100%	—	—	—	—	—	—
Masahiro Kishida	Outside director	12/12	100%	2/2	100%	6/6	100%	—	—
Tomoko Ise	Outside director	12/12	100%	2/2	100%	—	—	19/19	100%
Mari Sagiya	Outside director	12/12	100%	1/1	100%	6/6	100%	3/3	100%
Hiroshi Miura	Outside director	11/12	91.7%	1/1	100%	—	—	19/19	100%
Kiyoshi Nakashima	Outside director	10/10	100%	—	—	—	—	16/16	100%
Barry Greenhouse	Director	12/12	100%	2/2	100%	—	—	—	—
Kinya Seto	Chairman	2/2	100%	1/1	100%	2/2	100%	—	—

1. Attendance for Mr. Kinya Seto, who retired from the position of director at the conclusion of the Ordinary General Meeting of Shareholders held on March 24, 2024, is included up to the time of his retirement.

2. The composition of committees was changed at a Board of Directors meeting held on March 24, 2024.

## Function and Composition of Committees

Board of Directors	The Board of Directors meets regularly (at least nine times a year) to resolve statutory matters, formulate major management policies and strategies to achieve sustainable growth and increased corporate value, and supervise business execution. The Board is composed of nine directors, of whom six are outside directors.	Compensation Committee	The Compensation Committee (composed of four directors, of whom three are outside directors) formulates compensation guidelines for directors and executive officers and determines compensation on an individual basis.
Nomination Committee	The Nomination Committee (composed of four directors, of whom three are outside directors) decides proposals to submit to the General Shareholders Meeting concerning the appointment and dismissal of directors.	Audit Committee	This Audit Committee audits the validity, legality and appropriateness of business execution by the directors and executive officers and makes recommendations for the appointment and dismissal of accounting auditors. This committee meets once a month in principle. It is composed of three outside directors. The outside directors include one certified public accountant and one attorney.

## Selection Criteria

### Selection criteria for internal director candidates

- Those who have expertise and business experience related to the Company's competitive advantage and the foundation that supports it, and have displayed the ability to appropriately carry out the Company's management activities
- Those who have displayed exceptional managerial acumen and business execution ability
- Those who have displayed exceptional leadership, decision-making ability, foresight and planning
- Those who have the personality and insight suitable for the role of a director
- Those who have no health problems that would hinder the execution of their responsibilities as a director

### Selection criteria for outside director candidates

- Those who are deemed to be independent in accordance with the stipulations of the separately defined Criteria for Judging the Independence of Candidates for Outside Directors
- Those who have displayed the ability to appropriately carry out the Company's management activities (as detailed in the skill matrix)
- Those who have the personality and insight suitable for the role of outside director and are capable of engaging in constructive discussions
- Those who have no health problems that would hinder the execution of their responsibilities as an outside director



See the *Corporate Governance Report* for more details. (Japanese only)

[https://corp.monotaro.com/ir/upload\\_file/m008-m008\\_17/3064\\_20250421560125.pdf](https://corp.monotaro.com/ir/upload_file/m008-m008_17/3064_20250421560125.pdf)

## Committee Assignments and Skill Matrix (As of March 31, 2025)

Name	Gender	Length of tenure	Committee Membership			Skills and Experience					
			Nomination	Compensation	Audit	CEO/Senior management	Merchandising, marketing and sales	Procurement, supply chain and operations management	IT and digital	Risk management and legal affairs	Finance and accounting
Masaya Suzuki	Male	13 years		○		Well-acquainted with our business and have the capabilities needed to appropriately carry out management activities					
Sakuya Tamura	Female	1 year									
Masahiro Kishida	Male	13 years	◎	○			●				
Tomoko Ise	Female	5 years	○		◎					●	
Mari Sagiya	Female	5 years		◎			●		●		
Hiroshi Miura	Male	3 years			○					●	●
Kiyoshi Nakashima	Male	1 year	○	○		●	●				
Peter Kenevan	Male	0 years			○				●		●
Barry Greenhouse	Male	5 years	○				●	●			

Chairperson =◎ Committee member =○

Note: This matrix identifies the fields in which we have expectations of directors regarding particular abilities or experience. It is not an exhaustive list of their skills.

## Corporate Governance

### Executive Compensation

#### Compensation Determination Process

At MonotaRO, the Compensation Committee formulates policies related to compensation for directors and executive officers, and determines the amount of compensation 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 compensation.

#### Compensation for Directors

For directors who do not concurrently serve as executive officers, only fixed compensation is paid in order to maintain their independence and in light of their responsibility to monitor management separately from business execution.

Compensation is determined by the Compensation Committee. In line with the committee's regulations, committee members may not participate in discussions relating to their own compensation.

#### Compensation for Executive Officers

##### Basic Policy

- The level of compensation should support 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 initiatives should be reflected in the compensation.
- Another goal of the compensation system is to share profits and risks with shareholders and raise awareness of increasing shareholder value.
- The Compensation Committee's deliberation process ensures the objectivity, transparency and fairness needed for accountability to stakeholders.

##### Compensation Composition

Compensation for executive officers consists of monthly compensation and stock compensation. The composition ratio is set based on the following approach in order to provide compensation that supports 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 composition ratio for compensation 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 based on 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 in light of individual evaluations.

##### Stock-Based Compensation

Stock-based 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 the executive officer, as well as the degree to which consolidated operating income has grown. It is granted once a year as restricted stock, and executive officers are able to exercise the right to transfer the stock after leaving their positions.

##### Compensation Determination Process

MonotaRO has adopted the structure of a company with a nomination committee, and the compensation of executive officers is determined by the Compensation Committee. The Compensation Committee is composed of four directors, including three outside directors. In fiscal 2024, the Compensation Committee held six meetings, and discussed the amount of performance-based compensation (bonuses) to be paid based on the level of achievement of financial targets (consolidated operating income) and the total amount of compensation.

##### Return of Compensation (Malus Provisions)

MonotaRO has established a clause that allows for the return of stock-based compensation granted to executive officers. If the Compensation Committee determines that there have been material revisions to the financial statements, significant violations of the Company's internal rules, substantial damage to the Company's business or reputation, serious deficiencies in risk management, or other events specified in the Company's rules, the malus provisions (forfeiture during the restricted transfer periods) may be enforced.

## Executive Compensation

Classification	Total (Million JPY)	Total compensation by type (Million JPY)			Number of applicable executives
		Fixed	Performance- based	Non- monetary	
Internal directors	208	81	54	73	3
Outside directors	48	48	—	—	5
Executive officers	137	76	30	30	6
Total	394	207	84	103	14

1. At the end of the period, there were eight directors (including five outside directors) and six executive officers. Two of these directors serve concurrently as directors and executive officers, and are therefore counted among the internal directors.
2. The performance indicator for performance-based compensation is the achievement rate of the consolidated operating income target, which for fiscal 2024 was JPY 37,066 million compared with the forecast of JPY 35,820 million (103.5% achievement rate). This indicator is selected as it provides an incentive for improvement of single-year performance. The Company's performance-based compensation is calculated by multiplying the base amount for each position by a payment ratio based on the results of company performance and individual evaluations.
3. Non-monetary compensation consists of JPY 103 million in restricted stock, and the conditions for allotment of restricted stock are as described in "Stock-Based Compensation."
4. By resolution of the Compensation Committee on January 12, 2018, the Company abolished the retirement benefit system for executives, but the amount accumulated through 2017 will be paid upon retirement. Based on this resolution, in addition to the above, retirement benefits of JPY 10 million were paid to two executive officers who retired during fiscal 2024.

## Training for Executives

To ensure that outside directors are able to participate in discussions with a proper understanding of the Company's business and condition, we provide opportunities to visit customers as well as conduct business briefings for newly elected directors. Directors are given opportunities to deepen their understanding of agenda items, including through training sessions by outside lecturers, which are conducted as necessary.

## Results of Board Effectiveness Evaluation

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 as necessary.

We have analyzed and evaluated the effectiveness of the Board of Directors based on the results of a survey of each director. We have assessed that the Board of Directors has secured sufficient diversity, that it has lively discussions, and that overall, basic effectiveness is ensured. On the other hand, the evaluation also identified issues regarding how agenda items are selected and how time is allocated for discussions, particularly with a view to the medium to long term. To further enhance effectiveness, we have decided to improve the process of refining Board agenda items and developing the annual schedule. In addition, we identified concrete initiatives for creating ways for new directors to quickly utilize their expertise to contribute to more active discussions, and for sharing the status of the activities of committees. We will continue to promote measures to further improve effectiveness.

## Constructive Dialogue with Shareholders

In order to maintain sustainable growth and to increase corporate value over the medium to long term, we recognize the importance of regularly engaging in constructive dialogue 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 carefully managing insider information, we proactively engage in dialogue with shareholders and investors (within a reasonable scope) in order to deepen their understanding of the 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 at least once a year. In addition, we have established a system in which the department in charge of IR makes timely reports to management on the opinions and concerns of shareholders or investors obtained through dialogue.

# Compliance

## Promoting Compliance

MonotaRO emphasizes conducting business based on legal compliance and with high ethical standards to ensure that it remains a group of people, both officers and employees, who possess the integrity to continually question the appropriateness of their actions. To this end, we have established the Compliance Committee, developed compliance-related regulations and are promoting awareness of compliance throughout the Company. In addition, the Management Audit Department regularly verifies the adequacy of our systems, and the Audit Committee also conducts its own reviews. These initiatives enhance awareness of compliance throughout the Company and ensure sound management.

## Organizational Structure

The Compliance Committee is led by the president and COO with executive officers and representatives from various departments participating as members. The secretariat supports operations, thereby strengthening the organizational supervisory framework. We have also set up whistleblowing hotlines, creating a system that allows for early detection and correction of violations.

## Continuous Awareness Building and Educational Activities

We hold annual training to enhance compliance awareness among officers and employees (see the section about support for growth on page 36 for details). The training covers general compliance issues, as well as specific topics such as harassment, insider trading and the handling of personal information. We also publish materials and regulations on our intranet as a system for information sharing. Through these initiatives, which enable each officer and employee to reaffirm their commitment to legal compliance and high ethical standards, we aim to instill and reinforce compliance awareness.

As corporate ethics initiatives, our employees attend the following training programs.

Training	Scope	Frequency
<b>Business Principles (Business Conduct Guidelines)</b>	All employees	Annual
<b>Compliance</b>	All employees	At least once per year

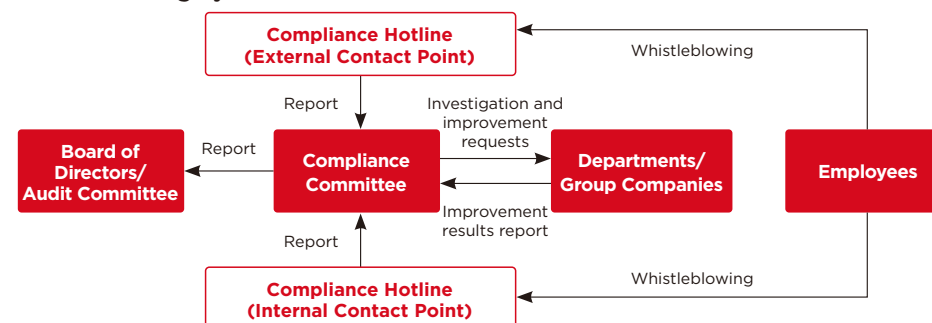
To uphold and strengthen the ethical standards required in a global society, MonotaRO is enhancing the content of its training programs.

## Whistleblowing System

To prevent misconduct, harassment and other acts that violate laws or internal regulations, and to enable early detection and resolution, we have established whistleblowing hotlines both internally (Legal Department) and externally (outside law firm) that enable anonymous reporting. Information about the hotlines is shared with employees via the Company intranet. When a report is made, it is quickly reported to the Compliance Committee, which conducts a prompt investigation while maintaining confidentiality. If the investigation reveals misconduct, the Compliance Committee takes corrective actions and implements measures to prevent recurrence. All relevant details are reported to the Audit Committee as appropriate.

In addition, the whistleblowing system, as stipulated in internal regulations, ensures that whistleblowers will not suffer any disadvantage, such as dismissal, retaliation or deterioration of the workplace environment due to their reporting, thereby providing thorough protection for whistleblowers.

### Whistleblowing System



# Risk Management

## Managing Risks with an Emphasis on Safety and Business Continuity

### Strengthening the Risk Management System

At MonotaRO, the president and COO is ultimately responsible for overall risk management. We have established the Risk Management Office under the jurisdiction of the executive officer responsible for risk management.

The Risk Management Office works with each department to identify real and potential risks that cross departmental lines, and continuously assesses and monitors risks based on defined risk identification and classification criteria. After analyzing and assessing the impact and frequency of risks, if any are found to be especially high in these areas and countermeasures are insufficient, the Risk Management Office shares information and promotes awareness of issues with the relevant departments, and provides recommendations and support for the implementation of sustainable and concrete risk countermeasures. Based this approach, we

are working to increase the safety of business operations by preventing risks from materializing as well as minimizing their impact.

In addition, the Risk Management Office regularly reports to the Executive Officers Meeting and the Board of Directors on the status of risk identification and the response to significant risks.

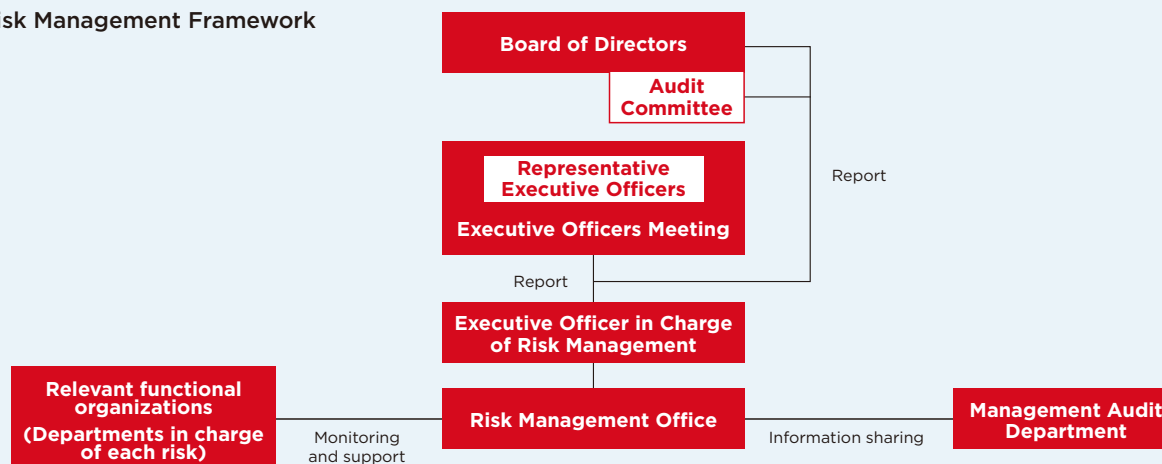
### Our BCP Vision

We will develop, maintain and follow a business continuity plan (BCP) that enables employees to act independently

**Toshiyuki Tanaka**

General Manager,  
Risk Management Office

### Risk Management Framework



## Risk Management

based on established procedures, ensures that critical crisis response information is shared and centralized, and allows the Company to implement the most appropriate measures in a coordinated manner.

### How We Identify Risks

Our aim is to support the development of industrial society by innovating business procurement networks. We identify anything that may hinder or impede our business objective as a risk. Below are examples of specific significant risks.

1. Risks related to changes in the business 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

We also analyze and assess other risks, such as climate change, geopolitical and pandemic-related risks, based on our risk identification process. Risks to be given priority are determined through dialogue with the representative executive officers and the executives in charge of relevant departments.

### Approach to Crises and Business Continuity

We define a crisis as a serious event that threatens our business continuity or the achievement of our business objectives. To prevent a crisis from occurring, we conduct risk identification and monitoring in line with defined

processes, and implement the necessary countermeasures. However, we recognize that events such as loss of operational capacity at business sites due to a major natural disaster, an information leak caused by a cyberattack, or a service interruption resulting from technical problems are difficult to fully prevent.

In the event of a life-threatening crisis, we will immediately set up a crisis response headquarters led by an executive officer based on the BCP to respond to the situation. The basic elements of our BCP are 1) to ensure the safety of human life, 2) to prevent secondary disasters, and 3) to work with the local community. In order to minimize negative impacts on MonotaRO and our business procurement networks, which include suppliers and customers, we are promoting the development, implementation and strengthening of our BCP.

### Information Security Measures

In recent years, cyber security risk has been increasing, with numerous incidents of ransomware viruses and data breaches in Japan and worldwide. While advances in AI will contribute significantly to improving industrial productivity, risks such as information leaks resulting from inappropriate use of services are growing, and we recognize that these are serious risks that threaten our business continuity and the maintenance and expansion of social trust.

#### • Bolstering defensive measures with technology

To respond to increasingly sophisticated cyberattacks, we continue to introduce security products and make operational improvements.



#### • Strengthening internal information management

We have formulated and made employees aware of rules and guidelines, and are conducting employee training and implementing systematic measures to address improper handling of information that is not due to internal fraud or malicious intent.

#### • Response to contractors and suppliers

We also place importance on information management at the contractors and suppliers involved in our business operations. We conduct risk assessments and inspections for handling of personal information in particular, and promote proper management and use of information in collaboration with related parties.

Our goals in implementing these initiatives are to ensure business continuity, build social trust and reduce cyber security risk.

# Message from a Director



**Kiyoshi Nakashima**

Director  
Member of the Nomination  
Committee and Member of the  
Compensation Committee

## Reflections on My First Year as a Director

I first visited MonotaRO a year and half ago. At that time, CEO Suzuki gave me a small card with the Company's mission and principles printed on it. This made a very good impression on me. I believe that companies that cherish their principles and core values tend to be sound and consistent ones with substantially stronger governance.

Since I was appointed as a director, I have been searching for the "secret sauce" that has brought the Company sustained growth for 25 years—in other words, what is the mechanism that gives it a competitive advantage? New directors at MonotaRO deepen their understanding of the Company by participating in Audit Committee meetings. Apart from the monthly Audit Committee meetings, I had twice-yearly interviews with executive officers totaling approximately 20 hours, in which I confirmed the progress of key initiatives and the response to significant risks. In addition, last year I also carried out audits of overseas subsidiaries and distribution centers, and visited customers.

Seeing the frontlines was a refreshing experience, and was a good opportunity to get to know more about the Company's operations and management. In particular, my one-on-one conversations with employees were very meaningful, and gave me new insights. In audits of overseas operations, I spent a lot of time with internal audit team members, and was able to build trust with them. During the customer visits, one-on-one talks were arranged with executive officers and department managers while travelling by bus. This was an opportunity not only to get to know them, but to get a fuller understanding of the Company's behavioral norms and values.

## Weekly Reports: The "Secret Sauce" That Is the Source of Our Competitive Advantage

I learned many things in this past year, and I think the "secret sauce" (the source of the Company's strength) is symbolized by MonotaRO's unique Weekly Report.\* The habit of reviewing one's own week through the Weekly Report helps enhance the insight of each and every employee in terms of developing their critical thinking ability. From the standpoint of governance, the Weekly Report helps ensure transparency and contributes to faster decision-making through constant sharing of information with management, including the president. It also plays an important role as a tool for instilling the Company's principles. This system, where reflections are documented in writing and shared with others, echoes the words written in "Ownership" in the Company's principles: "We have to consider ways we can improve, share ideas, involve those around us, and then put those ideas into practice. If some element does not work, fix it and try again."

In addition to the Weekly Reports, one-on-one meetings take place weekly. The fact that these measures are well-established is a major difference from other companies. They also serve as mechanisms for ensuring the transparent, fair, timely and bold decision-making that supports MonotaRO's sound operations and management autonomy.

The role and functions of monitoring differ depending on a company's environment and organizational culture. When one of the members of the Audit Committee gave a lecture about governance, he commented that "In a good organization, an excellent corporate culture is ingrained, and mutual trust is high, so employees feel attached to the organization, are highly motivated to work, and the

## Message from a Director

atmosphere is good. Confirmation, guidance and support are effective in monitoring such a company.” That thinking resonates with me, and considering MonotaRO's corporate culture and engagement survey\* results, I believe that our approach of confirmation, guidance and support is appropriate.

### Effective Governance Supported by a Sound Corporate Culture

The foundation of governance lies in a company's corporate culture. It is important to seek the best governance style for the corporate culture. If only the form is in place, governance will not function well at companies where psychological confidence is low, for example. At MonotaRO, the entrepreneurial spirit is firmly rooted, and the culture is open and non-hierarchical. Everyone addresses each other with the honorific “san,” and not only is the president never isolated in her office, but she also does not have a fixed seat. It is an environment where everyone can freely voice their opinions.

Even in the Board of Directors, open discussions take place based on a corporate culture of listening. Board meetings are held monthly, and once every three months, we have face-to-face gatherings to engage in more in-depth discussions without worrying about time. To make these meetings more effective, we narrow the topics to discussions of enhancing the foundations of our competitive advantage, including growth strategies, risk management, human resources and capital allocation. One feature of MonotaRO's Board of Directors is that for each session, we decide whether to educate, resolve, report or inform, and then conduct discussions along those lines. All the directors have access to the same level of information and knowledge, so we can have substantive discussions.

### Human Resources Is the Most Important Theme

Based on my many years of experience as a director, I feel that the major topics to be discussed at Board meetings all come down to human resources, strategy and risks. Of these, human resources is the most important. Besides nomination, compensation, training and the management talent pool, it is essential to monitor promotion of the corporate culture. The current CFO, Mr. Yuki, who presented the information materials in the meeting about capital allocation last year, was promoted within a short period of time based on the success he achieved in that task. Seeing that case with my own eyes gave me a sense of the Company's dynamism. This kind of promotion by selection (rather than seniority) is characteristic of the Company, and is accepted by other employees because the promotions are carried out fairly. Appointment of executive officers is also reviewed by the Board of Directors, and we confirmed that the appointments were submitted through a fair process based on the Company's appointment criteria. The process includes setting a training period for candidates after information about them is shared among the executive officers. In the final selection, candidates write and present reports on an assigned topic, followed by a question-and-answer session. Evaluations and decisions are fair and transparent. On the other hand, recruitment and development of human resources is not easy, so I will continue to keep an eye on that.

### Evolving with Business Scale Expansion, and My Role as a Director

As the number of employees increases with expansion of business scale, it may become difficult for the president to read all of the Weekly Reports each week and provide



direct feedback. However, the Weekly Report is a critical mechanism underpinning the Company's competitive advantage, so I will continue to watch how that is handled while ensuring it continues to play a significant role. Likewise, there may come a time when the Company needs to change its management style. My role as a director is also to impart my knowledge as a business manager, and to offer recommendations and support to management from an objective point of view. It is also important for MonotaRO to improve its decision-making process and its ability to respond to issues as an organization. I believe that the solid foundation supporting MonotaRO's sustainable growth lies in the Company's entrepreneurial spirit, its open and flat corporate culture, and the Weekly Report that nurtures employees' critical thinking ability and embodies its principles. As an outside director, I will contribute to the Company's further growth and to building trust with stakeholders.

\* See “A Corporate Culture and Support for Growth Based on Respect for Others” on pages 35–36 for more information on the Weekly Report, one-on-one meetings and the engagement survey.

# Message from a Director



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

## **The Relationship Between MonotaRO and Grainger**

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Ever since MonotaRO was founded as a joint venture between W.W. Grainger, Inc. and Sumitomo Corporation, a Grainger leader has served on its Board of Directors. I'm pleased to carry on this long-standing and mutually beneficial relationship between Grainger and MonotaRO.

## **The Role of the Board of Directors and My Own Responsibilities**

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MonotaRO has a history of operating with ethics and high integrity and meeting its obligations to shareholders and stakeholders. Through a cadence of regular meetings, Board members ensure these high standards are maintained, while also overseeing key strategic considerations and executive personnel affairs such as succession plans.

Monthly Board meetings are shorter and conducted on a virtual or hybrid basis, while quarterly meetings are full-day, in-person events. Typically, we start with a bit of a review of the prior month's results just to make sure things are on track, and then make a deeper dive to flexibly cover ongoing topics. These topics include the growth of the enterprise business and the performance of the international business, as well as more specific topics such as cybersecurity.

Currently, I see quite a bit of MonotaRO operations outside of Board meetings, so I think I have been able to bring perspectives as a member of the Board to complement the contributions of other directors.

Historically, directors have brought deep functional expertise in legal, finance, compliance or similar areas. Some of the more recent additions bring broader leadership, operational or CEO expertise. Together, we provide multifaceted advice on medium- to long-term topics such as overseas business expansion, customer service for enterprise businesses, and changes in purchasing behavior.



## **Succession Planning and Development of the Next Generation of Leaders**

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The Board also oversees thoughtful succession plans, which included the appointment of Sakuya Tamura as president and COO in 2023. I have spent a lot of time with Ms. Tamura in distribution centers walking the floor and in meetings talking about how inventory systems work. She brings both functional expertise and an ability to build relationships at all levels of the Company.

## Message from a Director

Her career at MonotaRO began in the Supply Chain Management Department. She then took on additional responsibilities in the Customer Support Department, Marketing Department, CX Management Department, and BPM Promotion Office, to learn about our broader operations. I think this kind of methodical succession planning has been key to a successful transition from MonotaRO's founders to the next generation. MonotaRO is committed to developing strong leadership talent and has a tenured executive team who understands each aspect of the business because they've been on the front lines of its operations. This allows MonotaRO to run a very large business with relatively very few leaders.



## Our Strengths: Agility and Knowledge Sharing

Agility and knowledge sharing have also been hallmarks of MonotaRO's senior management. In terms of agility, one personal example I would share dates back about 15 years. In an executive meeting held to discuss the impact of very large orders on inventory, I mentioned related software logic that I had observed in an application elsewhere. After a short break in the discussion, one of MonotaRO's executives mentioned he had already contacted the call center team to start testing the possible application for MonotaRO. This ability to act with speed stands apart and distinguishes how MonotaRO operates.

Related to knowledge sharing, Grainger and MonotaRO over the years have sustained a mutually beneficial exchange of best practices, with consideration for our respective countries and business models. For example, after MonotaRO built the Inagawa Distribution Center, the Company consulted with a Grainger team that has experience with similar large-scale, highly automated supply centers. In addition, MonotaRO has been advising Zoro—a Grainger subsidiary—with developing private brands and marketing. (See page 61 for more details.)



## Toward Further Growth

MonotaRO has posted an impressive growth rate for over 20 years under its current business model, which is focused on the maturing small and medium business market and product line expansion. Continuing growth going forward will require expanding its sales with enterprise businesses in Japan and continuing to grow its overseas markets. I look forward to seeing MonotaRO use this period of organizational transformation as an opportunity to build on this sustainable growth model.

# 11-Year Financial Summary

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Financial Statements (Consolidated)</b>												
Cash and deposits	(Million JPY)	4,184	11,189	7,229	8,688	12,381	11,155	18,843	12,379	8,887	18,644	30,727
Total assets	(Million JPY)	17,868	28,744	36,353	42,861	50,706	59,691	81,263	95,789	111,737	128,352	145,028
Total liabilities	(Million JPY)	8,652	16,112	19,089	19,644	20,867	22,179	33,604	35,505	39,115	41,369	40,761
Total net assets	(Million JPY)	9,216	12,632	17,263	23,216	29,838	37,512	47,658	60,283	72,621	86,982	104,267
Net sales	(Million JPY)	44,937	57,563	69,647	88,347	109,553	131,463	157,337	189,731	225,970	254,286	288,119
Gross profit	(Million JPY)	12,934	17,327	21,895	26,929	32,027	37,095	44,694	54,045	65,437	75,964	84,420
Selling, general and administrative expenses	(Million JPY)	8,610	10,239	12,401	15,091	18,236	21,256	25,086	29,916	39,224	44,654	47,353
Operating income	(Million JPY)	4,323	7,087	9,493	11,837	13,790	15,839	19,607	24,129	26,213	31,309	37,066
Ordinary income	(Million JPY)	4,351	7,120	9,514	11,858	13,788	15,887	19,671	24,302	26,398	31,538	37,320
Net income	(Million JPY)	2,544	4,439	6,349	8,378	9,366	10,751	13,473	17,340	18,194	21,264	25,726
Net income attributable to owners of the parent	(Million JPY)	2,544	4,439	6,368	8,464	9,515	10,984	13,771	17,552	18,658	21,813	26,338
Operating cash flow	(Million JPY)	1,868	3,758	4,982	6,097	10,537	9,064	15,269	12,258	15,483	29,932	28,662
Investment cash flow	(Million JPY)	(857)	(1,073)	(6,101)	(3,284)	(1,467)	(3,765)	(9,015)	(14,290)	(12,535)	(8,401)	(3,582)
Financial cash flow	(Million JPY)	(1,107)	4,343	(2,561)	(1,379)	(5,673)	(6,562)	1,773	(5,766)	(5,514)	(11,705)	(13,339)
<b>Financial Statements (Non-Consolidated)</b>												
Net sales	(Million JPY)	44,057	55,607	67,105	84,656	105,331	126,543	151,798	182,472	216,638	243,352	276,100
Gross profit	(Million JPY)	12,788	16,957	21,406	26,204	31,147	36,111	43,475	52,527	63,643	73,759	82,141
Selling, general and administrative expenses	(Million JPY)	8,172	9,593	11,624	14,035	16,868	19,681	23,325	27,993	36,558	41,084	43,591
Operating income	(Million JPY)	4,616	7,363	9,782	12,168	14,278	16,430	20,149	24,533	27,085	32,675	38,550
Ordinary income	(Million JPY)	4,651	7,398	9,800	12,177	14,250	16,444	20,194	24,647	27,239	32,891	38,805
Net income	(Million JPY)	2,843	4,718	6,631	8,699	9,825	11,309	13,139	17,701	19,044	22,072	25,984
<b>Shareholder Returns</b>												
Dividend per share <sup>1</sup>	(JPY)	1.75	3.0	4.5	5.5	6.5	7.5	9.0	11.5	13.5	16.0	19.0
Dividend payout ratio (consolidated)	(%)	33.7	33.3	35.0	32.3	33.9	33.9	32.4	32.5	35.9	36.4	35.8
<b>Financial Indicators (Consolidated)</b>												
Earnings per share (EPS) <sup>1</sup>	(JPY)	5.20	9.01	12.87	17.06	19.16	22.12	27.72	35.33	37.55	43.90	53.01
Book value per share (BPS) <sup>1</sup>	(JPY)	18.62	25.47	34.33	46.48	59.54	74.58	94.12	119.33	145.11	173.94	208.64
Return on equity (ROE)	(%)	31.0	40.9	43.0	42.2	36.1	33.0	32.9	33.1	28.4	27.5	27.7
Equity ratio	(%)	51.2	43.7	46.8	53.8	58.3	62.1	57.5	61.9	64.5	67.3	71.5
<b>Business-Related Data (Consolidated)</b>												
No. of employees (regular)	—	242	282	338	377	480	572	765	994	1,275	1,375	1,432
No. of employees (other) <sup>2</sup>	—	656	807	899	1,156	1,443	1,650	1,809	1,911	2,048	2,006	2,046
<b>Business-Related Data (Non-Consolidated)</b>												
No. of employees (regular)	—	207	234	250	278	334	401	490	588	710	772	851
No. of employees (other) <sup>2</sup>	—	631	763	829	1,083	1,349	1,536	1,680	1,805	1,911	1,842	1,875
No. of products handled	(Thousands of SKUs)	8,000	9,000	10,000	13,000	17,000	18,000	18,000	18,000	19,000	22,000	24,750
No. of items in stock	(Thousands of SKUs)	200	256	298	302	411	461	476	497	518	559	626
No. of products available for same-day shipping	(Thousands of SKUs)	300	380	450	500	524	590	610	610	610	666	714
No. of shares issued	(100 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	5,013,510

1. 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 per share have been calculated based on the assumption that those stock splits took place at the beginning of fiscal 2014.

2. The number of other employees (including part-time staff, casual workers and temporary staff dispatched from staffing agencies) represents the average number over the year.

# Financial and Non-Financial Highlights

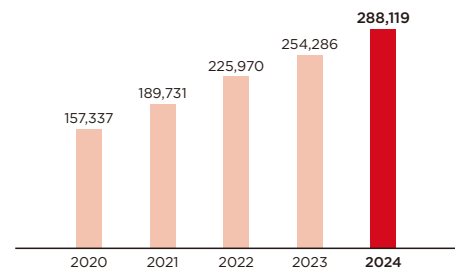
## Financial Highlights (Consolidated)



See the following link for additional financial highlights.  
[https://corp.monotaro.com/en/ir/finance/finance\\_05.html](https://corp.monotaro.com/en/ir/finance/finance_05.html)

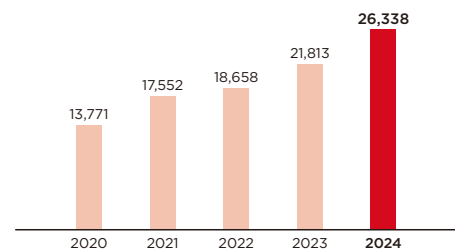
### Net Sales

(Million JPY)



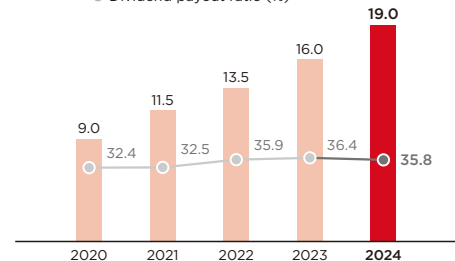
### Net Income Attributable to Owners of the Parent

(Million JPY)



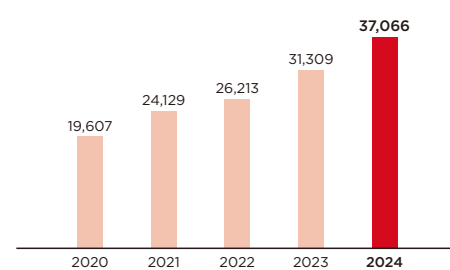
### Dividend

■ Dividend per share (JPY)  
● Dividend payout ratio (%)



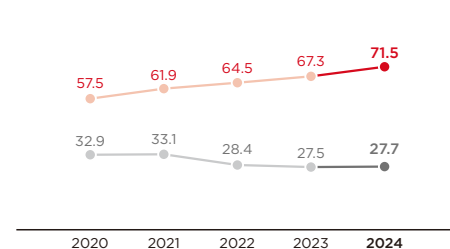
### Operating Income

(Million JPY)



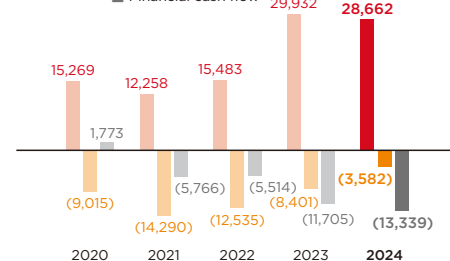
### Return on Equity (ROE) and Equity Ratio

(%) ● ROE ● Equity ratio



### Cash Flows

(Million JPY) ■ Operating cash flow ■ Investment cash flow ■ Financial cash flow



## Non-Financial Highlights (Non-Consolidated)

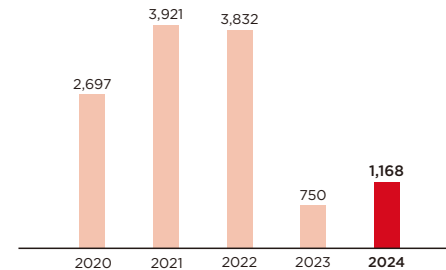


See the following link for additional non-financial highlights.

[https://corp.monotaro.com/en/ir/sustainability/sustainability\\_06.html](https://corp.monotaro.com/en/ir/sustainability/sustainability_06.html)

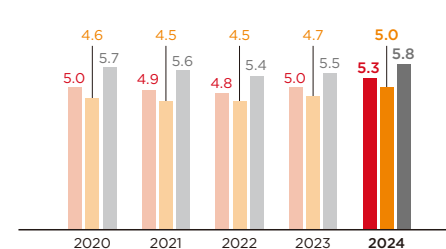
### CO<sub>2</sub> Emissions (Scope 1 and Scope 2) (Market Based)

(t-CO<sub>2</sub>)



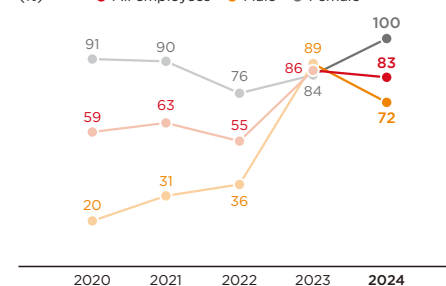
### Average Length of Service (Years)

(FY) ■ Regular employees ■ Male ■ Female



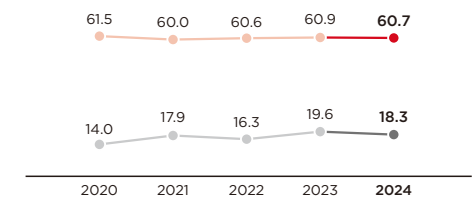
### Childcare Leave Utilization Rate

(%) ● All employees ● Male ● Female



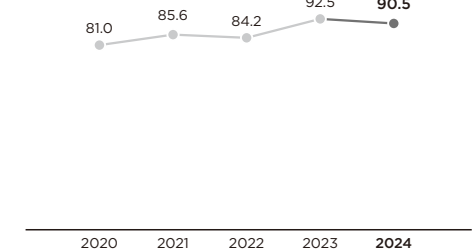
### Percentage of Female Employees and Female Managers

(%) ● Percentage of female employees  
● Percentage of female managers



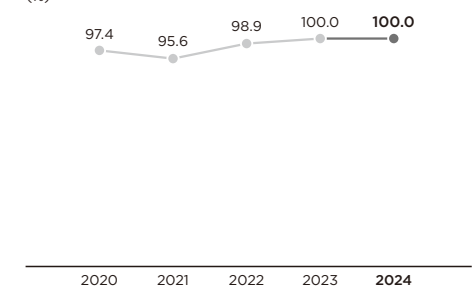
### Paid Leave Utilization Rate

(%)

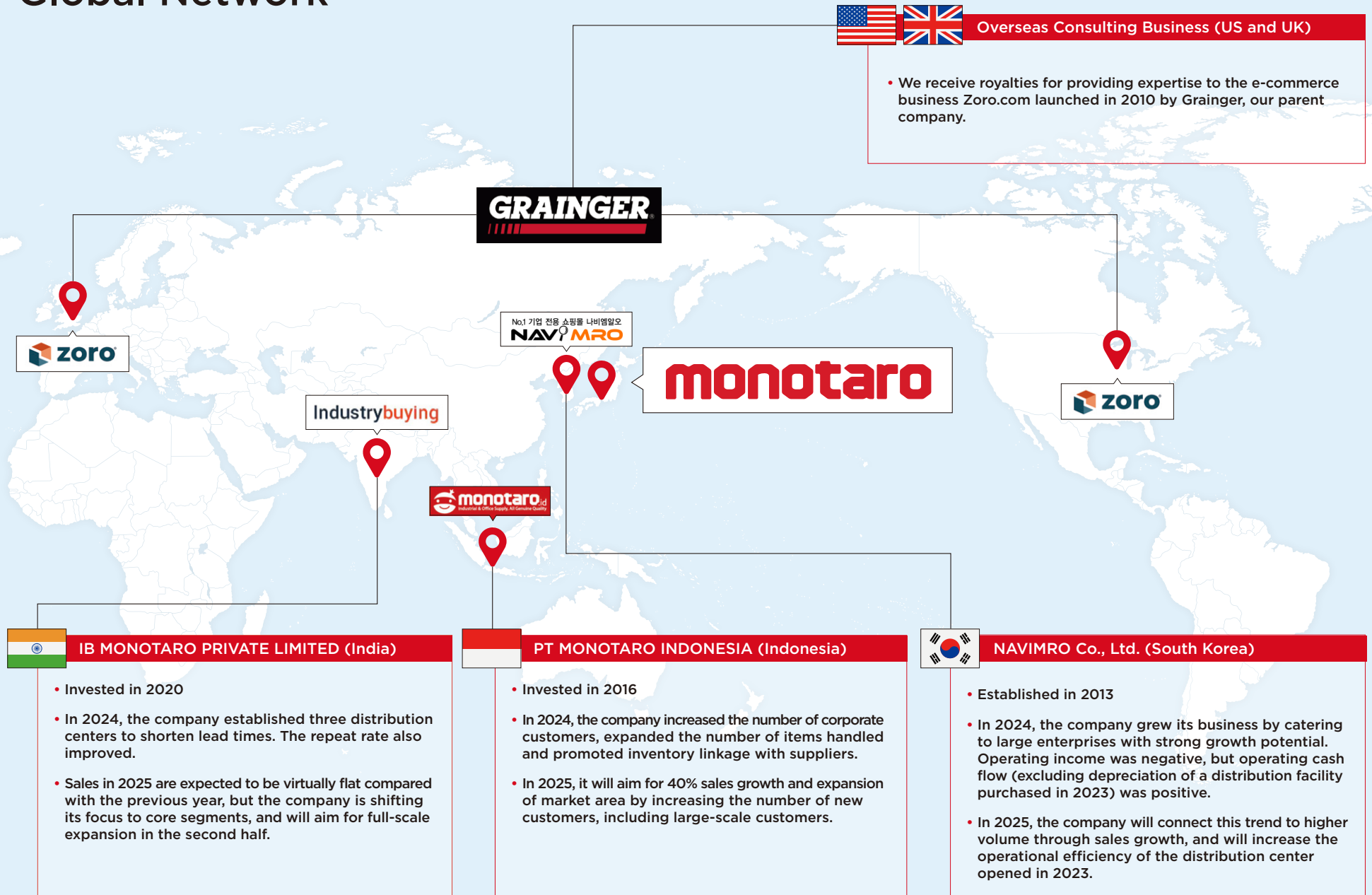


### Health Check Uptake Rate

(%)



# Global Network



# Company Profile and Stock Information (As of December 31, 2024)

## Company Profile

Company name	MonotaRO Co., Ltd.
Website	<a href="https://corp.monotaro.com/en/index.html">https://corp.monotaro.com/en/index.html</a>
Business	Online MRO supplies store
Founded	October 2000
Representative	Sakuya Tamura Director, President and COO
Headquarters	3-2-2 Umeda, Kita-ku, Osaka, Japan
Employees	3,487 (including part-time and temporary employees)
Capital	JPY 2,042 million
Settlement date	December 31

### Distribution Centers

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)

### For Inquiries About This Integrated Report

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

## Stock Information

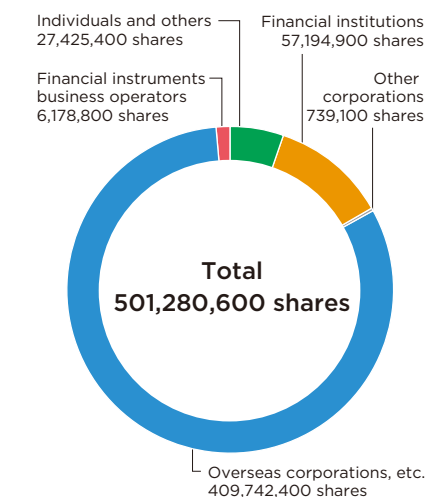
Stock code	3064	Number of shares constituting one trading unit	100 shares
Total number of shares authorized	675,840,000 shares	Stock exchange registration	Tokyo Stock Exchange Prime Market
Total number of shares outstanding	501,351,000 shares	Shareholder register administrator	Mitsubishi UFJ Trust and Banking Corporation
Number of shareholders	46,050	Annual General Shareholders Meeting	March

## Major Shareholders

Shareholder	Shares Held <sup>1</sup> (Thousand shares)	Shareholding Ratio <sup>2</sup> (%)
Grainger Global Holdings, Inc.	250,112	50.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,996	8.25
State Street Bank and Trust Company 505001	23,159	4.66
Custody Bank of Japan, Ltd. (Trust Account)	12,003	2.42
State Street Bank and Trust Company 505103	11,211	2.26
Citibank, N.A., New York, as Depositary Bank for Depositary Shareholders	11,192	2.25
The Bank of New York Mellon 140044	7,540	1.52
The Bank of New York Mellon, as Agent and Custodian for Non-Treaty Accounts at JASDEC	5,971	1.20
State Street Bank and Trust Company – West Client – Treaty Account 505234	5,288	1.06
MSIP CLIENT SECURITIES	4,548	0.92

1. For shares held, shares have been rounded down to the nearest thousand shares, and the shareholding ratio has been rounded down to the nearest two decimal places.  
2. The shareholding ratio is calculated excluding treasury stock.

## Share Distribution by Shareholder Type



Note: The above excludes 70,400 shares not making up a whole share unit. In addition, 4,445 shares of treasury stock are included in "Individuals and others" and "Shares not making up a whole share unit."

