



AUTO STORE (Automated warehouse-type picking system) (Refer to P.21)
Distribution center introduced Planet North Kanto (To be launched in Mar. 2018)



BOD (Box-On-Demand system)
Distribution center introduced Planet Osaka
Planet Saitama (To be launched in Oct. 2018)



I-Pack (Automated packaging system)
Distribution center introduced Planet Osaka

TRUSCO®

The 55th Annual Shareholders' Meeting Convocation Notice

For January 1, 2017 to December 31, 2017



1st Section, TSE
Code
9830

トラスコ中山株式会社



Automated pallet warehouse
Distribution center introduced Planet East Kanto
Planet Saitama (To be launched in Oct. 2018)



GAS (Gate Assort System)
Distribution center introduced Planet Osaka



Automated bucket warehouse (Refer to P. 20)
Distribution center introduced Planet Tokai
Planet Osaka
Planet East Kanto
Planet Saitama (To be launched in Oct. 2018)

(Securities code: 9830)
February 20, 2018

To our shareholders

Trusco Nakayama Corporation

4-28-1 Shimbashi, Minato-ku, Tokyo
Tetsuya Nakayama, President

中山哲也

Keep It Up, Japanese “Monozukuri”!!

I would first like to express my gratitude for your warm support.

Trusco Nakayama has further improved its unique supply system to address the requests of all customers, both online and physical, by accelerating investment in distribution functions as well as expanding its product lineup and inventories, and strengthening its information system.

This year's key word is “Era of faults.” The shift of power source for cars from gasoline to electricity will undoubtedly cause a great deal of turmoil in the industrial structure, such as a decrease in metal processing. A fault runs through the law of the times, which states that the present is an extension of the past, and the future is an extension of the present.

What we must do now is create a “picture of the future.” What kind of industries will develop and what kind will decline due to the shift to electric cars? What kind of companies will grow and what kind will disappear? What kind of products will sell and what kind will become slow-moving? I intend to keep a close eye on the future as a party in a company and industry where a “picture of the future” is urgently required.

Structural changes in the industry are also an opportunity for growth without doubt. I intend to make this year a year to learn from changes, create the future, and hone our creativity in the era of faults. Thorough thinking will always produce an answer.

“Businesses and companies are only worthwhile if they are of use to people and society.” With this thought always in mind, we will strive to become a company that meets the needs of our customers and markets into the future.

Decided Matters upon the Convocation

Notice is hereby given that the 55th Annual Shareholders' Meeting of Trusco Nakayama (the “Company”) will be held as described below, and that you are invited to attend the Meeting. If you do not expect to attend the Meeting, please review the following “Reference documents for the annual shareholders' meeting” and return the enclosed voting form indicating your vote “for” or “against” each of the proposals, or access the Company's website for voting, which is indicated on the voting form, and exercise your voting rights via the Internet.

1. Date and Time: March 9 (Friday), 2018 at 10:00 a.m. (Doors open at 9:00 a.m.)
2. Place : (1) Tokyo (venue where the chairperson will attend)
Fuyo Room, Banquet Floor, the Main Building, Hotel New Otani, 4-1 Kioi-cho, Chiyoda-ku, Tokyo
(2) Osaka
Naniwa Room, 8th Floor, Swissotel Nankai Osaka, 5-1-60 Namba, Chuo-ku, Osaka
*You may ask questions or exercise your voting rights at either venue.
3. Matters Constituting the Purpose of the Meeting
 - Matter to Be Reported: Reports on the Business Report and Financial Statements for the 55th Period (from January 1, 2017 to December 31, 2017)
 - Matters to Be Resolved: Proposal No. 1: Election of Five (5) Directors
Proposal No. 2: Election of One (1) Corporate Auditor
4. Guide to the Exercising of Voting Rights
 - (1) If you are attending the shareholders' meeting
Please present the enclosed Voting Form to the receptionist at the venue of the Meeting. If you are attending the Meeting as a proxy (for only one other shareholder that owns the Company's voting rights), please present a document evidencing your authority as a proxy.
 - (2) If you are not attending the shareholders' meeting
Please refer to “Guide to the Exercise of Voting Rights” on page 4, and exercise your voting rights within the time limit.
Time limit for exercising voting rights: March 8 (Thursday), 2018 at 5:30 p.m.

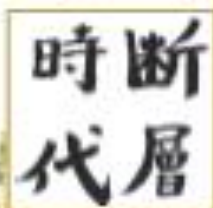
Please bring this Notice of Convocation as a material for proceedings and present the enclosed Voting Form to the receptionist at the venue of the Meeting.

- Of the documents to be provided, the Company has posted the [Basic Policy concerning the Control of the Company], [Matters concerning the Establishment of a System to Ensure the Propriety of the Company's Operations] of the Business Report and [Notes to Non-consolidated Financial Statements] of the Financial Statements on the Company's website (<http://www.trusco.co.jp/>) “Finance” → “IR Library” → “Shareholders Communication”) pursuant to the provisions of the law and Article 15 of the Articles of Incorporation. Therefore, they are not stated in this Notice of Convocation. For reference, the Business Report and Financial Statements attached to this Notice of Convocation are part of the documents that were audited by the corporate auditor and the accounting auditor upon preparing an audit report.
- In the event that an item in the reference materials for the Meeting, the Business Report or Financial Statements must be corrected by the day before the Meeting, the correction will be notified by posting the corrected item on the Company's website (<http://www.trusco.co.jp/>) “Finance” → “IR Library” → “Shareholders Communication”).



[Era of faults]

I believe we are in the midst of an era of faults, even though each day seems to pass without any change. Growth is no longer an extension of past trends, but is determined by new industry structures and rules. Instead of reviewing and criticizing the changes of the times, we must face them by determining the essence of the requirements of the era and with business management that more closely reflects the market environment.

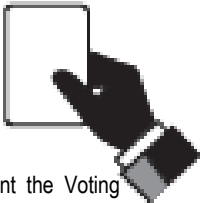


At the Green Terrace Café, 11F Trusco Fiorito Bldg. (Tokyo Head Office)

Guide to the Exercise of Voting Rights

Voting Right Exercise Methods There are three methods to exercise your voting rights.

By attending the Meeting



Please present the Voting Form to the reception.

[Date and time of the Meeting]
 March 9 (Friday), 2018
 10:00 a.m.
 (reception starts at 9:00 a.m.)

By post



Please indicate your vote "for" or "against" on the Voting Form and post the Form.

[Time limit for the exercise of voting rights]
 March 8 (Thursday), 2018
 5:30 p.m. (latest arrival time)

Via the Internet



Website for exercising voting rights
<http://www.web54.net>

[Time limit for the exercise of voting rights]
 March 8 (Thursday), 2018
 5:30 p.m. (latest sending time)

Guide to the Exercise of Voting Rights via the Internet



To exercise your voting rights via the Internet, please access the website to exercise your voting rights as specified by the Company with a PC, smartphone or mobile phone, and exercise your rights by following the directions on the screen.

Upon Use

When accessing the website to exercise your voting rights, the "Code for the Exercise of Voting Rights" and the "Password" indicated in the enclosed Voting Form are required.

Notes

- If you exercise your voting rights twice, by post (in writing) and via the Internet, we will only accept the exercise of your voting rights via the Internet as effective.
- If you exercise your voting rights more than once via the Internet, we will only accept the latest exercise of your voting rights as effective.
- Exercising voting rights with a PC or smartphone, etc., may not be possible depending on your Internet environment. In addition, exercising voting rights may not be possible with some mobile phones.

Inquiries on Exercising Voting Rights via the Internet

Please contact the number below for inquiries on the operation method of PCs and smartphones concerning the exercise of voting rights on the website. Dedicated phone number for stock transfer agency web support of Sumitomo Mitsui Trust Bank

☎ 0120-652-031 (9:00 a.m. to 9:00 p.m., throughout the year)

Aggregation of the Results of Voting on the Day of the Meeting

Due to the idea that judgment of "for" or "against" upon seeing the presentations, discussions, etc. on the day of the Meeting is important, we aggregate the results of votes by our shareholders on the day of the Meeting as valid, and disclose them in the notice of resolutions or extraordinary reports.

Relationship between Prior Voting and Voting on the Day

1. Example of voting early and attending the Meeting

Voted "for" a proposal in early voting

(For) • Against

Voted "against" the proposal using the voting form at the Meeting

For • (Against)

The voting result will be aggregated as "against."

For • (Against)

2. Example of attending the Meeting without voting early

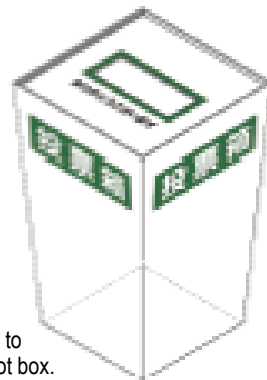
Voted "for" a proposal using the voting form at the Meeting

(For) • Against

The vote result will be aggregated as "for."

(For) • Against

At the Meeting, you will be asked to place your voting form in the ballot box.



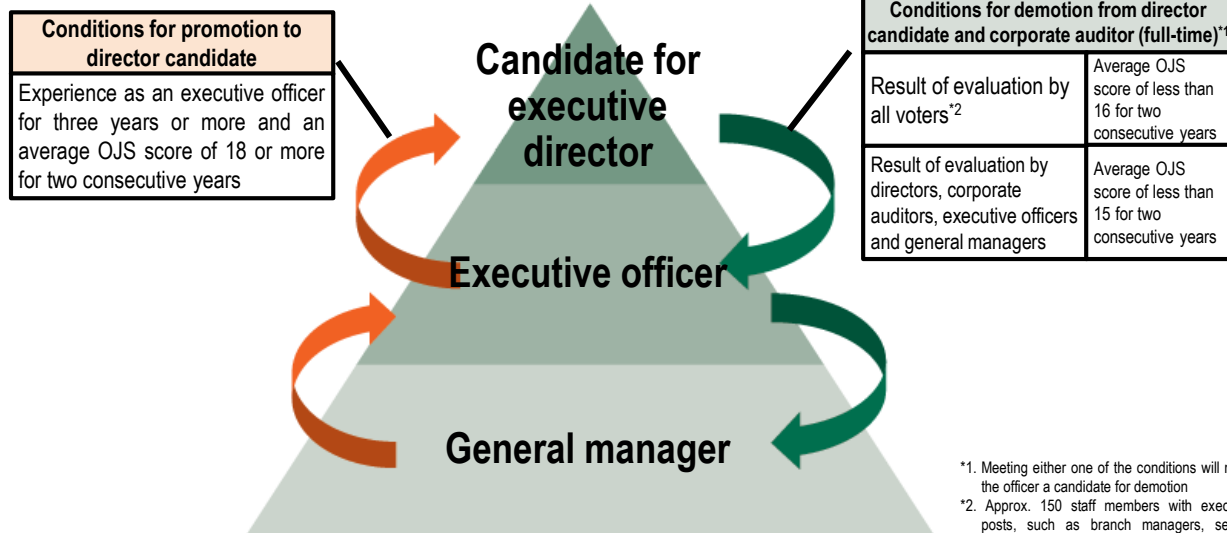
Open Judge System (OJS) on the President

We consider the results of the votes on the day of the Meeting for the President, who serves as the chairperson of the Meeting, as the "OJS on the President" and an important evaluation indicator for candidates. The results will be posted on the Company's website after the closing of the Meeting and before March 12 (Mon.), 2018.

Reference About the Officer Evaluation System

The Company operates an Open Judge System (OJS: 360 degrees evaluation), a unique evaluation system, as one of its standards for the selection of candidates for executive directors.

At the Company, remarks by staff with executive posts of general manager or higher at important meetings, etc. are shared with all employees through the minutes. The voters evaluate the candidates based on their everyday work and remarks. The results of the evaluation will be used as standards for promoting the candidate to a director candidate or demoting him/her from director or corporate auditor (full-time).



Operation method of the officer evaluation system

- (1) The personal information of the voters is completely undisclosed.
- (2) The six assessment items are each rated on a 1–4 scale.
- (3) The average score will be used to determine a promotion to director candidate or demotion from director or corporate auditor (full-time).
- (4) Evaluation of outside directors and outside corporate auditors (part-time) will also be conducted, but the results will be for reference only.

Evaluation through comments is also conducted at the same time as the evaluation by score, and fed back to the subjects of the evaluation so as to arouse their awareness.



Approx. 150 voters from across the nation (56th Term Boss Conference (Nationwide Management Conference))

Reference Standards for Appointment of Outside Officers

For the appointment of outside directors and outside corporate auditors, Trusco Nakayama Corporation (hereinafter referred to as the "Company") sets out the following criteria.

1. Criteria for the Appointment of Outside Directors

The Company appoints outside directors from among those fulfilling the conditions set out below.

- (1) Candidates shall be able to contribute to the continuous growth and improvement of the corporate value of the Company, and shall have extensive knowledge and sufficient experience of business management.
- (2) Candidates shall be subject to none of the grounds for disqualification as a director set out in the items of Paragraph 1, Article 331 of the Companies Act.
- (3) Candidates shall fulfill the requirements for an outside director set out in Item 15, Article 2 of the Companies Act.

2. Criteria for the Appointment of Outside Corporate Auditors

The Company appoints outside corporate auditors from among those fulfilling the conditions set out below.

- (1) Candidates shall have knowledge in fields such as law, finance accounting, and the like, and shall be able to contribute to the improvement of corporate value from a neutral and fair standpoint.
- (2) Candidates shall be subject to none of the grounds for disqualification as a corporate auditor set out in Item 1, Article 335 of the Companies Act.
- (3) Candidates shall fulfill the requirements for an outside corporate auditor set out in Item 16, Article 2 of the Companies Act.

List of Candidates for the Election Proposal

Candidate no.	Name	Current position, responsibilities and important concurrent posts	Attendance at Board of Directors' meetings
Proposal No.1			
1	Reappointment Tetsuya Nakayama	Representative Director and President	100% (12/12 meetings)
2	Reappointment Takashi Nakai	Senior Managing Director & Head of Corporate Management Division	100% (12/12 meetings)
3	Reappointment Tadahisa Yabuno	Managing Director & Head of Sales Division Officer in charge of Trusco Nakayama Thailand Officer in charge of Trusco Nakayama Indonesia	100% (12/12 meetings)
4	Reappointment Outside Kenichi Saito	Outside director President, ForeSight & Company Representative Director of the Society for Problem Solving Proficiency	100% (12/12 meetings)
5	Reappointment Outside Kuniaki Hagihara	Outside director Chairman of Hagihara Industries Inc.	92% (11/12 meetings)
Proposal No.2			
	New appointment Outside Akira Takada		—

Reference

List of Corporate Auditors

Name	Current position and important concurrent posts	Attendance at Board of Directors' meetings	Attendance at Board of Auditors' meetings
Hitoshi Komatsu	Outside corporate auditor (full-time) *Scheduled to retire at the closing of the 55th Annual Shareholders' Meeting to be held on March 9, 2018	100% (12/12 meetings)	100% (13/13 meetings)
Masaki Matsuda	Outside corporate auditor (full-time)	100% (12/12 meetings)	100% (13/13 meetings)
Hiroho Kamakura	Outside corporate auditor (part-time) Outside corporate auditor (part-time) of Yushin Precision Equipment Co., Ltd. Outside corporate auditor (part-time) of Fujio Food System Co., Ltd.	92% (11/12 meetings)	100% (13/13 meetings)



10F Visitor Room, Tokyo Head Office

Proposal No.1: Election of Five (5) Directors

The terms of office of all five directors will expire at the closing of the Meeting.

Therefore, we would like to ask our shareholders to appoint five directors. The director candidates are as shown on pages 7 to 11.

Candidate no.

1

Tetsuya Nakayama

中山哲也

Born December 24, 1958; 59 years old; 37 years with the Company



Improve customers' convenience by turning inventory into resources

Inventory becomes resources if it is put to good use, but becomes a source of damage if not. I intend to continue to put my heart and soul into creating a company that can provide customers with the greatest convenience in the industry by leveraging the power of resources.

Tetsuya Nakayama, President

Tetsuya Nakayama

Brief biography, status, business in charge of and important concurrent posts

March 1981 : Joined the Company
October 1984 : Director
December 1987 : Managing Director
December 1991 : Representative Director and Senior Managing Director
December 1994 : Representative Director and President (present)

No. of Company shares held

1,874,700 shares

Attendance at Board of Directors' meetings

100% (12/12 meetings)

Reason for nomination as a director candidate

Mr. Nakayama has been nominated as a director candidate, taking into consideration the result of the OJS on the President, which is a vote by shareholders who attended the 54th Annual Shareholders' Meeting, as an important benchmark.

Approval rate	No. of attendees	No. of valid votes*	Affirmative votes
99.6%	1,463	1,341	1,335

* The number of valid votes does not include shareholders who did not vote on the day of the Meeting (abstention) or those the content of whose votes could not be determined (invalid).



FY2017 New employee welcoming ceremony



FY2017 Presentation of employment offer



Topping-out ceremony (Recreation facility "Rengetsu-so" in Kaguraoka, Trusco Kyoto)



Large Meeting (Presentation for institutional investors)



Visit to construction site of Planet Saitama



October 55th Term Management Committee

* The candidate has no special interest in the Company.

Candidate no.

2

中井 孝

Takashi Nakai

Born January 16, 1955; 63 years old; 40 years with the Company



Create assets for the future

The business performance for the previous term ended in an unusual pattern for Trusco Nakayama. I expect the results of the current term to continue to be severe. This is all due to aggressive investment for the future. I believe this is a necessary “procedure” for us to reach a new stage. I intend to prepare the groundwork for the Company’s future by choosing the difficult path and thinking hard to solve problems.

Takashi Nakai, Senior Managing Director & Head of Corporate Management Division

Takashi Nakai

Brief biography, status, business in charge of and important concurrent posts

March 1978 : Joined the Company
 April 1996 : Tokyo Branch Manager
 May 1999 : Executive Officer & Head of Corporate Planning Division
 June 2004 : Director & Head of Logistics Division
 June 2007 : Managing Director & Head of Product Division
 January 2017 : Senior Managing Director & Head of Corporate Management Division (present)

No. of Company shares held
 30,300 shares

Attendance at Board of Directors’ meetings
 100% (12/12 meetings)

Reason for nomination as a director candidate

Mr. Nakai has been nominated as a director candidate, taking into consideration the results of the 2017 OJS on Directors as an important benchmark. (Full score = 24 points)

(Points)

	Total	Rating 1 Sense of management, foresight	Rating 2 Leadership	Rating 3 Communication ability	Rating 4 Fairness	Rating 5 Originality	Rating 6 Problem solving ability
Takashi Nakai	17.8	3.2	2.8	3.3	3.0	2.6	3.0
Average*	17.5	3.0	3.0	3.0	2.9	2.7	2.9

* The average score of 23 directors, executive officers and general managers



New employee training (Hakone training)



FY2017 New employee welcoming ceremony



Shareholders' visit to distribution sites (Planet Kobe)

* The candidate has no special interest in the Company.

Candidate no.

3

Tadahisa Yabuno

藪野忠久

Born March 13, 1962; 55 years old; 34 years with the Company



Friendship

I believe in friendship as I did when I was young. I don't like cozy relationships or flattery. True friendship does not require much talking. You can feel the person's way of life or sense close communication between each other's soul. I am satisfied if people say they want to work with me. Sharing passion with those I am connected to through work—I hope to continue seeking such passionate moments this year.

Tadahisa Yabuno, Managing Director &
Head of Sales Division

Tadahisa Yabuno

Brief biography, status, business in charge of and important concurrent posts

March 1984 : Joined the Company
April 2000 : Kanagawa Branch Manager
October 2003 : Executive Officer & Jonan Branch Manager
June 2007 : Director & Head of Corporate Management Division
April 2014 : Managing Director & Head of Corporate Management Division
January 2016 : Officer in charge of Trusco Nakayama Indonesia (present)
January 2017 : Managing Director & Head of Sales Division (present)
Officer in charge of Trusco Nakayama Thailand (present)

No. of Company shares held
27,700 shares

Attendance at Board of Directors' meetings
100% (12/12 meetings)

Reason for nomination as a director candidate

Mr. Yabuno has been nominated as a director candidate, taking into consideration the results of the 2017 OJS on Directors as an important benchmark. (Full score = 24 points)

(Points)

	Total	Rating 1 Sense of management, foresight	Rating 2 Leadership	Rating 3 Communication ability	Rating 4 Fairness	Rating 5 Originality	Rating 6 Problem solving ability
Tadahisa Yabuno	19.9	3.5	3.7	3.0	3.4	3.1	3.2
Average*	17.5	3.0	3.0	3.0	2.9	2.7	2.9

* The average score of 23 directors, executive officers and general managers



Cross Meeting
(joint meeting between the sales division and other divisions)



56th Term Boss Conference
(Nationwide Management Conference)



6F Tokyo Head Office (Tokyo Branch)

* The candidate has no special interest in the Company.

Candidate no.

4

Kenichi Saito

齋藤 頭一

Outside director candidate
Board Brain (BB)

Born November 15, 1949; 68 years old



Maintain the spirit of taking on new challenges

When I look at survey results, I am surprised at how job satisfaction among Japanese business persons has dropped and productivity has failed to improve. One of the reasons is probably the passive way of working and the failure to achieve results. Times change. It is extremely important, regardless of age, to think by oneself, make proposals, and take action in order to address the changes. An attitude of constantly making efforts in something new is needed. I intend to make efforts in reviewing my current way of working, developing the necessary initiatives to achieve my mission and expanding contacts among my peers.

Kenichi Saito, outside director

Brief biography, status, business in charge of and important concurrent posts

April 1975 : Joined McKinsey & Company
January 1996 : Founded ForeSight & Company
President (present)
March 2016 : Outside director of the Company (present)
October 2017 : Founded the Society for Problem Solving Proficiency
Representative Director of the Society for Problem Solving
Proficiency (present)

No. of Company shares held

1,300 shares

Attendance at Board of Directors' meetings

100% (12/12 meetings)

Term of office as outside director

Two years as of the closing of the Meeting

Reason for being nominated as an outside director candidate

Mr. Kenichi Saito has experience in a company that conducts business globally and has founded a management consulting firm. He has been nominated as a candidate for outside director for the fair and objective guidance toward continuous improvement of the Company's corporate value, as expected of him, based on his experience and knowledge as a management professional.

FY2017 Result of OJS on Directors

Votes are cast by voters comprising only directors, corporate auditors, executive officers and general managers, and are for reference only. (Full score = 24 points)

(Points)

	Total	Rating 1 Sense of management, foresight	Rating 2 Leadership	Rating 3 Communication ability	Rating 4 Fairness	Rating 5 Originality	Rating 6 Problem solving ability
Kenichi Saito	18.3	3.1	2.9	3.4	2.7	3.2	3.0
Average*	17.5	3.0	3.0	3.0	2.9	2.7	2.9

* The average score of 23 directors, executive officers and general managers

Examples of opinions at important meetings, etc.

- You must be careful not to become arrogant since it will hinder your ability to have a constantly objective point of view of your company's weaknesses. (At the January Management Committee)
- What matters are figures, observations and questions. Align mixed information in an orderly manner by gathering factual data that are interpreted from figures, as well as new information obtained from asking questions and observing customers and staff members of other departments, and organizing them into groups of similar elements. I think this is the meaning of thinking. I hope you will think while remaining aware of creating new ideas. (At the May Management Committee)

Notes concerning outside director candidates

(1) On independence

Mr. Kenichi Saito and Mr. Kuniaki Hagihara are outside director candidates as set forth in Item 7, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act, and fulfill the Company's outside director appointment criteria. In addition, we have filed them as independent officers with the Tokyo Stock Exchange, as they also fulfill the requirements for independence stipulated by the Tokyo Stock Exchange as well as the independence criteria for outside officers stipulated by the Company.* If Mr. Saito and Mr. Hagihara's reappointments are approved, we plan to continue to make them independent officers.

(2) On the contract for limitation of liability

In order to acquire personnel who would become outside officers and to secure their effectiveness, we have concluded a contract for limitation of liability with Mr. Saito and Mr. Hagihara, with the amount of limited liability being the minimum total liability amount as prescribed in Paragraph 1, Article 425 of the Companies Act. If their reappointments are approved, we plan to continue the above contract for limitation of liability.

Candidate no.

5

Kuniaki Hagihara

萩原邦章

Outside director candidate
Board Brain (BB)

Born August 19, 1953; 64 years old



Trusco Nakayama's tireless challenge will never stop

Two years have passed since I started serving as an outside director. President Nakayama and the management's focus on customers and constant self-innovation toward comprehensive service improvement, which I have observed through participation in the Management Committee, etc., are efforts they should be proud of. Trusco Nakayama's tireless striving to strengthen competitiveness in Japan's *monozukuri* will continue. Please look forward to it.

Kuniaki Hagihara, outside

K. Hagihara

Brief biography, status, business in charge of and important concurrent posts

March 1976 : Joined Hagihara Industries Inc.
December 1984 : President of Hagihara Industries Inc.
January 2010 : President & CEO
January 2016 : Chairman (present)
March 2016 : Outside director of the Company (present)

No. of Company shares held

2,000 shares

Attendance at Board of Directors' meetings

92% (11/12 meetings)

Term of office as outside director

Two years as of the closing of the Meeting

Reason for being nominated as an outside director candidate

Mr. Kuniaki Hagihara has been nominated as a candidate for outside director for his abundant experience and broad knowledge as a manager in manufacturing, as well as his expected contribution to swift and bold decision-making by the management, in addition to supervisory functions and advice from a shareholder's/investor's perspective toward a sustainable increase in corporate value.

FY2017 Result of OJS on Directors

Votes are cast by voters comprising only directors, corporate auditors, executive officers and general managers, and are for reference only. (Full score = 24 points)

	Total	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Rating 6
		Sense of management, foresight	Leadership	Communication ability	Fairness	Originality	Problem solving ability
Kuniaki Hagihara	18.7	3.3	3.0	3.3	3.3	2.8	3.0
Average*	17.5	3.0	3.0	3.0	2.9	2.7	2.9

* The average score of 23 directors, executive officers and general managers

Examples of opinions at important meetings, etc.

- We never know when such disasters will happen. We must re-inspect the Company from the two perspectives of fire and industrial accidents, and think of risk management. I believe that how we check this case and examine it as a case study will make a huge difference. (At the February Management Committee)
- How about creating a detailed indicator of workload per person and hour as reference material to be used for managing personnel. In the manufacturing industry, we check the trend of workability, which is utilized in management, by creating data of production output and workload per person by the hour. (At the December Management Committee)

(3) On special interest in the Company

We have had a long relationship with Mr. Saito since his participation in Trusco Nakayama's CI competition (corporate innovation, including company name change) in 1990, when he was deputy manager of McKinsey & Company's Osaka branch. Other occasions include his lecture on marketing at our Nationwide Boss Conference in 2008. There is no business or other relationship between the Company and the companies that Mr. Saito concurrently serves; therefore, they have no special interest in the Company.

We have a business relationship of approximately 20 years with Hagihara Industries Inc., of which Mr. Hagihara is a representative. Hagihara Industries' sheet products such as blue sheets are highly valued as a subsidiary material at factories and construction work sites. Our procurement from Hagihara Industries accounts for less than 1% of our total procurement by amount (less than 5% of the consolidated net sales of said company), and there is no special interest that will hinder or be a problem in Mr. Hagihara's execution of his duties as an outside director.

* The independence criteria for outside officers stipulated by the Company are described on page 12.

Proposal No.2: Election of One (1) Corporate Auditor

Corporate Auditor Mr. Hitoshi Komatsu will resign at the closing of the Meeting.

Therefore, we would like to ask our shareholders to appoint one corporate auditor. The consent of the Board of Auditors has been obtained for this Proposal. The corporate auditor candidate is as follows.

Candidate

Akira Takada

高田 明

New
appointment

Outside corporate
auditor candidate

Born March 9, 1958; 60 years old



Contribute to continuous development from an independent standpoint

Discussions have been held in recent years on the importance of corporate governance of listed companies. I intend to contribute to the continuous development of Trusco Nakayama Corporation by playing a part in its corporate governance from an independent standpoint and leveraging my experience over the past 30 years in providing advisory services to listed companies in capital markets that are undergoing changes.

Akira Takada

Akira Takada

Brief biography, status and important concurrent posts

April 1981: Joined Nomura Securities Co., Ltd.
June 2009: Managing Director of IB Business Development Dept.
April 2012: Director of Nomura Investor Relations Co., Ltd.
April 2015: Advisor of Nomura Investor Relations Co., Ltd.

No. of Company shares held
0 shares

Reason for being nominated as an outside corporate auditor candidate

Mr. Akira Takada has abundant experience and a high level of expertise through his long involvement in building relationships between shareholders and companies and his working experience in a securities company and an IR consulting firm. He has been nominated as a candidate for outside corporate auditor for his expected contribution to securing fairness and adequacy from a neutral and fair standpoint toward the Company's sustainable improvement in corporate value.

Notes concerning the outside corporate auditor candidate

(1) On his independence

Mr. Akira Takada is an outside corporate auditor candidate as set forth in Item 8, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act, and fulfills the Company's outside corporate auditor appointment criteria. In addition, we plan to file him as an independent officer with the Tokyo Stock Exchange if his appointment is approved, as he also fulfills the requirements for independence stipulated by the Tokyo Stock Exchange as well as the independence criteria for outside officers stipulated by the Company.

(2) On special interest in the Company

Mr. Akira Takada worked at Nomura Securities Co., Ltd. and Nomura Investor Relations Co., Ltd., both of which are the Company's business partners, but retired from the former five years and 11 months ago, and from the latter one month ago. The amount of business with the former and the latter is small, and there is no special interest that will hinder or be a problem in Mr. Akira Takada's execution of his duties as an outside corporate auditor.

Criteria for the independence of outside officers

- (1) A major shareholder of the Company (holding 10% or more of the total voting rights in the Company at the end of the most recent fiscal year) or an individual who serves as a key employee such as a director, corporate auditor, executive officer, manager, or any other post higher than general manager (hereinafter referred to as "Director, etc.") in an entity that is a major shareholder of the Company
- (2) A director, etc. of a corporation or the like of which the Company is a major business partner (with annual business exceeding 5% of consolidated net sales)
- (3) A director, etc. of a corporation or the like that is a major business partner of the Company (with annual business exceeding 5% of consolidated net sales)
- (4) A director, etc. of a corporation or the like that is a major lender to the Company (the Company borrows more than 2% of its total assets from the lender)
- (5) An accounting auditor of the Company or its subsidiary, or an individual who is responsible for auditing the Company or its subsidiary as an employee at the accounting auditor
- (6) A relative within the third degree of kinship or closer of an individual described in any of the items numbered 1 to 5 above
- (7) A relative within the third degree of kinship or closer of an officer, executive officer, or key employee in a post higher than general manager of the Company or its subsidiary
- (8) An individual to whom any of the items numbered 1 to 7 above has applied within the last three years

Reference Items Introduction of Two (2) Corporate Auditors

Masaki Matsuda

Outside corporate auditor (full-time)

松田昌樹

Born March 30, 1956; 61 years old



“Above”

Since its establishment, the Company has continued its progress as Trusco with a strong will and attitude to continue to serve as a “trusted company.” I intend to continue activities that will contribute to the Company’s continuous development without excessively narrowing the roles and responsibilities of a corporate auditor, so that the Company can further grow as a trusted company and exceed the expectations of everybody.

Masaki Matsuda, outside corporate auditor

Brief biography, status and important concurrent posts

April 1978 : Joined the Kyowa Bank, Ltd. (currently Resona Bank, Ltd.)
 March 2003 : Chief Credit Officer of the Osaka No. 3 Loan Department, Resona Bank, Ltd.
 June 2007 : Full-time corporate auditor of the Company (present)

No. of Company shares held

13,500 shares

Attendance at Board of Directors’ meetings

100% (12/12 meetings)

Attendance at Board of Auditors’ meetings

100% (13/13 meetings)

Term of office of the outside corporate auditor

Ten years nine months as of the time of the closing of the Meeting

Rating of outside corporate auditors

The result of the 2017 OJS on corporate auditors is an important benchmark. (Full score=24 points)

(Points)

	Total	Rating 1 Sense of management, foresight	Rating 2 Fairness, sincerity	Rating 3 Objectivity, neutrality, common sense, knowledge	Rating 4 Compliance	Rating 5 Communication	Rating 6 Pointing out problems, proposing improvements
Masaki Matsuda	17.9	3.0	3.0	2.9	3.2	3.1	2.7
Average*	17.8	3.0	3.0	3.0	3.1	3.0	2.8

* The average score of three corporate auditors



Management Committee



54th Annual Shareholders' Meeting



56th Term Boss Conference
(Nationwide Management Conference)

Hiroho Kamakura

鎌倉寛保

Outside corporate auditor (part-time)

Born January 27, 1947; 71 years old



To secure sound growth

As an independent institution that has been delegated by the shareholders, the duty of an auditor is to carry out auditing activities for the sound growth of the company. I intend to actively contribute to the continuous growth of the Company as an outside corporate auditor with expertise in finance and accounting.

Hiroho Kamakura, outside corporate auditor

H. Kamakura

Brief biography, status and important concurrent posts

November 1971 : Joined Tohmatsu Aoki & Co.
(currently Deloitte Touche Tohmatsu LLC)
May 1973 : Registered as a certified public accountant
July 2012 : Corporate auditor of the Company (part-time) (present)
Outside corporate auditor (part-time) of Yushin Precision
Equipment Co., Ltd. (present)
March 2013 : Outside corporate auditor (part-time) of Fujio Food System
Co., Ltd. (present)

No. of Company shares held

2,500 shares

Attendance at Board of Directors' meetings

92% (11/12 meetings)

Attendance at Board of Auditors' meetings

100% (13/13 meetings)

Term of office of the outside corporate auditor

Five years eight months as of the time of the closing of the Meeting

Rating of outside corporate auditors

Votes are cast by voters comprising only directors, corporate auditors, executive officers and general managers, and are for reference only. (Full score = 24 points)

(Points)

	Total	Rating 1 Sense of management, foresight	Rating 2 Fairness, sincerity	Rating 3 Objectivity, neutrality, common sense, knowledge	Rating 4 Compliance	Rating 5 Communication	Rating 6 Pointing out problems, proposing improvements
Hiroho Kamakura	17.0	3.0	2.8	3.1	2.8	2.8	2.7
Average*	17.8	3.0	3.0	3.0	3.1	3.0	2.8

* The average score of three corporate auditors

Examples of opinions at important meetings, etc.

- Huge investment is required to carry out this plan. It is difficult to make a judgment since the relationship between sales and investment is unclear. (May Management Committee)
- Financing of this scale requires the setting of priorities in investments after measuring the running cash flows and the necessary funds for capital expenditure in the long-term management plan. When considering an investment, it is necessary to think of how to repay it. Trusco Nakayama has made investments with its cash flows in the past, but not anymore. There is no guarantee that sales will continue to rise steadily. It is necessary to set priorities based on the company's actual state in terms of funds, and the overall image of the funds required. (December Management Committee)

Notes concerning outside corporate auditors

- (1) There are no special interests between Mr. Masaki Matsuda, Mr. Hiroho Kamakura and the Company.
- (2) Mr. Masaki Matsuda and Mr. Hiroho Kamakura are outside corporate auditors as set forth in Item 16, Article 2 of the Companies Act, and have been filed as independent officers with the Tokyo Stock Exchange.
- (3) In order to acquire personnel who would become outside officers and to secure their effectiveness, the Company and Mr. Hiroho Kamakura have concluded a contract for limitation of liability, with the amount of limited liability being the minimum total liability amount as prescribed in Paragraph 1, Article 425 of the Companies Act.

Trusco Nakayama as Seen from Outside Directors

From Mr. Saito, Outside Director

While it may seem easy for all members of a company to make great efforts in continuing to build a system to create and immediately deliver better products that customers require, including private brand (PB) products, there are few companies that can actually do that. This is how Trusco Nakayama continues to generate strong results. Of course, it is natural for the Company to aim for a higher stage instead of being content with the current state. I hope that the “thinking skills” of all employees will be strengthened and led to new proposals.



Tokyo Head Office meeting room

From Mr. Hagihara, Outside Director

Since I have been appointed as an outside director, I have participated in the Company’s monthly Management Committee and annual company-wide meetings of Bosses and top management. Although I strive to give objective opinions as an outside director, the laudable corporate governance by President Nakayama, the directors and the executive officers to take an authentic and righteous path and their attitude of disclosure to stakeholders are of such a high standard that my opinions are almost immaterial.

I intend to continue to monitor the Company’s corporate governance from an objective point of view to the best of my meager abilities so that Trusco Nakayama can fulfill its social responsibilities.



Tokyo Head Office meeting room

Comment by Retiring Corporate Auditor

Hitoshi Komatsu

小松 均

Born September 20, 1952; 65 years old



I am due to retire as a corporate auditor at the closing of the 55th Annual Shareholders’ Meeting.

I would like to offer my sincerest gratitude to our shareholders for their guidance and encouragement during my years in office.

I will be grateful for our shareholders’ continued support for Trusco Nakayama.

Brief biography, status and important concurrent posts

April 1975 : Joined the Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
 October 2002 : Chief Auditor of the Internal Audit Division, Mizuho Bank, Ltd.
 June 2003 : Full-time corporate auditor of the Company (present)

No. of Company shares held

14,300 shares

Business Report for the 55th Period

(January 1, 2017 to December 31, 2017)

(Attachment to the 55th Annual Shareholders' Meeting Convocation Notice)

Note: Figures are rounded down to the nearest unit.

1. Company's Current Status (1. Business Development and Results)

(1) Business Development and Results

Results for the 55th period
(Year ended December 31, 2017)

Sales 195,096 million yen
Year on year +10.2%

Gross profit margin 21.2 %
Year on year -0.5 points

SG&A expenses ratio 13.9 %
Year on year +0.2 points

Operating income 14,276 million yen
Year on year +0.8%

Ordinary income 14,581 million yen
Year on year +1.0%

Net income 10,173 million yen
Year on year +2.1%

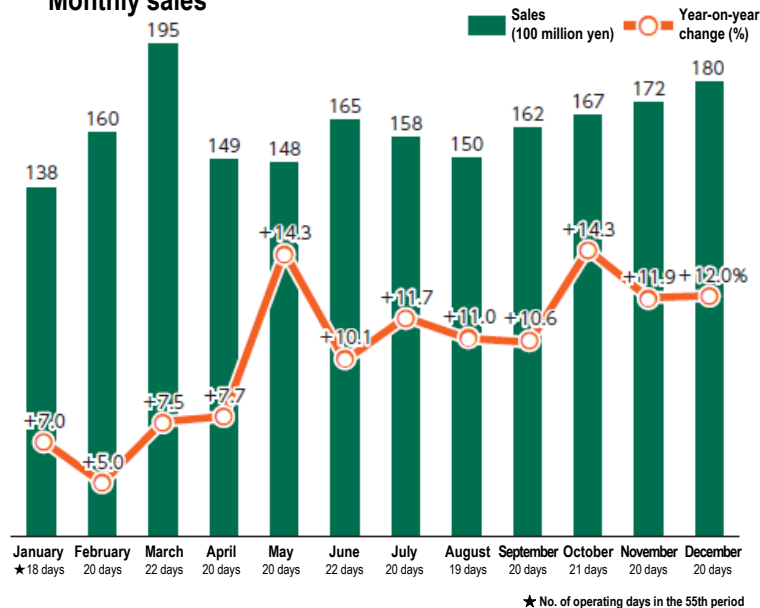
Net income per share 154.28 yen
Increase (*1) +3.20 yen

Dividend per share (*2) 39.00 yen
Dividend per share for the 54th period (Year ended December 31, 2016) 76.00 yen

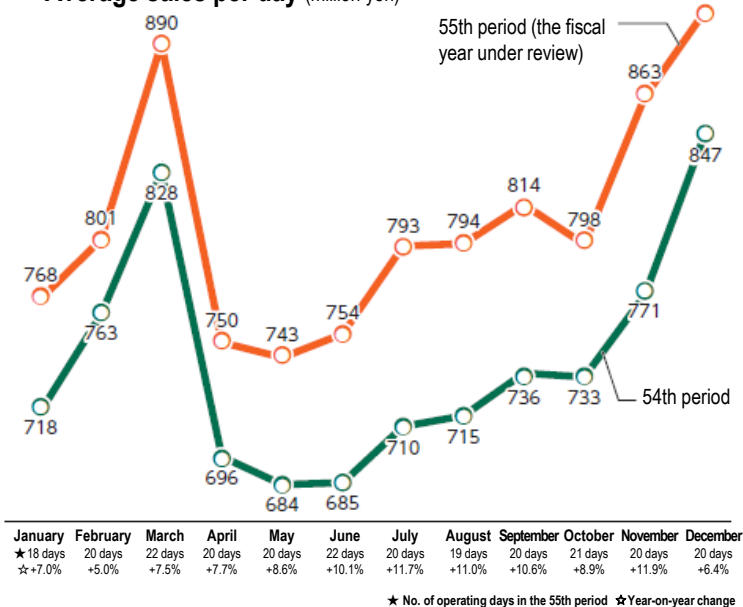
*1. The increase compared to net income per share of 151.08 yen that was computed by assuming that a stock split was carried out at the beginning of the previous fiscal year

*2. The Company carried out a stock split of two common shares to one as of January 1, 2017.

Monthly sales



Average sales per day (million yen)



During the fiscal year under review (January 1, 2017–December 31, 2017), the Japanese economy saw steady improvement in employment and income as well as in corporate earnings due to mild growth in the global economy, despite heightened uncertainties in the political developments of foreign countries and a rise in geopolitical risk.

In the field of *monozukuri*, or manufacturing, in Japan, the Industrial Production Index was robust for items such as electronic components and devices mainly for export-related automobile and IT industries, which led companies to actively increase their capital investment and production activities on the back of a further rise in demand for labor-saving due to labor shortage.

Under these circumstances, Trusco Nakayama further reinforced its capital investment in the IT field as well as in nationwide branches and distribution centers with the aim of increasing the number of inventory items to 500,000 for each area, in order to accurately meet the frequent needs of *monozukuri* sites for a wide variety of items in small lots. It also continued aggressive re-organization, made company-wide efforts to strategically expand its inventory, and strengthened its distribution network to improve customers' convenience.

Business Model

Suppliers
(2,340)

TRUSCO.

Sales agents
(5,333)

Target markets
(users)

Manufacturers

① Factory Route

② e-Business Route

③ Home Center Route

④ Overseas

Machinery tool dealers, welding material dealers, conduction machine dealers, tubing material dealers, electronic material dealers, packaging material dealers, etc.

Online shopping firms, etc.

Home centers, electronics retail stores, etc.

Overseas dealers, overseas subsidiaries, etc.

Manufacturers, construction-related businesses, etc.

Manufacturers, general consumers, etc.

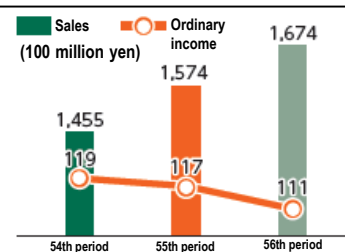
Outdoor work-related businesses, general consumers, etc.

Overseas manufacturers, etc.

① Factory route (Constituting 80.7% of total sales)

Sales: 157,405 million yen, +8.1% year on year

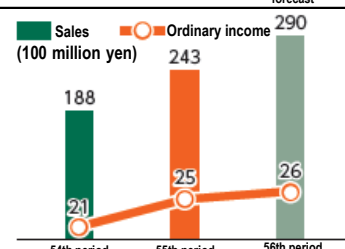
We endeavored to improve customers' convenience by continuing to enhance inventory at distribution centers as well as at 31 nationwide branches that carry inventory based on research of the market of each branch with the aim of increasing the number of the branches' inventory items to 30,000. We also reinforced sales activities mainly in the sale of products of top manufacturers by increasing the frequency of visits to customers and notifying the expansion of our item lineup.



② e-Business route (Constituting 12.5% of total sales)

Sales: 24,377 million yen, +29.1% year on year

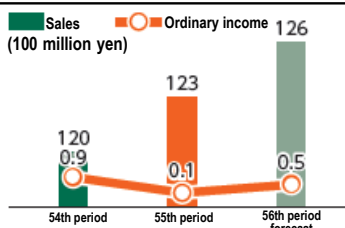
We established a unique distribution service by accelerating coordination between our product databases, encompassing 1.66 million items, and customers' systems to reinforce our distribution network by customer. We also carried out highly specialized sales activities by continuing to increase the frequency of visits to users and offering tours of distribution centers to users and holding electronic purchase seminars.



③ Home Center route (Constituting 6.3% of total sales)

Sales: 12,398 million yen, +3.2% year on year

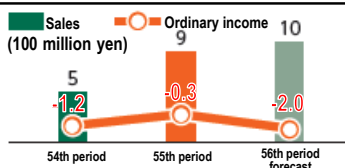
We strove to stimulate demand by proposing the improvement of sales floors and reinforcing the development of store brand products mainly at professional shops targeting users at construction sites, etc. In addition, continuous new openings of professional shops contributed to the expansion of sales.



④ Overseas (constituting 0.5% of total sales)

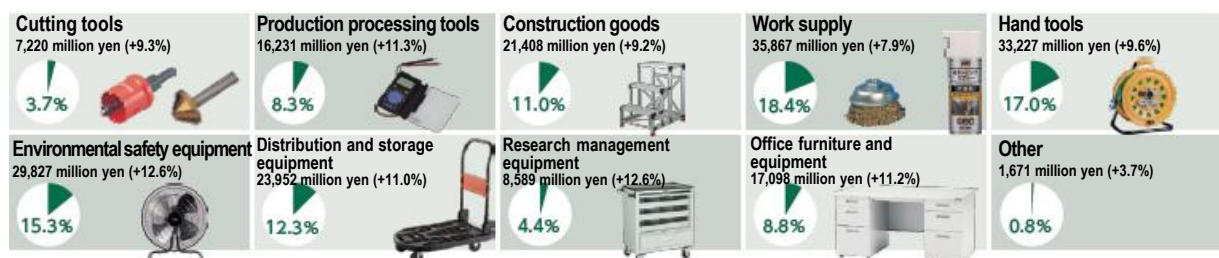
Sales: 915 million yen, +59.5% year on year

The Company treats sales of the Overseas Department, including sales to subsidiaries Trusco Nakayama Thailand and Trusco Nakayama Indonesia, as "Overseas."



*The actual performance of the previous fiscal year, which is the target of comparison, has been adjusted due to the transfer of segments (marketing routes).

Sales and composition ratio by product category (Figures in brackets indicate year-on-year changes; pie-charts indicate the percentage of total sales.)



Progress and plan of the Company's important indices

Important indices		54th Period Year ended December 2016	55th Period Year ended December 2017 Fiscal year under review	56th Period Year ending December 2018 Plan
Product	No. of items handled	1,429,400 items (+69,000)	1,662,400 items (+233,000)	2,200,000 items (+537,600)
	No. of private brand (PB) product items	45,600 items (+4,100)	50,200 items (+4,600)	55,000 items (+4,800)
	Total number of suppliers	2,222 firms (+95)	2,340 firms (+118)	2,480 firms (+140)
	No. of domestic suppliers	2,109 firms (+83)	2,185 firms (+76)	2,295 firms (+110)
	No. of overseas suppliers	113 firms (+12)	155 firms (+42)	185 firms (+30)
Distribution	No. of inventory items	298,900 items (+34,400)	336,800 items (+37,900)	350,000 items (+13,200)
	Inventory hit rate (Percentage of immediate delivery shipped from inventory out of total order intake)	88.8% (+0.6)	89.5% (+0.7)	89.5% (±0)
Sales	No. of customer firms	5,348 firms (-67)	5,333 firms (-15)	5,310 firms (-23)
	No. of customer accounts	26,327 accounts (+861)	27,140 accounts (+813)	27,800 accounts (+660)
IT	No. of companies connected to Orange Commerce	272 firms (+42)	293 firms (+21)	320 firms (+27)
	No. of factories connected to Orange Commerce	776 factories (+120)	888 factories (+112)	1,000 factories (+112)
	Online order intake ratio (Percentage of orders processed in the system out of total order intake)	82.0% (+2.1)	82.0% (±0)	82.0% (±0)
Personnel	Average age (employees)	39.3	38.6	39.0
	Average annual income (employees) *Excl. executive officers	7.04 million yen (+0.26 million yen)	7.43 million yen (+0.39 million yen)	7.26 million yen (-0.17 million yen)
	Total no. of employees (incl. part-time staff)	2,284 (+148)	2,563 (+279)	2,810 (+247)
Trusco Orange Book	Circulation	249,500 copies	241,244 copies	250,000 copies
	No. of pages	14,100 pages (+1,956)	17,352 pages (+3,252)	20,352 pages (+3,000)
	No. of manufacturers listed	1,460 firms (+72)	1,572 firms (+112)	1,692 firms (+120)
	No. of products listed	312,000 items (+34,000)	359,800 items (+47,800)	402,000 items (+42,200)

Notes: 1. Figures in brackets indicate year-on-year changes.

2. Average annual income includes financial bonds.

3. The decrease in average annual income from the 55th period to the 56th period is due to the change in the amount of performance based bonus paid.

1. Company's Current Status (2. Assets and Profit Situation)

(2) Assets and Profit Situation

Performance indicators

										(million yen)
Period	46th Period	47th Period	48th Period	49th Period	50th Period	51st Period	52nd Period	53rd Period	54th Period	55th Period
Category	Year ended Mar. 2009	Year ended Mar. 2010	Year ended Mar. 2011	Year ended Mar. 2012	Year ended Mar. 2013	Year ended Mar. 2014	Year ended Dec. 2014 (nine-month results)	Year ended Dec. 2015	Year ended Dec. 2016	Year ended Dec. 2017 (Fiscal year under review)
Sales	119,506	99,201	115,477	129,912	132,295	145,882	114,473	166,565	177,053	195,096
Gross profit margin	21.1%	20.9%	20.4%	20.4%	20.3%	20.4%	20.9%	21.5%	21.7%	21.2%
SG&A	18,761	17,036	18,075	18,134	18,451	19,588	15,504	22,788	24,198	27,114
Operating income	6,489	3,745	5,479	8,369	8,356	10,133	8,477	12,976	14,163	14,276
Ordinary income	6,463	3,665	5,378	8,315	8,311	10,078	8,494	13,211	14,433	14,581
Net income	3,443	1,607	2,874	3,933	4,818	5,954	5,474	8,242	9,963	10,173
Net income per share	52.19 yen	24.38 yen	43.57 yen	59.64 yen	73.05 yen	90.28 yen	83.01 yen	124.98 yen	151.08 yen	154.28 yen
Net assets	72,403	73,554	75,723	78,541	82,283	87,039	90,917	97,777	105,836	113,680
Return on equity (ROE)	4.8%	2.2%	3.9%	5.1%	6.0%	7.0%	6.2%	8.7%	9.8%	9.3%
Total assets	85,342	88,687	92,857	97,459	100,032	109,738	109,917	120,141	128,044	147,363
Net assets per share	1,097.59 yen	1,115.07 yen	1,147.99 yen	1,190.73 yen	1,247.49 yen	1,319.67 yen	1,378.52 yen	1,482.65 yen	1,604.89 yen	1,723.87 yen
Return on assets (ROA)	7.5%	4.2%	5.9%	8.7%	8.4%	9.6%	7.7%	11.5%	11.6%	10.6%

Notes: 1. Net income per share is based on the total number of shares outstanding during the period minus the average number of treasury shares during the period.

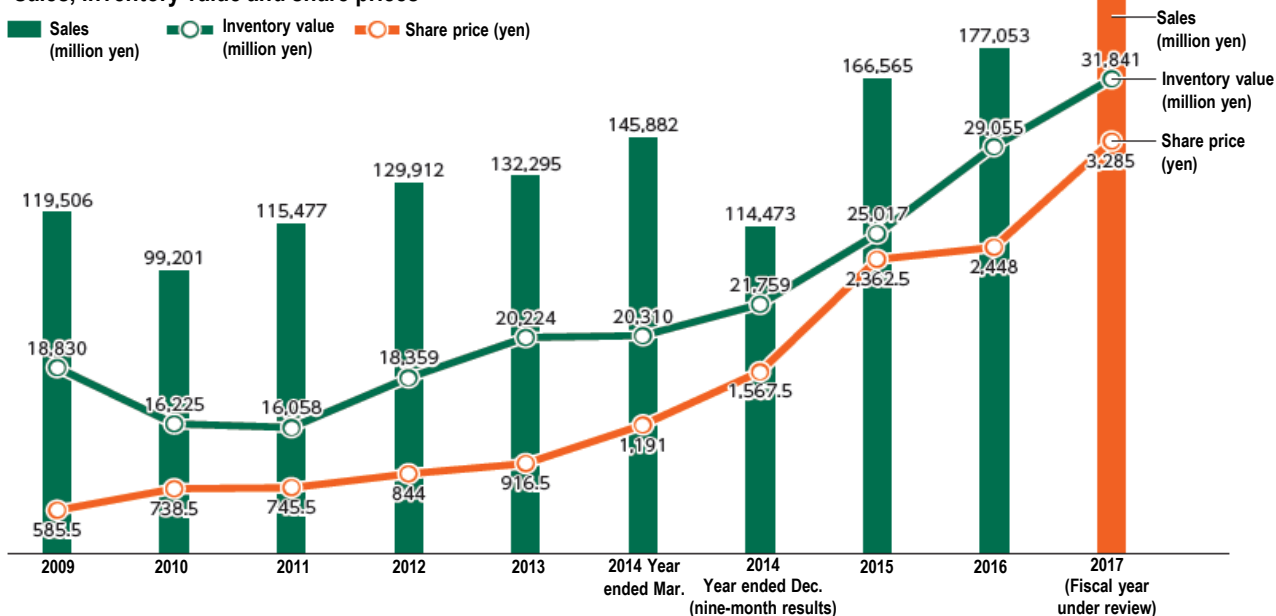
2. Net assets per share are based on the number of outstanding shares at the end of period minus the number of treasury shares.

3. The Company carried out a stock split of two common shares to one as of January 1, 2017. Therefore, the "Net income per share" and "Net assets per share" are computed based on the assumption that the stock split took place at the beginning of the 46th period.

Trend of cash flows

										(million yen)
Period	46th Period	47th Period	48th Period	49th Period	50th Period	51st Period	52nd Period	53rd Period	54th Period	55th Period
Category	Year ended Mar. 2009	Year ended Mar. 2010	Year ended Mar. 2011	Year ended Mar. 2012	Year ended Mar. 2013	Year ended Mar. 2014	Year ended Dec. 2014 (nine-month results)	Year ended Dec. 2015	Year ended Dec. 2016	Year ended Dec. 2017 (Fiscal year under review)
Cash flows from operating activities	4,975	7,132	5,937	3,567	4,486	9,368	3,263	9,336	6,459	8,932
Cash flows from investing activities	- 3,782	- 1,665	- 8,674	- 3,195	- 5,293	- 5,502	- 4,385	- 5,083	- 7,806	- 16,628
Cash flows from financing activities	- 1,251	- 629	- 662	- 892	- 1,187	- 1,288	- 1,735	- 1,575	- 2,262	7,424
Balance of cash and cash equivalents at end of period	12,975	17,812	14,413	13,893	11,899	14,476	11,618	14,296	10,682	10,412

Sales, inventory value and share prices



* The Company carried out a stock split of two common shares to one as of January 1, 2017.

* Past share prices are based on the assumption that the stock split took place at the beginning of FY2009.

1. Company's Current Status (3. Capital Investment)

(3) Major capital investments during the fiscal year under review

Oita Branch (completed in February)

- Oita City, Oita
- Site area : 770 tsubo (approx. 2,545 m²)
- Floor area: 736 tsubo (approx. 2,433 m²)
- Total investment: 740 million yen
- No. of inventory items: 28,543
- Inventory value: 170 million yen



Fuji Branch (completed in April)

- Fuji City, Shizuoka
- Site area : 983 tsubo (approx. 3,249 m²)
- Floor area: 553 tsubo (approx. 1,828 m²)
- Total investment: 710 million yen
- No. of inventory items: 10,046
- Inventory value: 80 million yen



Planet Osaka large distribution facility (introduced in June)

A large distribution facility was introduced in Planet Osaka to address diverse distribution needs and achieve labor-saving and improved efficiency in shipping operations. Shipping capacity has doubled.

- Total investment: 700 million yen



Shuttle & server (Binding and temporary storage of products)

Sorts products by transportation type and temporarily stores them; they are then sent to the packaging station at the time of inspection. Sorting operations that were carried out on each floor and labor for sending to the shipment area will be reduced.



I-Pack (Automatic packaging system)

Encloses delivery statements, packs, issues and pastes tags automatically by simply putting products in dedicated boxes and placing them on a conveyor belt. Enables fully automated packaging of 360 parcels per hour.

Planet East Kanto automated warehouse building expansion, automated bucket warehouse

The automated warehouse building was extended and an automated pallet warehouse was introduced in July to stock more products. An automated bucket warehouse was introduced in December. These measures enabled the stocking of 350,000 items.

- Total investment: 800 million yen



Automated pallet warehouse (launched in July)
No. of pallets held: 1,556



Automated bucket warehouse (launched in December)
No. of inventory items: 80,000

Reference Major capital investments continued during the 56th period

Planet Saitama (newly established)

This will be our largest distribution center and core base. With four stories above ground, the facility features a quake-proof structure that addresses business continuity plans (BCP). We plan to introduce cutting-edge distribution equipment.

In addition to installing a day nursery and employee canteen, nursery teachers and cooks will be hired directly.

- Saitte City, Saitama
- Site area: 10,654 tsubo (approx. 35,219 m²)
- Floor area: 12,904 tsubo (approx. 42,657 m²)
- Planned total investment: 15,240 million yen
- Scheduled launch: October 2018
- Planned no. of inventory items: 500,000



Planet Saitama

Planet Tohoku (extension)

Apart from the extension, a distribution system that makes full use of the building will be introduced to improve inventory capacity and shipping capabilities.

- Sendai City, Miyagi
- Floor area: To be extended from 3,251 tsubo (approx. 10,747 m²) to 7,810 tsubo (approx. 25,818 m²)
- Planned total investment: 5,900 million yen
- Scheduled launch: 2019
- Planned no. of inventory items: 500,000



Planet Tohoku Image of completed extension

Planet South Kanto (reconstruction)

Complying with new quake-resistance standards, the safety of the building will be improved and stable supply of products during an emergency will be achieved. Introduction of a distribution system will improve the inventory capacity.

- Isehara City, Kanagawa
- Site area: 3,660 tsubo (approx. 12,099 m²)
- Floor area: 7,886 tsubo (approx. 26,069 m²)
- Planned total investment: 11,900 million yen
- Scheduled launch: May 2020
- Planned no. of inventory items: 500,000



Planet South Kanto Image of completed building

Distribution facility

Introduction of an automated warehouse-type picking system, AUTO STORE Planet North Kanto automated warehouse building extension

- Planned total investment: 1,840 million yen

We will introduce AUTO STORE in Planet North Kanto (Isezaki City, Gunma) to raise the inventory capacity per warehouse area by storing products efficiently in a limited amount of space. It is a cutting-edge automated warehouse-type picking system, whereby containers are densely stored by robots. It enables high-density storage of approx. 2.6 times the capacity of ordinary shelves, holding 77,000 mainly small items. (Scheduled for launch in March 2018)

An extension will also be carried out to further improve inventory capacity, where an automated pallet warehouse will be introduced. The floor area will increase from 4,701 tsubo (approx. 15,540 m²) to 7,186 tsubo (approx. 23,755 m²). (Scheduled for completion in May 2019)



AUTO STORE

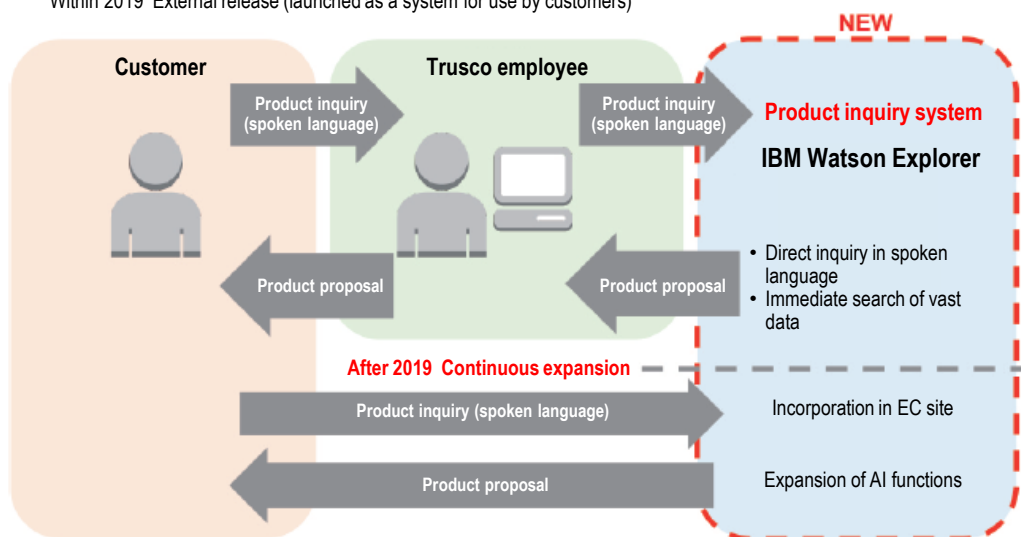
Artificial intelligence (AI)

IBM Watson Explorer

We will introduce a product inquiry system that uses AI in spring 2018, which will be extended on a continuous basis. The aim is to make the most of Trusco Nakayama's product information and improve customer satisfaction by responding to customers' inquiries about products.

By establishing the system based on IBM Japan's IBM Watson Explorer, the required product can be extracted immediately from the huge product database in response to inquiries by natural language (spoken language). The system will be released in stages and incorporated in our EC site Trusco Orange Book.Com by 2019 for use by our customers.

- Initial construction cost: 150 million yen (maintenance costs to be incurred separately)
- Future plans: Spring 2018 Internal release (for 340,000 products handled)
Autumn 2018 Internal brush-up (extended to 1.5 million products handled)
Within 2019 External release (launched as a system for use by customers)



1. Company's Current Status (4. Financing)

(4) Financing

Further enhancement of functions through aggressive capital investment

With the aim of enhancing functions to improve customers' convenience, we are making investments for constructing a large distribution center in Saitama City, Saitama and automating distribution, in addition to the aforementioned capital investments.

The environment surrounding distribution and information systems are evolving faster than was forecast. In order to meet customers' requests with more swift and accurate distribution functions, we financed 10 billion yen through bank borrowings in August 2017.

1. Company's Current Status (5. Issues Facing the Company)

(5) Issues Facing the Company

Forecast for the 56th period (year ending December 2018) and subsequent years

The business environment of the Company in the next fiscal year is expected to see an increase in production activities in the semiconductor and automobile-related sectors, as well as continued improvement in employment, income and corporate earnings. We believe that companies will further reinforce capital investment for labor-saving. We intend to continue establishing a system that can address various market needs.

With regard to the business performance of the next fiscal year, we forecast sales of 210 billion yen, operating income of 13.3 billion yen, ordinary income of 13.55 billion yen, and net income of 9.05 billion yen due to an increase in depreciation owing to aggressive capital investment and a rise in freightage and packing expenses following greater sales, despite a positive impact from the market environment.

Medium-term management plan

	55th Period Year ended Dec. 2017 Fiscal year under review	56th Period Year ending Dec. 2018 Forecast	57th Period Year ending Dec. 2019 Forecast	58th Period Year ending Dec. 2020 Forecast
Sales	195,096 million yen (+10.2%)	210.0 billion yen (+7.6%)	226.0 billion yen (+7.6%)	243.0 billion yen (+7.5%)
Gross profit margin	21.2%	21.1%	21.1%	21.1%
SG&A	27,114 million yen (+12.0%)	31.0 billion yen (+14.3%)	33.5 billion yen (+8.1%)	35.9 billion yen (+7.2%)
Ordinary income	14,276 million yen (+0.8%)	13.3 billion yen (-6.8%)	14.2 billion yen (+6.8%)	15.4 billion yen (+8.5%)
Net income	14,581 million yen (+1.0%)	13,550 million yen (-7.1%)	14,450 million yen (+6.6%)	15,650 million yen (+8.3%)
Net income per share	10,173 million yen (+2.1%)	9,050 million yen (-11.0%)	9.8 billion yen (+8.3%)	10.6 billion yen (+8.2%)
Divided per share	154.28 yen (+3.20 yen)*1	137.23 yen (-17.05 yen)	148.61 yen (+11.38 yen)	160.74 yen (+12.13 yen)
Annual dividends	39.00 yen (-)*2	34.50 yen (-4.50 yen)	37.50 yen (+3 yen)	40.50 yen (+3 yen)

*1. Comparison with net income per share calculated by assuming that the stock split was carried out at the beginning of the previous fiscal year (151.08 yen).

*2. The Company carried out a stock split of two common shares to one as of January 1, 2017.

Strategies for sustainable development

	Product Strategy We will improve our product supply ability by further expanding our industry's largest product lineup (approx. 330,000 items), and increasing overseas brand products.
	Logistics Strategy Under the belief that the one who controls logistics controls the sales channels, we will enhance our logistics facilities toward our plan to hold half a million inventory items to further accelerate delivery.
	Sales Strategy We will grow together with our customers by expanding our product lineup and inventory items to achieve an increase in customers' business opportunities.
	IT Strategy We will continue to make investments to reinforce our IT capability, in order to establish ourselves as the company that offers the greatest convenience in the industry.
	Human Resources Strategy We will strive to become a company that offers job satisfaction based on the idea that companies have the obligation to pay salaries that allow employees to set up house, save money, and pay taxes.



[Strategies for the 56th period (year ending December 2018)]

Leading investment in personnel to improved business performance

Takashi Nakai

Senior Managing Director & Head of the Corporate Management Division

This year's keyword: "Kenma"



There will be no future for the Company without the growth of each employee! I intend to make this year a year to improve myself, excel in reason, and endeavor in many things.

Capital investment for the new stage



It is put to good use by "people."

Key points

- Necessary procedures toward medium- to long-term company growth
- Verify return on investment
- Expectation of human-led improvements

Measures

1. Fostering of employees

- Improvement of skills
- Improvement of motivation

* "No education is better than self-awakening!"

→ Conduct training that promotes self-awakening and realization

2. Improved efficiency of work

- Introduction of distribution equipment
AUTO STORE, etc.
- Introduction of systems
IBM Watson Explorer, etc.
- Review of work



AUTO STORE

An automated warehouse-type picking system where robots deposit and withdraw containers

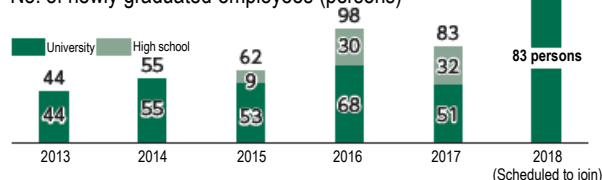
Excerpts from Trusco Stage Trial (our original education curriculum)

	Name of training	Targets
First stage (Acquisition of essential skills)	New employee training	All first-year employees
Second stage (Independence as a leader)	Skill-up Course	All fourth-year employees
	Leadership Course	All sixth-year employees
Third stage (Learning managerial perspectives)	Boss Challenge Course	Volunteers in their ninth year or above
	New Boss Training	Newly appointed bosses
	Boss Management Course	All bosses (once every two years)

3. Hiring of personnel

Reinforcement of new graduate recruitment
Scheduled to join company in April 2018: 118 in total (83 university graduates, 35 high school graduates)

No. of newly graduated employees (persons)



List of awards for Trusco Nakayama's corporate value (FY2017)

- 2017 Certified Health and Productivity Management Organization Recognition Program (White 500)
Trusco Nakayama's development of an organization to improve, maintain and enhance employees' health and comprehensive activities from the implementation of the programs and measures of evaluation and improvement received recognition.
- 2017 Japan BtoB Advertising Award (Bronze)
The easily understood and enjoyable contents of *Trusco PRO TOOL Magazine Ichioshi 2017* received recognition.
- 22nd Best IR Award for Encouragement
Our open and earnest attitude toward IR and information disclosure received high recognition.
- 2017 Good Career Company Award for Innovation
Our employees' voluntary choice of workstyles, periodic job rotation and trainings that lead to business activity reforms received recognition.



Certificate of the 2017 Certified Health and Productivity Management Organization Recognition Program (White 500)



2017 Japan BtoB Advertising Award



22nd Best IR Award for Encouragement



2017 Good Career Company Award



[Strategies for the 56th period (year ending December 2018)]

Aim to become a major company in PRO TOOLS by All Trusco

Tadahisa Yabuno

Managing Director & Head of the Sales Division & Officer in charge of the Product Division

This year's keyword: **"Seig"**



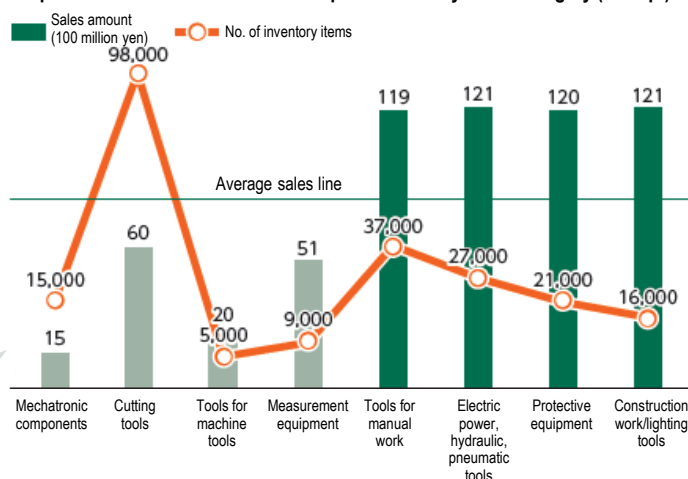
"Sei" is truth, honesty and sincerity. With "sei" and "gi" close to my heart, I hope to spend this year by being true to myself.

1. Maintain raison d'être of wholesaler by All Trusco

- (1) Improve MRO (subsidiary materials for plants) cover ratio
- (2) Improve inventory and capacity of the distribution system
- (3) Reinforce sales abilities that utilize systems
→ Sales activities that Trusco Nakayama aims for are to influence sales agents' decision-making and lead to results. It is also to understand each other well and increase the use of the system.*
* Refers to the programs of 330,000 inventory items, speedy distribution, cutting-edge information system, Trusco Orange Book.Com, and the 17,352-page *Trusco Orange Book*.

- ① A large number of items (inventory) does not necessarily lead to sales.
- ② There are broad categories to increase inventory items.
→ It is important for sales forces to improve their selling skills and suggest inventory items that the markets require.

55th period Number of items and sales performance by broad category (excerpt)



2. Make customers place online, one-stop orders

The MRO (subsidiary materials for plants) lineup can be ordered at one go from Trusco Orange Book.Com.

- (1) Increase use by sales agents
 - ① Increase the number of visits and seek communication with a broad range of customers.
 - ② Be the first to provide new product information.
 - ③ Improve product knowledge in specialist areas. (Acquire national qualification)
 - ④ Passing on the mindset (Convey the concept, not the manuals. 16 pages in total)
- (2) Deepen friendship with suppliers.
Increase general managers of factory sales from three to five.
→ Enhance relationships with supplier branches, in addition to relationships with customers.



"Passing on the mindset"

This is nothing special in sales activities. It is an important thing that has been handed down from senior employees. It is a concept of sales that should be adhered to by Trusco Nakayama's employees.

Revisions are ongoing due to additions of employees nationwide.

3. Physical and online

Route		2011	2012	2013	2014	2015	2016	2017	Year-on-year (%)	2017 sales (100 million yen)	Share (%)
Factory		100	100	109	116	122	127	137	+8.1	1,574	80.7
e-Business	Online shopping companies	100	180	266	315	428	555	737	+32.6	181	12.5
	Electronic central purchase brokers	100	106	138	168	180	217	260	+19.8	61	
Home center		100	100	105	106	104	109	113	+3.2	123	6.3
										Total 1,939	

☆ Sales of the factory route account for 80%

*Does not include "overseas"

☆ The index for online shopping companies in the e-Business route grew more than seven-fold to 18.1 billion yen.



[Strategies for the 56th period (year ending December 2018)]

A year that is connected through people and AI

Shinsaku Miyata
Executive Officer & Head of Product Division

This year's keyword: "Yu"



Our role is to deliver products supplied by our suppliers to customers. I hope this year will see manufacturers and sellers working closely hand in hand.

1. Improve market responsiveness by strengthening our relationship with suppliers

The number of new suppliers and increased inventory items, the drivers of our business expansion, hit record highs of 118 and 37,900, respectively, in the previous fiscal year. Since one of the major roles of the *Trusco Orange Book* is to deliver new values to the market, we will devise unique ways for these newly listed products to penetrate the market with the aim of improving users' productivity and the business development of our suppliers and customers.

Trusco Nakayama's business performance has trended steadily as we utilize our intricate network, which includes 73 nationwide branches, 16 distribution centers and five stock centers, to deliver products provided by suppliers that mainly include Tanabataakai members, which consist of the top 300 companies in sales. During the fiscal year under review, we will focus on establishing a human network with these suppliers to develop an environment where we can respond more swiftly to the needs of users and customers and offer feedback.



6th Trusco Tanabataakai in the Ritz-Carlton, Osaka



7th Trusco Tanabataakai in Hotel Okura, Kobe

2. Improve market responsiveness by introducing AI

We will embark on improving market responsiveness using artificial intelligence. During the fiscal year under review, we will focus our efforts on improving the product search process, which is the most effective of the various possibilities that AI offers.

In terms of improving the search ability of Trusco Orange Book.Com, which is used frequently by customers and users, we will improve users' convenience by adding recommended product proposal features following the completion of the system's upgrade in September, in which we injected 2 billion yen. Furthermore, we are aiming to develop by 2019 a service that can respond in an extremely short time to situations that could previously only be handled by human beings, such as searches in natural language or ambiguous words, by having AI make judgments. An internal release of the service is scheduled in April 2018 to develop the environment for the full-scale service. We intend to promote studies so that product lineup trends can be foreseen and inventory storage at distribution centers can be proposed through the use of AI.





[Strategies for the 56th period (year ending December 2018)]

This year's keyword: "Koki Shora"

Seize opportunities for a leap forward by strengthening distribution functions

Hideki Naoyoshi
Executive Officer & Head of Distribution Division

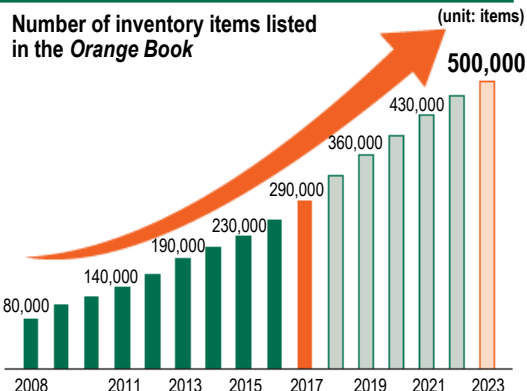


The height of barriers to be overcome and the number of issues are proof that the situation is full of opportunities for service improvement. This year, I want us to capture such opportunities with our own hands instead of waiting patiently for them.

1. Trust from the market is determined by the quality of the product lineup

In order to seriously support monozukuri that constantly faces stringent delivery control, we must have the specific mechanism and preparedness to meet any demand with immediate delivery. No service is better than a broad product lineup. "Trusco has it." The accumulation of such impressions leads to the customers' sense of security and trust.

We will develop a system for providing full service to customers by supplying 500,000 items through the aggressive introduction of high performance distribution facilities at each base, such as the launch of Planet Saitama, the largest distribution center of Trusco Nakayama, the expansion of an automated warehouse and installation of an automatic shipment and packaging line at Planet Tokai, our core base in the Chubu area, the new installation of an automated pallet warehouse at Planet North Kanto, and the extension of Planet Tohoku.



2. Launch of a core distribution center that supports Trusco's business

Planet Saitama, which has the largest inventory capacity at Trusco Nakayama, is scheduled for launch in October 2018. It adopts a quake-proof structure that does not halt distribution even in the event of a disaster. Planet Saitama will combine functionality and workability at a high level by introducing cutting-edge distribution equipment that features a unique method of maximizing the use of space within the warehouse and controls the vast inventory. With around five times the shipment capacity of other distribution bases, Planet Saitama can flexibly respond to requests for users' direct shipment using fixed route transportation, in addition to delivery to customers using our own delivery service.

Planet Saitama will fulfill its role as a distribution center that supports Trusco Nakayama's business strategy of increasing the number of items handled, and constantly provides convenient services.

Planet Saitama's cutting-edge distribution facilities



BUTLER

A robot that automatically conveys shelves upon picking and storing



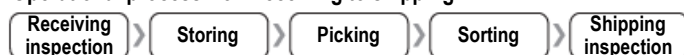
Automated bucket warehouse
Stores inventory of multiple products efficiently and compactly
*Photo is Planet Osaka

3. Accumulation of improvements in business processes

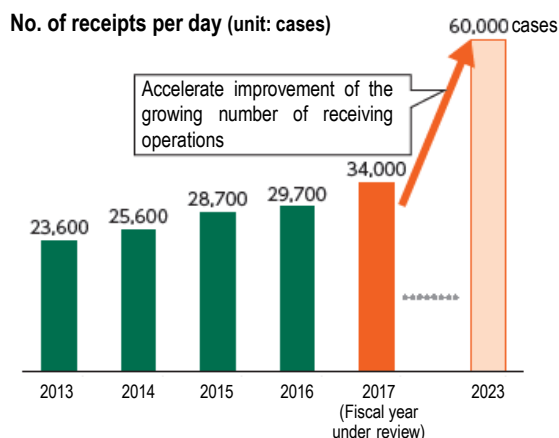
Efforts toward the improvement of operational efficiency within warehouses are essential at the frontline of distribution where many regular and part-time employees work.

It is especially important to eliminate excessive receiving and shipping operations for each product at Trusco Nakayama where products of various forms, sizes and weights are received and shipped frequently. We will make aggressive efforts to establish and operate a highly original mechanism by eliminating the concept of maintaining the status quo and making the most of our know-how and originality.

Operational process from receiving to shipping



Example of improvement of receiving operations: Aim to reduce the number of work steps for receiving by half, by abolishing the checking of delivery statements and volume at receipt. Storing and payment to suppliers will be carried out as before.



1. Company's Current Status (**Reference** Overseas expansion) "Company's Current Status" continues on P. 34, 47 and onward.

TRUSCO NAKAYAMA CORPORATION (THAILAND) LIMITED

Eight periods have passed since we expanded into Thailand.

Since the construction and relocation to our own building in 2015, we have continued expanding our sales channels to enhance the convenience of our sales agents.

Of the 56,000 items to be listed in the Thai edition of *Trusco Orange Book Junior*, which will be issued in FY2018, Trusco Nakayama Thailand currently carries 51,523 products that can be imported and sold.

We intend to continue to accelerate our efforts to instill our business infrastructure that utilizes the *Trusco Orange Book* and to increase our inventory items.

Company information

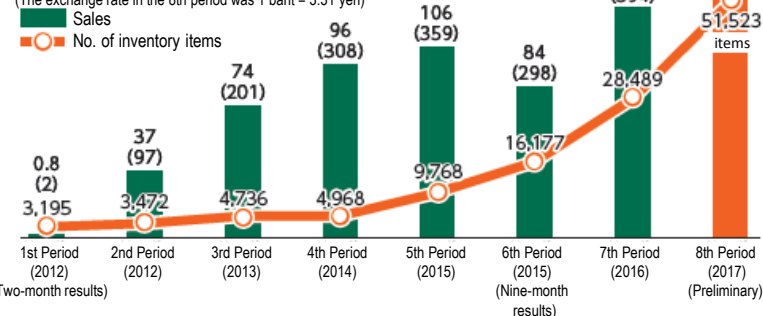
Capital	: 390 million baht (approx. 1.3 billion yen)
Established	: September 2010
Address	: TIP7 789/8 Moo9, Bangpla Banglee, Samutprakarn 10540 THAILAND (Approx. 13 km south of Suvarnabhumi International Airport)
Site area	: 3,310 tsubo (approx. 10,942 m ²)
Floor area	: Warehouse 1,294 tsubo (approx. 4,939 m ²)/ Office 137 tsubo (approx. 453 m ²)
Investment amount (land, building)	: 124 million baht (approx. 370 million yen)
Employees	: 19 (of whom three are on loan from Trusco Nakayama)
No. of inventory items	: 51,523 items
Inventory value	: 470 million yen
President	: Noboru Yasui
Auditor	: Kiyonori Unto

(As of end of December 2017)

Sales & inventory items of Trusco Nakayama Thailand (million baht (million yen))

*Sales for each period in Japanese yen have been converted using the average exchange rate.

(The exchange rate in the 8th period was 1 baht = 3.31 yen)



PT. TRUSCO NAKAYAMA INDONESIA

Two years have passed since the grand opening in January 2016, following the establishment in 2015. The company has achieved stable operation. Trusco Nakayama Indonesia carried out a capital increase of 250 billion rupiah in the fiscal year under review to further expand its business. It is also planning the construction of and move to a new company building. Inventory items have increased steadily to 49,520 items at the end of the fiscal year under review.

In FY2018, the second edition of the English version of *Trusco Orange Book Junior* will be issued, which will include Trusco Nakayama Indonesia's original inventory. We are expecting synergies with the English edition of the *Trusco Digital Orange Book*, which will also be released.

We will continue to offer new values to the monozukuri market in Indonesia by expanding inventory items and enhancing the distribution infrastructure.

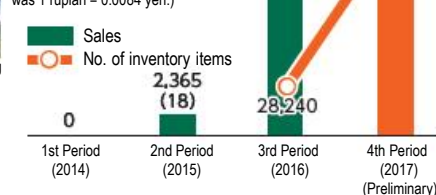
Company information

Capital	: 315.6 billion rupiah (approx. 2.7 billion yen)
Established	: January 2015
Address	: IN JAPANESE SME'S CENTER JL. Kenari, Raya, Blok, G6-01 Kav. 9B-10B Kawasan Industri Delta Silicon 6 Desa, Jayamukti Kecamatan Cikarang Pusat Kabupaten, Bekasi, 17530 Indonesia (Approx. 40 km east of the capital Jakarta)
Site area	: 623 tsubo (approx. 2,059 m ²)
Floor area	: Warehouse 570 tsubo (approx. 1,884 m ²)/ Office 43 tsubo (approx. 142 m ²)
Employees	: 14 (of which two are on loan from Trusco Nakayama)
No. of inventory items	: 49,520 items
Inventory value	: 330 million yen
President	: Takeshi Yashima
Auditor	: Kiyonori Unto

(As of end of December 2017)

Sales & inventory items of Trusco Nakayama Indonesia (million rupiah (million yen))

*Sales for each period in Japanese yen have been converted using the average exchange rate.
(The exchange rate in the fourth period was 1 rupiah = 0.0084 yen.)



Scheduled launch : 2019
Planned investment: 1.2 billion yen in land,
0.65 billion yen in building
Site area : 4,902 tsubo (approx. 16,205 m²)
Address : JL. KENARI RAYA NO. 36,
JAYAMUKTI, CIKARANG
PUSAT, KEB. BEKASI 17530

1. Company's Current Status (6. Major Lines of Business)

(6) Major Lines of Business (as of December 31, 2017)

We are a wholesaler that purchases PRO TOOLS and sells them to customers that include machinery tool dealers, Internet mail order companies, and home centers. Our business objective is to contribute to monozukuri, or manufacturing, in Japan through the provision of PRO TOOLS.

Supplies, tools and machinery that are necessary for professional factory workers and craftsmen at manufacturing sites including factories and construction sites are collectively referred to as "PRO TOOLS" at the Company. We offer the broadest possible range of various PRO TOOLS.

Products

No. of manufacturers

Domestic and overseas

2,340

Total

We offer a broad selection of products from manufacturers in Japan and abroad to support the smooth procurement of PRO TOOLS at monozukuri sites. Having added 118 new suppliers since last year, we currently handle 1.66 million items.

Private brand (PB) products

No. of PB products

50,200

Since we first launched our private brand product in 1964, we have been developing products that offer high cost performance added value, based on customers' needs.

<Examples of PB products>



Totally enclosed fan for factories
Zephyre cube type



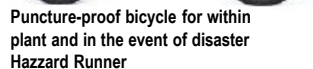
Universal design
Convex Unilock



Custom-made
wagon



Large resin platform truck
Kartio Big Off Road



Puncture-proof bicycle for within
plant and in the event of disaster
Hazzard Runner

Cultivation of overseas manufacturer products

We are aggressively promoting our handling of overseas products. We currently purchase products from 155 overseas manufacturers, with sales of overseas products increasing to 3.4 billion yen. By carrying inventory, we will strive to distribute products by top overseas brands.



- Main products:
Protective goggles
Ear muffs



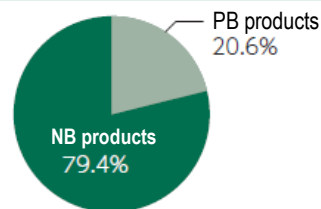
- Main products:
Screw drivers



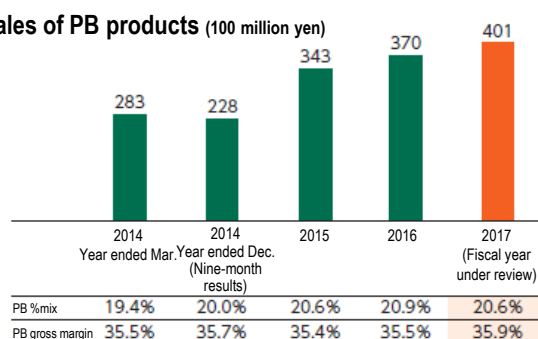
- Main products:
Tool cases

Sales composition by product

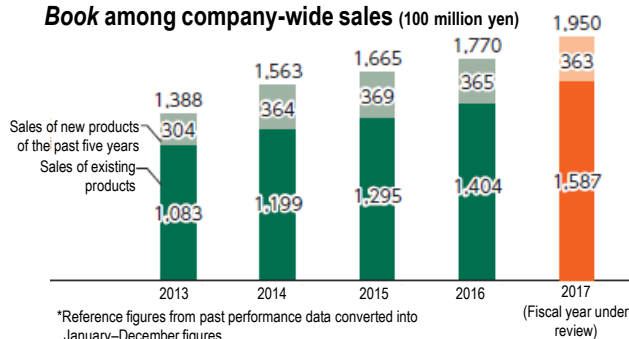
(Fiscal year under review)



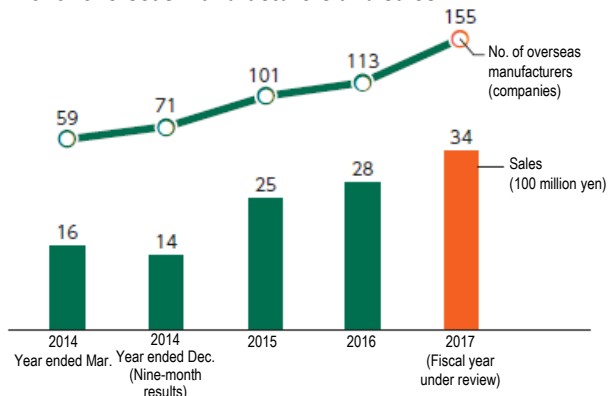
Sales of PB products (100 million yen)



Sales of products newly listed on the Trusco Orange Book among company-wide sales (100 million yen)



No. of overseas manufacturers and sales



Distribution

To deliver products smoothly and without stress, we carry a wide variety of inventories at nationwide distribution centers and conduct our own distribution, delivering products to customers using our own delivery service.
We have 52 delivery bases (21 distribution centers, and 31 branches that carry inventory).

◆ Characteristics of Trusco's distribution



Owens a delivery service that offers freight-free delivery twice a day

Fixed delivery routes enable freight-free delivery since expenses are also fixed regardless of the volume of cargo.



Can handle small-lot shipments of a little as one screw driver

We can ship in small lots since we stock products purchased in bulk from manufacturers. We deliver to customers only what they need.



Carries inventory of long-tail products and difficult-to-deliver products

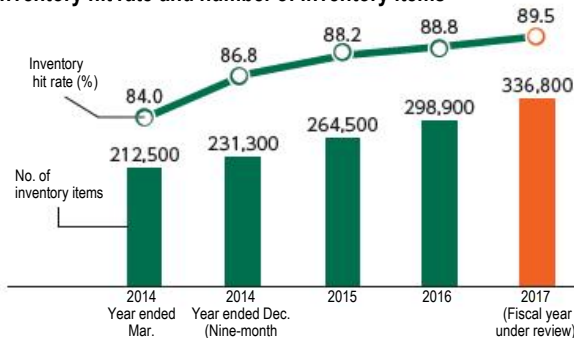
We can respond to any type of order by carrying inventory of long-tail products with low order frequency and large or long products that are difficult to manage or deliver.



Introducing distribution facilities that improve storage and shipping efficiency

We are introducing cutting-edge distribution facilities at distribution centers to achieve high-density storage and efficient shipping.

Inventory hit rate and number of inventory items



*Inventory hit rate: Percentage of shipment from inventory out of total order intake

Under the concept of "no service is better than immediate delivery," we will aggressively enhance inventory items in order to meet every need of customers.

Catalogue and the Web

We offer information tools that facilitate the search for a variety of products by enabling easy comparison of similar products with unified information.



Trusco Orange Book

Annual circulation : 241,244
No. of products listed : 359,800
No. of manufacturers listed: 1,572
Total no. of pages : 17,352

TRUSCO モノづくり大辞典
オレンジブック



Trusco Orange Book.Com

Online order intake ratio: 82.0%
No. of items listed : 1.46 million

TRUSCO
オレンジブック.Com
下場・作業現場のプロツール販売サイト

The *Orange Book* is a comprehensive catalogue that lists all PRO TOOLS required at monozukuri sites. It is a charged catalogue that supports efficient product searches and purchase by offering a page layout that enables delivery dates and top sellers to be viewed at a glance. In 2017, we launched the digital edition, the *Trusco Digital Orange Book*, which integrates the ease of viewing of a paper catalog and the portability and searchability of the web.

This is a comprehensive website for the product search and purchase of PRO TOOLS. In addition to disclosure of information on products, users can download SDSs (safety data sheets) and plans of products. Additionally, member sales agents can request quotes and order placements and check the stock in real time. We have established a system to support smooth commercial transactions and assist customers' sales activities.

Reference Organizational chart & introduction of General Managers in charge (as of January 1, 2018)



Newly established MRO Supply Kobe Branch

A new base was established in the west Japan area to reinforce the introduction and support of Orange Commerce (e-commerce).



Newly established HC Tokyo Branch 2

The HC Tokyo Branch was split to provide more finely tuned follow-up and service to corporate customers.



Trusco Orange Book AI Dept.

The section will respond to inquiries more quickly by using AI (artificial intelligence).

What is Board Brain (BB)?

At Trusco Nakayama, we call outside directors "Board Brains." This term alludes to our hope that they will provide advice and support based on their abundant experience and knowledge, and contribute to the Company's development.

Overseas subsidiaries

Officer in charge at Trusco Nakayama Corporation: Tadahisa Yabuno



President
Noboru Yasui

TRUSCO NAKAYAMA CORPORATION (THAILAND) LIMITED
Capital: 390 million baht (approx. 1.3 billion yen)
Employees: 20 (of which three are on loan from Trusco Nakayama)
President: Noboru Yasui
Corporate auditor: Kiyonori Unto



President
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Capital: 315.6 billion rupiah (approx. 2.7 billion yen)
Employees: 14 (of which two are on loan from Trusco Nakayama)
President: Takeshi Yashima
Corporate auditor: Kiyonori Unto



Takashi Nakai
Senior Managing Director
Division Head, Corporate Management Division

Born January 16, 1955
62 years old; 40 years at Trusco
[No. of shares held] 30,300

Corporate Management Division

114 employees in total

Corporate Planning Dept.



Kazuo Nakai

Executive Officer
General Manager, Corporate Planning Dept.

Born July 7, 1969
48 years old; 25 years at Trusco
[No. of shares held] 2,600

I aim to strengthen PR with "Trusco presents 'The Unknown Gulliver.'"

Corporate Planning Dept.
Secretarial Dept.
IR Dept.
Human Resources Development Dept.
Recruitment Dept.
CSR Dept.
(21 employees in total)

Administration Dept.



Toshihiko Maeda

General Manager, Administration Dept.

Born August 3, 1968
49 years old; 27 years at Trusco
[No. of shares held] 2,800

I will strive to create a company that offers job satisfaction and that I can be proud of.

Tokyo Administration Dept.
Osaka Administration Dept.
Personnel Dept.
Healthcare Dept.
Legal Dept.
Property Dept.
Trusco Resort & Spa Hakone
(33 employees in total)

Accounting Dept.



Hiroaki Imagawa

Executive Officer
General Manager, Accounting Dept.

Born January 22, 1963
54 years old; 32 years at Trusco
[No. of shares held] 20,000

I will carry out strict accounting and prompt disclosure.

Accounting Dept.
Finance Dept.
(20 employees in total)

Information Systems Dept.



Atsushi Kazumi

Executive Officer
General Manager, Information Systems Dept.

Born September 10, 1970
47 years old; 25 years at Trusco
[No. of shares held] 2,700

I will strive to improve our corporate value by making good use of systems and IT.

IT Planning Dept.
System Management Dept.
Data Management Dept.
(40 employees in total)

Tokyo Product Dept.



Yutaka Yoneda

General Manager, Tokyo Product Dept.

Born November 6, 1975
42 years old; 19 years at Trusco
[No. of shares held] 2,000

I will supply a product lineup in view of the future of the constantly evolving monozukuri.

Tokyo NB Product Dept.
Tokyo PB Product Dept.
Tokyo Supplier Development Dept.
PB Product Design Dept.
PB Quality Assurance Dept.
Overseas Purchase Dept.
Germany Representative Office
(33 employees in total)



Manager, Germany Representative Office

Norihiro Higashi

*The number of shares held is as of December 31, 2017.

Shareholders' Meeting



Tokyo
venue



Osaka
venue

Kenichi Saito

Outside director
Board Brain (BB)
Born November 15, 1949 (68 years old)
[No. of shares held] 1,300
President, ForeSight & Company

Kuniaki Hagihara

Outside director
Board Brain (BB)
Born August 19, 1953 (64 years old)
[No. of shares held] 2,000
Chairman, Hagihara Industries Inc.

Board of Directors

President



Tokyo
venue

Tetsuya Nakayama

President
Born December 24, 1958
59 years old; 37 years at Trusco
[No. of shares held] 1,874,700

Audit Supervision Office

four employees



Osaka
venue

Shinsaku Miyata

Executive Officer
Division Head, Product Division
Born June 9, 1964
53 years old; 29 years at Trusco
[No. of shares held] 2,200



Tokyo
venue

Promotion

Hideki Naoyoshi

Executive Officer
Division Head, Distribution Division
Born December 7, 1971
46 years old; 24 years at Trusco
[No. of shares held] 3,200

Product Division

96 employees in total

Distribution Division

430 employees in total

Osaka Product Dept.



Osaka
venue

Osamu Yamazaki

General Manager, Osaka Product Dept.

Born September 16, 1961
56 years old; 33 years at Trusco
[No. of shares held] 1,800

I will establish various specific measures for risk response related to product sales.

Osaka NB Product Dept.
Osaka PB Product Dept.
Osaka Supplier Development Dept.
Supplier Management Dept.
(23 employees in total)

Catalogue Media Dept.



Osaka
venue

Kiyoharu Kawai

Executive Officer
General Manager, Catalogue Media Dept.

Born January 27, 1958
59 years old; 42 years at Trusco
[No. of shares held] 6,800

The evolution of the *Orange Book* and AI will change the future of customers.

Trusco Orange Book Dept.
Trusco Orange Book.Com Dept.
Trusco Orange Book AI Dept.
(39 employees in total)

Newly
appointed



Tokyo
venue

Masashi Yamamoto

General Manager, Tokyo Metropolitan Area Distribution Dept.

Born May 27, 1973
44 years old; 22 years at Trusco
[No. of shares held] 2,500

I will incorporate changes and make the utmost efforts to strengthen our system of immediate delivery to customers.

Distribution Planning Dept.
Delivery Management Dept.
Planet Saitama Opening Preparation Office
Planet East Kanto
(76 employees in total)

Distribution Dept.



Tokyo
venue

Nobuyoshi Sasaki

General Manager, East Japan Distribution Dept.

Born January 30, 1960
57 years old; 36 years at Trusco
[No. of shares held] 2,800

By integrating our organizational strength and facilities, I will aim to provide a distribution service that contributes significantly to the Company.

[East Japan]

Planet Hokkaido
Planet Tohoku
Planet North Kanto
Planet Tokyo
Planet South Kanto
HC East Japan Distribution Center
(120 employees in total)



Osaka
venue

Takuma Fukui

General Manager, West Japan Distribution Dept.

Born May 25, 1968
49 years old; 27 years at Trusco
[No. of shares held] 1,000

I will improve the strengths of our personnel and the work sites in order to maximize the effects of capital investment.

[West Japan]

Planet Tokai HC West Japan Distribution Center
Planet Nagoya HC Kyushu Distribution Center
Planet Shiga East Osaka Stock Center
Planet Osaka Nara Stock Center
Planet Kobe Okayama Stock Center
Planet Sanyo Hakata Stock Center
Planet Kyushu Kurume Stock Center
(233 employees in total)

Board of Auditors Corporate Auditors

Corporate Auditor's Office
one employee



Tokyo
venue

Hitoshi Komatsu

Outside corporate auditor (full-time)
Born September 20, 1952
(65 years old)
[No. of shares held] 14,300



Osaka
venue

Masaki Matsuda

Outside corporate auditor (full-time)
Born March 30, 1956
(61 years old)
[No. of shares held] 13,500



Osaka
venue

Hiroho Kamakura

Outside corporate auditor (part-time)
Born January 27, 1947
(71 years old)
[No. of shares held] 2,500



Osaka
venue

Tadahisa Yabuno

Managing Director
Division Head, Sales Division

Born March 13, 1962
55 years old; 34 years at Trusco
[No. of shares held] 27,700

Sales Planning Dept.



Tokyo
venue

Takeshi Okamoto

Executive Officer
General Manager, Sales Planning
Dept.

Born August 4, 1964
53 years old; 31 years at Trusco
[No. of shares held] 4,200

I will strive to improve our value
of sales by enhancing human
(analog) sensitivities.

Sales Planning Dept.
Branch Support Dept.
Customer Service Office
(15 employees in total)

Newly
appointed



Tokyo
venue

Ryo Domori

General Manager,
Hokkaido/Tohoku/North Kanto
Factory Sales Dept.

Born April 5, 1975
42 years old; 19 years at Trusco
[No. of shares held] 1,200

I will exercise our sales and
distribution abilities to further
improve customer convenience.

15 branches in total

Hokkaido/Tohoku block
Sapporo Hachinohe Sendai
Akita Koriyama
North Kanto block
Mito Tsukuba Kashima Utsunomiya
Koyama Kumagaya
Isezaki Omiya Niigata Niigata-kita
(177 employees in total)

Factory Sales Dept.



Tokyo
venue

Eitaro Shimoda

General Manager, Tokyo
Metropolitan Area Factory Sales
Dept.

Born August 21, 1970
47 years old; 24 years at Trusco
[No. of shares held] 1,600

I will provide services that will be
useful for monozukuri in Japan.

10 branches in total

Tokyo metropolitan area block
Chiba Matsudo Jonan Itabashi
Hachioji Tokyo Edogawa Atsugi
Kawasaki Shonan
(125 employees in total)



Osaka
venue

Mikio Adachi

General Manager,
Shinshu/Hokuriku/Tokai Factory
Sales Dept.

Born September 20, 1969
48 years old; 24 years at Trusco
[No. of shares held] 2,400

I will contribute to users based
on equal relationships with
customers and suppliers.

14 branches in total

Shinshu/Hokuriku block
Okaya Toyama Fukui Ueda
Kanazawa
Tokai block
Shizuoka Fuji Okazaki Kariya
Yokkaichi Hamamatsu Nagoya
Komaki Meijo
(165 employees in total)

Newly
appointed



Osaka
venue

Masato Otani

General Manager, Kinki Area
Factory Sales Dept.

Born October 24, 1967
50 years old; 27 years at Trusco
[No. of shares held] 1,000

I intend to meet users' needs by
integrating mechanisms and
human strength.

11 branches in total

Kinki block
Ryuo Kyoto Osaka Minami-Osaka
Neyagawa Higashi-Osaka
Kita-Osaka Himeji Kobe Akashi
Wakayama
(140 employees in total)



October 2017 Management Committee (55th Anniversary Hall, 3F Tokyo Head Office)

The meeting was held in a round-table layout without the distinction of upper or lower seats, to allow opinions to be exchanged freely. Seating arrangements are changed each time so that members can participate with a fresh feeling.

Sales Division

874 employees in total

Home Center Sales Dept.

Newly appointed

Osaka venue



Yoshihiro Fujimoto

General Manager,
Chugoku/Shikoku/Kyushu Factory
Sales Dept.

Born September 10, 1971
46 years old; 23 years at Trusco
[No. of shares held] 400

I aim to make Trusco the no.1
wholesaler in terms of existence
value in the areas I am in charge of.

17 branches in total

Chugoku/Shikoku block
Yonago Okayama Hiroshima
Fukuyama Ube Shunan Takamatsu
Tokushima Matsuyama
Kyushu block
Fukuoka Kokura Tosu Nagasaki
Kumamoto Oita Kagoshima
Okinawa
(157 employees in total)



Hiroyuki Hoshino

General Manager, Home Center
Sales Dept.

Born March 14, 1971
46 years old; 26 years at Trusco
[No. of shares held] 2,700

I will make efforts to create an
attractive sales floor with our
extensive product lineup.

6 branches in total

HC Tokyo No.1
HC Tokyo No.2
HC Osaka
Okazaki
Fukuoka
Okinawa

*Includes 3 branches that also serve as
branches of the Factory Sales Dept.
(37 employees in total)

e-Business Sales Dept.

Newly appointed

Osaka venue



Koichi Ezaki

e-Business Sales Dept.
General Manager, Mail Order Dept.

Born February 3, 1975
42 years old; 21 years at Trusco
[No. of shares held] 2,400

I intend to further instill the mail
order business using inventory,
distribution and systems.

Mail Order Tokyo No.1
Mail Order Tokyo No.2
Mail Order Osaka
(33 employees in total)



Tsuyoshi Tsuchiya

e-Business Sales Dept.
General Manager, MRO Supply Dept.

Born February 19, 1978
39 years old; 18 years at Trusco
[No. of shares held] 3,100

I will further promote electronic
purchase by establishing a new
base in the west Japan area.

MRO Supply Tokyo
MRO Supply Kobe
(14 employees in total)

Overseas Dept.

Tokyo venue



Kiyonori Unto

General Manager, Overseas Dept.

Born February 9, 1962
55 years old; 31 years at Trusco
[No. of shares held] 5,000

With the start of construction of
our new company building in
Indonesia, I will continue to
focus on developing overseas
infrastructure.

Overseas Sales Dept.
*Overseas subsidiary service center
(11 employees in total)

Q&A

Frequently Asked Questions to Trusco

Answers to questions frequently asked by our shareholders

Q Do you have any plan of appointing a female executive?

Currently we do not have any plan to do so. We believe that officers should be appointed based not on numerical targets but on their actual abilities, irrespective of gender. Therefore, we have continued to enhance programs to support women so that they can compete equally with men even after childbirth and childrearing. The percentage of women in the Company is on a rising trend, with our most recent ratio of female management at 5.4% and female employees accounting for 33.7% of the work force.

Q Are there any plans for a share buyback?

At the moment, we have no plans for share buybacks. Share buybacks require high cost. We believe it is important to improve sales and profits by effectively using funds to strengthen functions (investing in the reinforcement of distribution and growth areas such as IT), improving customers' convenience, and contributing to monozukuri. At the moment, we hope to return our achievements to our shareholders by increasing corporate value and providing dividends.

Q What are your thoughts on your current ROE?

Our ROE stood at 9.3% at the end of the fiscal year ended December 2017. We believe it is important to increase profits and stably improve them in the long-term through continuous investment in improving corporate value, rather than through short-term methods such as share buybacks with borrowings from banks or the issuance of bonds. We think the desirable way is to place emphasis on improving the convenience of customers, which will thereby lead to an improvement in ROE.

Q Please explain your future expansion of the overseas business.

Our overseas business is operated based on the following two strategies: 1) Sales activities by Trusco Nakayama Thailand and Trusco Nakayama Indonesia, which carry inventory locally; and 2) sales activities by the Overseas Sales Dept., mainly for lot sales to sales agents in each country. In Thailand, we will aggressively cultivate local suppliers in the future.

We also focus on supplier cultivation activities from our base in Germany, and started business with 42 new suppliers globally in the 55th period.

Q What is your view regarding the current dividend payout ratio?

We believe that we can provide maximum returns to our shareholders by pursuing sustainable growth. We have been concentrating our capital investment in distribution centers and IT infrastructure and the human resources that support them based on a policy that continuous capital investment is essential for the improvement of corporate value, and have achieved steady growth. At present, as a result of examining the balance between returns through corporate value enhancement due to capital investment and returns through dividends, we intend to maintain a dividend payout ratio of 25%, which is linked to our business performance, and return value to shareholders through the comprehensive dividend amount.

Q What are your plans in terms of distribution toward achieving 500,000 inventory items?

Planet Saitama, which will be our largest distribution center, is scheduled for launch in October 2018. We have also expanded existing distribution centers and enhanced our inventory of branches carrying inventories. Furthermore, we are promoting the substantial mechanization of distribution operations in order to prevent simple increases in personnel. We have also established the Distribution Division and segmented the management scope of the Distribution Dept. to accelerate the strengthening of distribution in organizational terms and raise the management level at the same time.