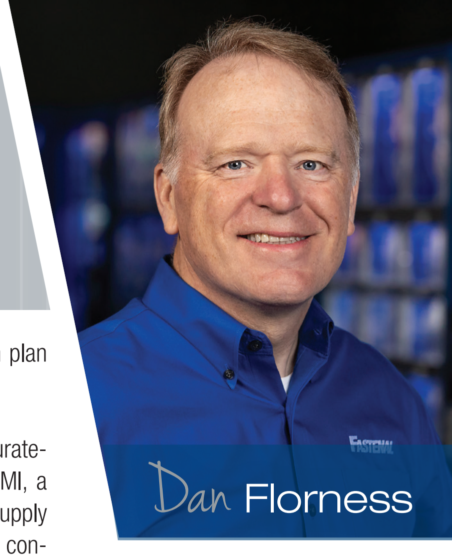
THANK YOU
for being a shareholder of FASTENAL®



Dan Florness

As always, our Annual Report on Form 10-K contains a lot of prescribed financial information about Fastenal. In addition, we endeavor to share some insight into our operating philosophy. At the heart of it is something very simple: a belief in people and their ability to do great things if given a chance.

As new employees quickly learn, Fastenal promotes from within; therefore, leadership development is key. Our Fastenal School of Business does an amazing job of boiling down the essence of leadership. It includes five things: (1) a willingness to change and to develop new skills, (2) a commitment to develop everyone around us, (3) consistent communication of our direction, (4) intentional alignment of resources, and (5) the courage to stay committed to the direction. We often truncate the five as: develop self, develop others, and DAC (direction, alignment, and commitment). For new and existing leaders, we add a few friendly reminders: There will be humbling and soul-searching days, push yourself to make decisions, and enjoy!

It is Friday, January 24th, as I write this letter. Earlier today, several of us traveled to Lafayette, Indiana, to celebrate a 40-year employee. This individual is a class act, and he exemplifies the leadership attributes noted above. There was a large group assembled to celebrate his years of humble leadership (or perhaps better said, to *thank* him). It was also an opportunity for me to meet members of his family – not surprising, great people. In 2025, we have seven Blue Team members hitting the 40-year milestone. If you make it to our annual meeting, you will have an opportunity to meet several members of this group.

Having stepped into the CEO role in mid-October 2015, this is my tenth letter to shareholders. In many ways, the letters for 2015 and 2016 could have been recycled and used to describe the results of the last two years. 2015 and 2023 both started with stronger growth, but then the vibrancy of our marketplace dimmed (as was very evident with our largest customers), and our growth slowed. The final months of 2015 saw our growth go negative, a fate we fortunately avoided in the last two years when the weakening industrial cycle repeated. Similarly, the 2016 pattern was repeated in 2024. Our sales growth was low single digits, and our income growth (operating, net, and EPS) went negative. We also repeated our approach: keep building for the future by (1) finding great people and asking them to join, (2) finding more customers and asking them to trust us with their supply chain, and (3) executing the business, both our growth plan and our economic model.

The cycle repeat we witnessed in 2023–2024 was accurately predicted by the Purchasing Managers' Index (or PMI, a diffusion index published monthly by the Institute for Supply Management). This index began to predict an industrial contraction in November 2022. The prediction became reality in the spring of 2023, and our growth slowed. Other than one month (March 2024), the PMI has predicted a contraction every month since – one of the longest contraction periods since the early 1970s. Hopefully the parallels with the 2015–2016 period continue. After the two-year period of pain eight years ago, we saw our market improve, and we saw our success with growth improve with it. For investors, the stock price has doubled twice since the fall of 2015, and our dividend has almost tripled.

We can't control the market, but we *can* control our strategy and service, and it starts by understanding our customers. Historically, we measured our growth by sharing account activity. It was a good statistic when we were actively opening branch locations; however, it became less relevant as our growth in accounts began to reflect customers managing their spending patterns – for example, creating new accounts to isolate their vending spend or align our activity with various production areas or departments in their facility – rather than new relationships. On a recent earnings call (January 2025), we shared a new concept for our business – spend originating from a unique customer site[1] or, if applicable, from a customer campus with multiple buildings. For simplicity, we will refer to these customer sites as simply "sites" through the balance of this letter.

In 2024, we had sales activity with approximately 270,000 sites in 25 countries, with an average site spend of about $2,300 per month. Averages can sometimes oversimplify key insights and miss the bigger picture. We believe the following three site groups provide deeper insight into our business.

1. Sites with spend >$10,000 per month, about 77% of our sales.[2]
2. Sites with spend between $5,000 and $10,000 per month, about 9% of our sales.[2]
3. Sites with spend <$5,000 per month, about 13% of our sales.[2]

[1] Customer sites are an average of the number of customer sites calculated each month.

[2] Sales that are not tied to a specific site or in-market location are excluded (i.e., certain service fees, cash sales, direct product sales, customer rebates, etc.).

Site size doesn't necessarily correlate with the size of the overall customer relationship. For example, a smaller site can be part of a large customer relationship representing millions in annual spend across many locations. Alternatively, a $50,000/month site might be the customer's only facility.

In 2017, the first customer group (>$10,000 per month) included approximately 6,900 sites. By the end of 2024, the number of sites grew to about 12,900, an increase of 6,000 (or 87% growth). The spend we enjoyed from the average site in this group grew as well, from just under $29,000 per month in 2017 to just over $38,000 per month in 2024. This average spend was greatly enhanced by our Onsite program, especially if we look at the subset of customers within the group with spend >$50,000 per month. In 2017, there were about 900 sites in the >$50,000 subset. In 2024, this number was just over 2,500 sites, the majority of which are served through our Onsite model. Total sales to the >$10,000 group increased at a compound annual growth rate (CAGR) of 14% since 2017, while the >$50,000 group subset saw a CAGR of 18% in the same time frame.

The success of the >$10,000 group represents a combination of new sites added and the expansion of our relationships with existing sites previously in the second and third groups above. As a result of this upward progression, our success within the second group appears more muted. In 2017, this group included approximately 7,200 sites. By 2024, the number had grown to about 9,600 sites, an increase of 2,400 (or 34% growth). The average monthly spend within this group was $5,700 per site in 2024, largely unchanged from 2017. Total sales to the sites in this subset had a CAGR of 4% since 2017.

The third group has contracted in terms of sales and sites since 2017. This contraction has been driven by several factors: (1) our ability to grow the local business and pull sites from this spend group into a larger spend group (a win); (2) the consolidation of our Fastenal locations over the last decade, which meant losing some business because we're now located across town rather than five minutes away (a reality of every branch move or closure of the last 50 years); (3) the modification of our local real estate footprint to better align the total square footage with the product needs of the marketplace (which meant sacrificing some walk-in business); and (4) the acceleration of eCommerce trends during the COVID-19 period. This latter factor impacted all site groups; however, the impact is particularly noteworthy for the customer sites with spend <$500 per month (a subset of the third customer group, <$5,000 per month). We have benefited from this trend, and our eCommerce channel has grown meaningfully since 2019 (the year before the start of COVID-19); however, this growth only partially offset the other three factors. As a result, the <$500 per month subset within this group (plus our retail non-account customers) has contracted from about 9.5% of sales in 2017 to about 1.8% of sales in 2024.

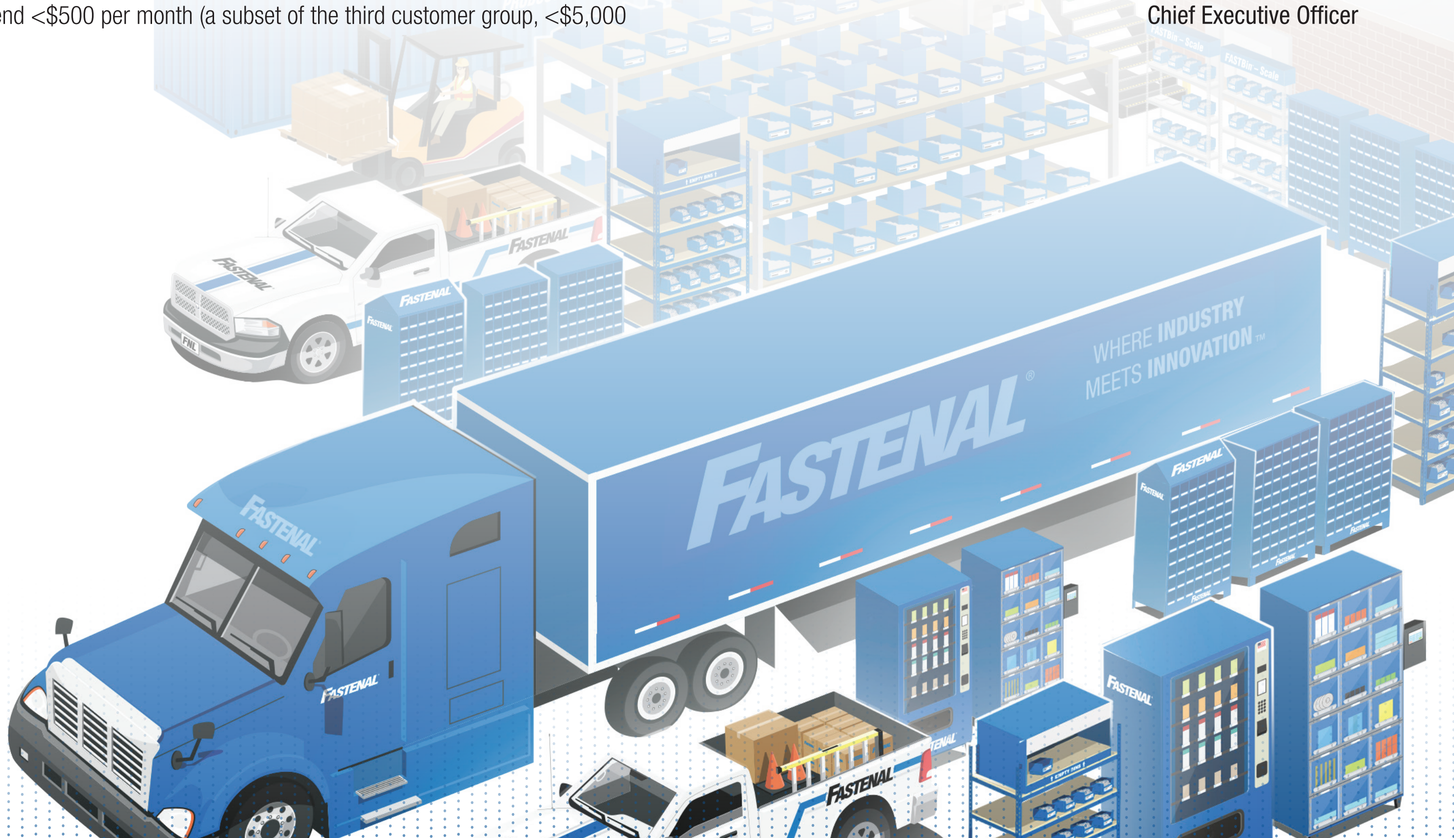
The story behind the numbers is the Blue Team's success in growing customer relationships at the local site level through our services, solutions, and capabilities. Only time will determine if the economy allows our success to shine through in 2025; however, we believe the steps we have taken in 2023 and 2024 will enhance our ability to discover success.

This letter shares a perspective on leadership; on our rebound from a weak industrial market nearly a decade ago; and on our direction, our alignment of resources, and our commitment to growth. It also provides some thoughts on the business today and the customers we serve. The letter that follows is from Jeff Watts, our chief sales officer and (since August 2024) our president. Jeff and I began our Fastenal career in the same year, 1996. His experience was very different, as he began his career within Fastenal Canada, a business less than two years old with just a handful of locations at the time. Jeff is very good at spotting and developing talent, and he embodies the best of the leadership attributes noted earlier (develop self, develop others, and DAC). His short-term goal is simple: focus on the duties of the chief sales officer role and "develop self" with the skills needed as president.

As always, thank you for your belief in the Blue Team at Fastenal. We're excited about the opportunities ahead as we continue our journey of *Growth Through Customer Service.*

Dan

DANIEL L. FLORNESS
Chief Executive Officer



THREE **STRATEGIC** OBJECTIVES

Unlike Dan, this is my first letter to our shareholders, and I'm excited to connect with you as we embark on another promising year at Fastenal. In this letter, I will expand on some of Dan's points and share insight into three strategic objectives aimed at accelerating our growth and market expansion.

During my years with Fastenal, the Blue Team has used various strategies to pursue *Growth Through Customer Service*. A central and enduring strategy has been to move closer to the customer so we can understand and add value to their business – a journey that's taken us from a single location in Winona, Minnesota to thousands of locations spanning 25 countries. Along the way, we've continually introduced products, services, solutions, and capabilities to meet customer needs. In more recent years, we've focused on our FMI and Onsite programs, making us even more attuned and essential to our customers' operations.

What's next in the journey? How can we continue our growth and market expansion over the next five years and beyond? To answer those questions, we first needed to identify and address some deficiencies, focusing on the current and future needs of our customers in a fast-changing, tech-driven marketplace.

As Dan explained, historically we've shared account activity as a useful metric, both internally and externally. However, we realized we needed to look at the business through a different lens in order to develop a truly *customer-centric* growth strategy. Every customer is important to Fastenal, regardless of their size, but not every customer site has the same needs from a supplier. With that in mind, we've developed a strategic plan to better serve all of our customers, everywhere they operate. The plan centers on three key objectives: effective selling, enhanced services, and expanded market share (of a larger total addressable market).

EFFECTIVE SELLING

Effective selling requires a unified, knowledgeable, and efficient team. We've made great progress on the "unified" front. Over the past year, our sales force has become much more aligned and in sync with our key account strategy. To further sharpen our focus, we've updated our compensation programs for certain sales roles to better align with current company objectives.

Technology is playing a vital role. In late 2024, we completed a long-term project to improve how we share data with key suppliers, enhancing inventory visibility and simplifying processes for our teams. This project laid the groundwork for a recently launched AI sourcing tool. As a result, our teams are spending significantly less time sourcing, ordering, and tracking products – time that can now be spent on customer service, consultation, and problem-solving.

As we head into 2025, we're developing a new employee engagement platform. The vision is to create a personalized space for each Blue Team member to experience our culture, understand our shared goals, and access the knowledge, training, and support they need to be successful in their role.

ENHANCED SERVICES

In today's digital world, any discussion of enhanced services has to start with our online capabilities. We're making significant investments in our eCommerce platform to provide a better customer experience. (The plan is to debut several of these improvements at our Customer Expo in April.) In addition to modernizing transactional tools – search, shopping cart/checkout, and order tracking – we're redesigning our FAST360° customer portal to offer a suite of reporting, analytics, and account management tools as well as self-service tools to access our manufacturing and industrial services. The big-picture vision: an efficient, intuitive, and data-rich platform that makes it easier for all customer segments to engage with our products and services.

EXPANDED MARKET SHARE

This never-ending objective is being pursued on multiple fronts – from targeting high growth sectors to keeping our eyes open for potential acquisitions, partnerships, and alliances to strategically expand our capabilities. Perhaps the biggest opportunity exists within the facilities we serve every day. A common customer request is for us to manage more of their product needs, including items traditionally considered "non-core" for Fastenal. To meet this demand, we're developing digital tools to increase integration and collaboration across a broader scope of products and supply chain activities.

By aligning our efforts and focusing on these key objectives, we believe we're well positioned to pursue *Growth Through Customer Service* for years to come. In conclusion, I echo Dan's sentiment of gratitude. Thank you for supporting and placing your trust in the Blue Team.

Jeff

JEFF WATTS
President and Chief Sales Officer