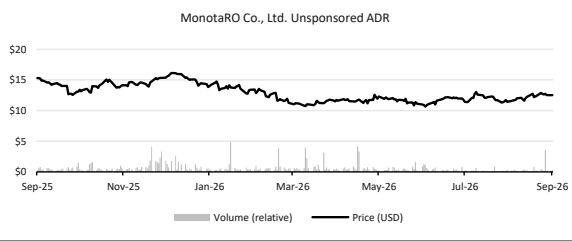


WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	45.9% vs 5.5% → Above ke
Change in performance — ΔROIC	+10.2 pts, FY2026E vs FY2025A → Improving
Lifecycle phase	Phase III — highest expectations
Valuation gap — target vs. price	+131.5% → Price below our value



BUSINESS DESCRIPTION

MonotaRO Co., Ltd. engages in the sales, repairs and maintenance of consumables and repair supplies used daily within factories. The company sells its products through internet and catalogs, targeting small and mid-sized manufacturing companies. Its products include cutting tools, bearings, fasteners, industrial equipment, and safety devices. The company was founded by Kinya Seto on October 19, 2000 and is headquartered in Osaka, Japan.

INVESTMENT THESIS

MonotaRO is executing well as a business but due to one time boosts in demand the stock has dropped 20%. This is not a weakening business at the core and has room to grow based off TAM and executing with already locked in customers. If they can continue to grow margins and get more of the TAM the stock will follow.

MARKET SNAPSHOT

Current Price	\$12.53	Market Cap (\$B)	\$6.2	Beta	0.12
52-Week Range	\$11 – \$16	Inst. Ownership	21.3%	Insider Own.	51.6%
Shares Out. (mm)	496.9	Short Interest (% float)	-	Dividend Yield	1.1%
Consensus L-T Growth	18.1%	Payout Ratio	33.5%	Cost of Equity	5.5%
Price Target	\$29.00	Upside to Target	131.5%	Value Range	\$22 – \$35

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF — terminal P/E	\$31.60	152.2%	26.9x P/E
Equity DCF — terminal P/S	\$28.74	129.5%	2.6x P/S
Equity DCF — terminal P/B	\$34.50	175.4%	8.3x P/B
Equity DCF — constant growth	\$22.19	77.2%	2.0% g, 5.5% ke
Average of methods	\$29.26	133.6%	Equal-weighted
Analyst price target	\$29.00	131.5%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 4 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC +10.2 pts; price is 0.43x our average value	Yes
2. Investing through company cycles	Phase III; EBIT margin 13.8% → 14.4%	Yes
3. Initial position sizing & risk limits	Initial position sized within fund limits; risk limits set at entry	Yes
4. Capital allocation discipline	Net debt/invested capital -23.6%; net debt/EBIT -0.7x	No
5. Identifiable catalysts & conservative underwriting	Three drivers, conservative estimates, potential to capture market share	Yes

VALUE CRITERIA — 10-Point Checklist · Score: 6 / 10

	Pass?
1. Catalyst / Investment Drivers	Yes
Driver 1 — Expanding Margins	Operating leverage is on a large fixed logistics and tech base. Sales grow about 15-20% a year while warehouse and overhead costs grow more slowly. Distribution costs fell from 6.7% of sales in FY2024 to 5.9% in 2026. About 20,000 private brand items priced about 20% below name brand helps lift gross margin. EBIT stay at around 14% in FY2026E but may see future growth with a new Mito Warehouse opening in 2028. Japan has a \$53-67B market for industrial and maintenance supplies and it is still mostly served by door to door tool dealers, hardware stores, and home centers. MonotaRO's estimated share is only 3.2-4.0% in FY2025 which is growing from previous years, but that leaves room to grow and take shares away from the market. It has roughly 11.3M registered accounts and adds 1M each year. If marketing and partnering with businesses around Japan become a focal point for MonotaRO, TAM shares will follow.
Driver 2 — Under-Penetrated TAM	MonotaRO has already signed 1,950 large companies, but most of there sites stil buy elsewhere. Half of the 10,000 sites have never ordered and around 42% buy under 1% of their supplies from MonotaRO. It only holds 2% of the total large company market, so growth comes from spreading usage with existing clients rather than winning new contracts. Enterprise sales grew 24% in FY2025 and 24% in the first half of 2026.
Driver 3 — Enterprise Site Penetration	Managemnt forecasts 15% annual sales growth with ROE of 30%+. Spending is going to a new Mito warehouse in May 2028, a website overhaul, and an AI purchasing agent. It also in returning 50% of its profits as dividends.
What does management say?	

2. Low P/E Ratio							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	\$0.31	\$0.35	\$0.44	\$0.52	\$0.61	\$0.71	
P/E at current price	40.1x	35.8x	28.7x	24.2x	20.7x	17.5x	
Peer median P/E (FactSet, subject excl.)	13.5x	FY2026E P/E vs. peer median		+79%			
3. Low Price / Cash Flow							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
FCFE / share	\$0.35	\$0.45	\$0.24	\$0.61	\$0.37	\$0.45	
Price / FCFE	35.8x	28.0x	52.7x	20.6x	33.5x	27.6x	
Peer median P/CF (FactSet, subject excl.)	13.5x	Price / FCFE (today) vs. peer median		+290%			
4. Low Price / Book Value							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$1.23	\$1.33	\$1.57	\$1.87	\$2.21	\$2.60	
Price / Book	10.1x	9.4x	8.0x	6.7x	5.7x	4.8x	
ROE (EOY book)	25.3%	26.3%	27.7%	27.7%	27.4%	26.9%	
Peer median P/B (FactSet, subject excl.)	2.0x	Price / book (today) vs. peer median		+308%			

MonotaRO Co., Ltd. Unsponsored ADR (MONOY) — Value Criteria, continued

5. Financial Soundness							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	41	9	89	89	89	89	
Net debt (\$mm)	-91	-187	-212	-409	-479	-557	
Total debt / equity (gross)	6.7%	1.3%	11.4%	9.6%	8.2%	6.9%	
Total debt / assets (gross)	4.5%	0.9%	7.2%	5.6%	4.9%	4.2%	
Net debt / invested capital	-13.2%	-26.8%	-23.6%	-39.2%	-39.5%	-39.4%	
Net debt / EBIT	-0.4x	-0.8x	-0.7x	-1.1x	-1.2x	-1.1x	
Tax rate	30.5%	Book equity (\$mm)		782			
6. Positive Earnings Dynamics							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	5.3%	5.2%	17.4%	15.0%	15.8%	16.5%	
EBIT margin	12.3%	12.9%	13.8%	14.0%	13.8%	14.4%	
EPS growth	9.4%	12.1%	24.7%	18.6%	17.1%	17.9%	
7. Business Strategy & Segment Mix							Yes
Strategy	Two sales channels on shared catalog and in-house warehouses. Small businesses order themselves on monotaro.com, while large order through the enterprise.						
Segment / geography mix	MonotaRO.com 67%/Enterprise 33% of FY2025 sales. Japan, South Korea, Indonesia, and India						
8. Capable Management & Insider Ownership							Yes
Insider ownership	51.6%	Inst. ownership	21.3%	Buybacks, % of NOPAT (FY1E)		44.8%	
Insider activity / governance	Insider ownership controls 51%. Buybacks are likely to increase.						
9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	45.9%	Cost of equity (ke)	5.5%	EVA spread (ROIC – ke)		40.5%	
Price target / upside	\$29.00	131.5%		Value / share range (low–high)		\$22 – \$35	
10. Uses of Capital — allocation discipline							Yes
Reinvestment -21% of NOPAT, dividends + buybacks 45% in FY2026E; no dividend and no large M&A — full detail in the Uses of Capital table below.							
VALUE FIT SCORE — criteria met							6 / 10

FINANCIAL SUMMARY (\$mm except per share)								
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028	
Sales	1,808	1,902	2,232	2,567	2,971	3,462	3.9%	13.9%
Gross margin	27.9%	27.3%	27.8%	28.0%	29.1%	30.3%		
EBIT	223	245	309	359	410	499		17.5%
Net income	155	174	217	257	300	353		17.9%
EPS (basic)	\$0.31	\$0.35	\$0.44	\$0.52	\$0.61	\$0.71		18.0%
Dividend / share	\$0.11	\$0.11	\$0.17	\$0.21	\$0.24	\$0.29		
FCFE / share	\$0.35	\$0.45	\$0.24	\$0.61	\$0.37	\$0.45		5.3%
Invested capital	688	698	900	1,044	1,213	1,413		15.5%
ROIC	27.6%	33.6%	35.7%	45.9%	44.4%	45.4%		
NOPAT margin	8.5%	8.9%	9.6%	9.8%	9.7%	10.1%		
Sales / NWC	10.35x	10.82x	15.05x	200.00x	107.53x	73.07x		
Sales / NFA	4.73x	5.78x	4.94x	4.80x	4.80x	4.80x		
Sales / invested capital (ex cash)	3.25x	3.77x	3.72x	4.69x	4.59x	4.50x		

USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	154	169	214	252	287	349	
Uses, as % of NOPAT							
CapEx, R&D & content (Δ NFA)	6.6%	(31.6%)	57.4%	32.9%	29.3%	29.3%	20.7%
Working capital (Δ NWC)	(21.2%)	0.7%	(12.8%)	(53.9%)	5.2%	5.7%	(12.7%)
Dividends	34.4%	32.9%	38.7%	40.9%	41.8%	40.6%	38.2%
Share buybacks	23.1%	42.3%	5.6%	4.0%	3.8%	3.4%	13.7%
Debt repaid (neg. = borrowing)	23.9%	19.3%	(37.6%)	—	—	—	0.9%
Cash & securities build	42.2%	37.4%	49.5%	78.2%	24.4%	22.2%	42.3%
Interest & other (residual)	(8.9%)	(1.0%)	(0.8%)	(2.0%)	(4.6%)	(1.2%)	(3.1%)
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	(14.7%)	(30.9%)	44.6%	(21.0%)	34.5%	35.0%	7.9%
Dividends + buybacks, % of NOPAT	57.6%	75.2%	44.3%	44.8%	45.6%	44.0%	51.9%

Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.

COMPS OVERVIEW (current multiples, FactSet)						
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT
MONOY	MonotaRO Co., Ltd. Unsponsored ADR	26.9x	2.6x	8.3x		25.0x
9962-JP	MISUMI Group Inc.	21.6x	2.0x	2.5x	16.4x	12.8x
9830-JP	Trusco Nakayama Corporation	9.8x	0.5x	0.8x		8.4x
6448-JP	Brother Industries, Ltd.	10.9x	1.2x	1.4x	7.7x	6.6x
8876-JP	Relo Group, Inc.	16.1x	2.3x	4.4x	13.5x	13.7x
Median	Peer median (subject excluded)	13.5x	1.6x	2.0x	13.5x	10.6x
MONOY	Subject, at current price	28.7x	2.8x	8.0x	52.7x	19.5x
Premium / (discount) to peer median		+113%	+71%	+308%	+290%	+84%

Note: MONOY appears in its own peer list (AutoTearSheet-5PageID4:D19). It is excluded from the median, but replace that slot with a real peer to use all six.

KEY RISKS	
1. Growth slowdown: Two outside events inflated recent growth. Office supply demand sugred in Q4 2025 due to rival Askul being knocked offline due to a cyber attack. Then conflicts in the Middle East drove consumers to buy oil based products. Management has said that customers are sticking around less then planned. If growth slows for a 27x P/E company the stock has little room to grow.	
2. Competition: Amazon Business Japan has more scale, faster delivery and a bigger logistics budget. Askul is rebuilding after the attack. More wholesalers are building and growing their websites which could lead to decreasing margins for MonotaRO	
3. Rising Costs and Execution: Delivery cost are being pushed up due to truck drivers demanding more money in Japan. The Mito warehouse that is planned to open in 2028 is also adding a lot of deperciation costs, along with the risk of it being pushed back. Enterprise also depends on more sites ordering from MonotaRO and if not margins may stay flat in the future years	

