

The 56th Business Year Business Performance Data Analysis

Fiscal Year Ended December 2018

Planet Saitama began operating on October 1, 2018 (Satte City, Saitama).



Trusco Nakayama Corporation

Announced Feb. 7, 2019

Executive Officers

Hiroaki Imagawa, General Manager of the Corporate Planning Div. and Accounting Div.

Takeshi Katagiri, Manager, Corporate Planning & IR Section

Kyoko Yoshimi, Corporate Planning & IR Section

Trusco Fiorito Bldg. 10th floor, 4-28-1 Shinbashi,
Minato-ku, Tokyo 105-0004, Japan

Phone: +81-3-3433-9840 Fax: +81-3-3433-9881

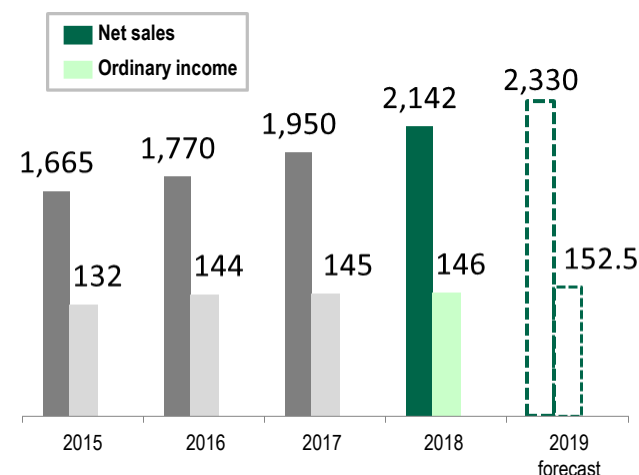
E-mail: info@trusco.co.jp

◇Company overview◇

| | |
|-----------------------|--|
| Founding | May 15, 1959 |
| Representative | Tetsuya Nakayama, President |
| Head offices | Tokyo Head Office (Minato-ku, Tokyo, registered as official headquarters) Osaka Head Office (Nishi-ku, Osaka City) |
| Number of offices | 99 domestic bases: 2 head offices, 75 sales branches, 17 distribution centers, and 5 stock centers 3 overseas bases: local subsidiaries (Thailand and Indonesia) and a representative office (Germany) |
| Capital stock | 5,022,370,000 yen |
| Listed stock exchange | First section of the Tokyo Stock Exchange (Code number: 9830) |
| Number of employees | 2,719 (1,608 full-time employees, 1,111 part-time employees) |
| Credit rating | A (Rating and Investment Information, Inc.) |
| Line of business | Wholesaler of industrial equipment such as machine tools, distribution equipment and environmental safety equipment (and consumables used in factories) and planning and development of products under the company's own brand, TRUSCO |

➤ Net sales and ordinary income after converting to those for 12 months ended Dec. 31

(Unit: 100 million yen)



As of the end of December 2018

➤ Business flow

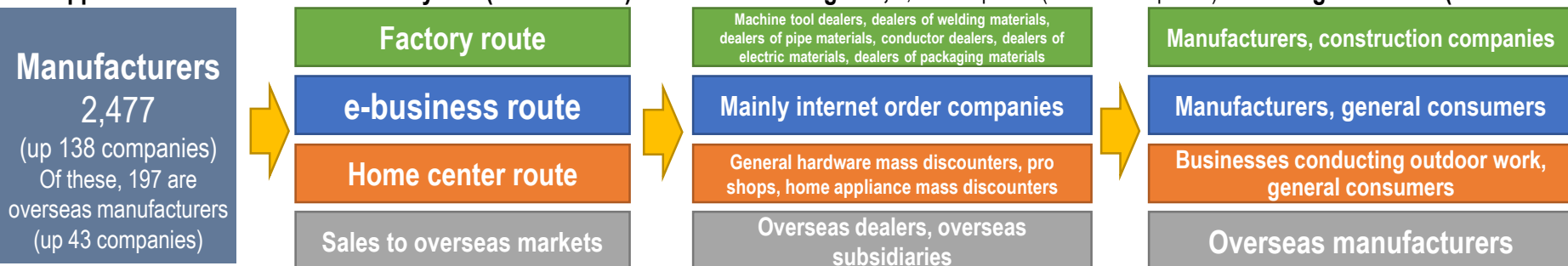
() Year-on-year change

Suppliers

Trusco Nakayama (Wholesalers)

Main sales agents, 5,323 companies (down 10 companies)

Target markets (main users)



A-① Business performance

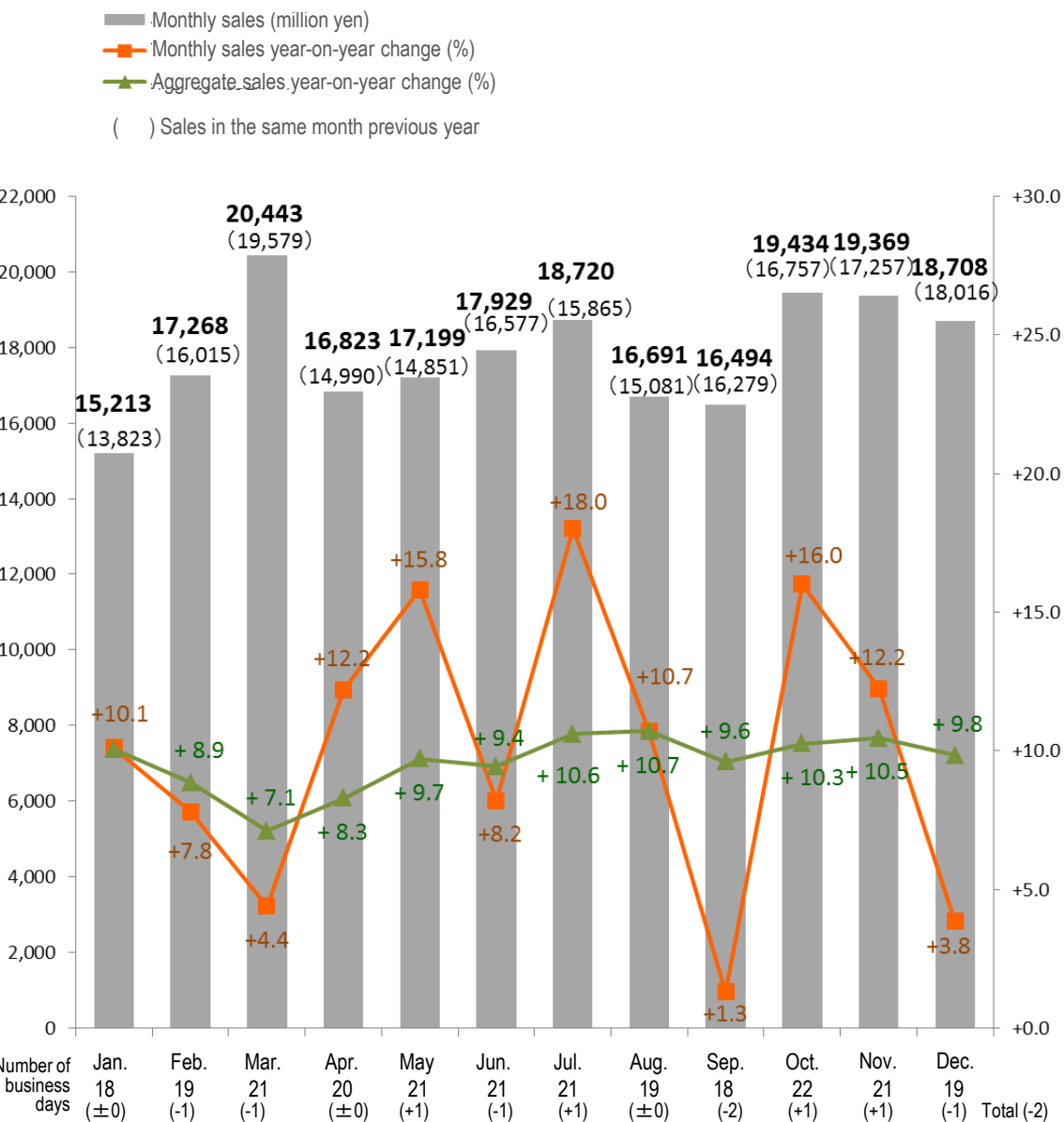
| | Jan. to Dec. 2017 | Percentage share against net sales | Jan. to Dec. 2018 | Percentage share against net sales | YoY change | Budget (million yen) [% to net sales] | Comparison with the budget | |
|--|-------------------|------------------------------------|-------------------|------------------------------------|------------|---------------------------------------|----------------------------|----------------------------|
| | | | | | | | Change (million yen) | Comparison with the budget |
| Net sales | ¥195,096 million | — | ¥214,297 million | — | +9.8% | 213,000 | +1,297 | +0.6% |
| Gross profit | ¥41,390 million | 21.2% | ¥45,491 million | 21.2% | +9.9% | 45,000 [21.1%] | +491 | +1.1% |
| Selling, general and administrative expenses (SGA) | ¥27,114 million | 13.9% | ¥31,127 million | 14.5% | +14.8% | 31,400 [14.7%] | -272 | -0.9% |
| Operating income | ¥14,276 million | 7.3% | ¥14,364 million | 6.7% | +0.6% | 13,600 [6.4%] | +764 | +5.6% |
| Ordinary income | ¥14,581 million | 7.5% | ¥14,642 million | 6.8% | +0.4% | 13,850 [6.5%] | +792 | +5.7% |
| Net income | ¥10,173 million | 5.2% | ¥9,722 million | 4.5% | -4.4% | 9,300 [4.4%] | +422 | +4.5% |
| Sales of PB goods | ¥40,144 million | 20.6% | ¥43,596 million | 20.3% | +8.6% | 43,000 [20.2%] | +596 | +1.4% |
| Net income per share | ¥154.28 | — | ¥147.44 | — | -¥6.84 | ¥141.03 | +¥6.41 | — |
| Annual dividend per share | ¥39 | — | ¥37 | — | -¥2 | ¥35.50 | +¥1.50 | — |

* Extraordinary losses (1) Removal costs for Planet South Kanto, which is being rebuilt, are posted as loss on retirement of non-current assets. (¥207 million)

(2) An impairment loss is posted on the building of the former Toyohashi Branch, which is currently being rebuilt as a stock center. (¥86 million)

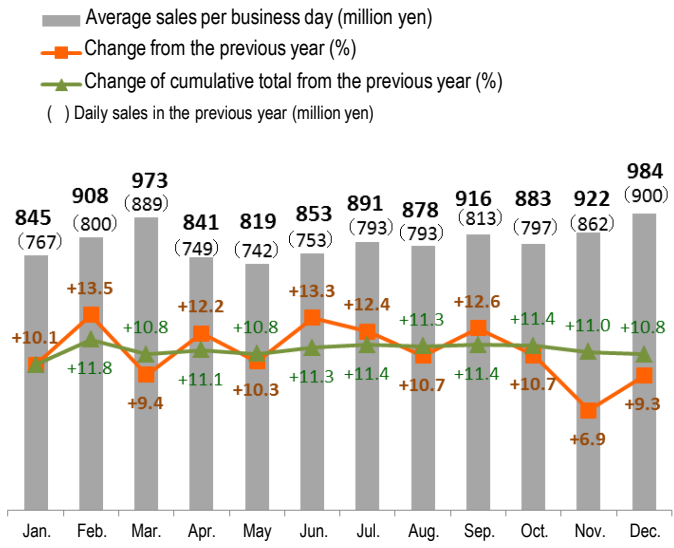
A-② Company-wide monthly sales and sales per day in FY ended December 2018

Total



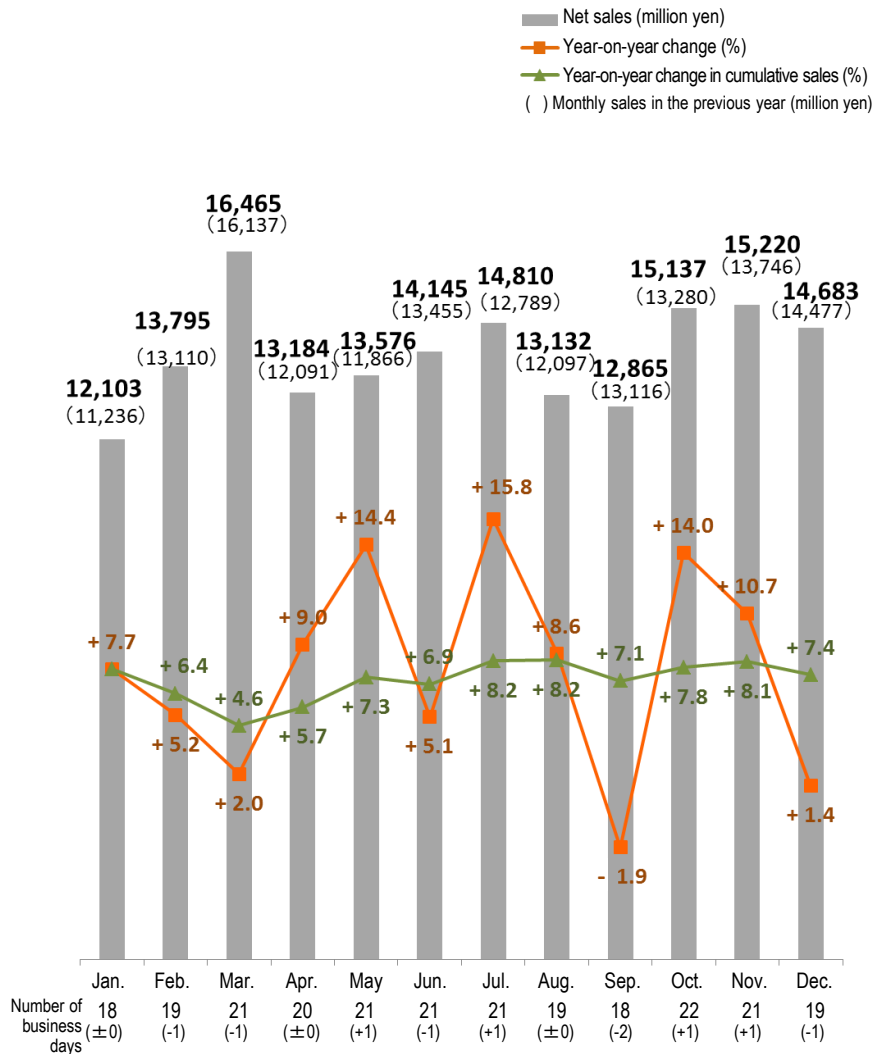
Change in average daily sales (all business offices)

Our monthly sales figures are affected by the fluctuations in the number of business days in a month because orders for consumables used in manufacturing sites are placed daily. Our sales increase during the peak periods of March and December when many companies close their accounts.

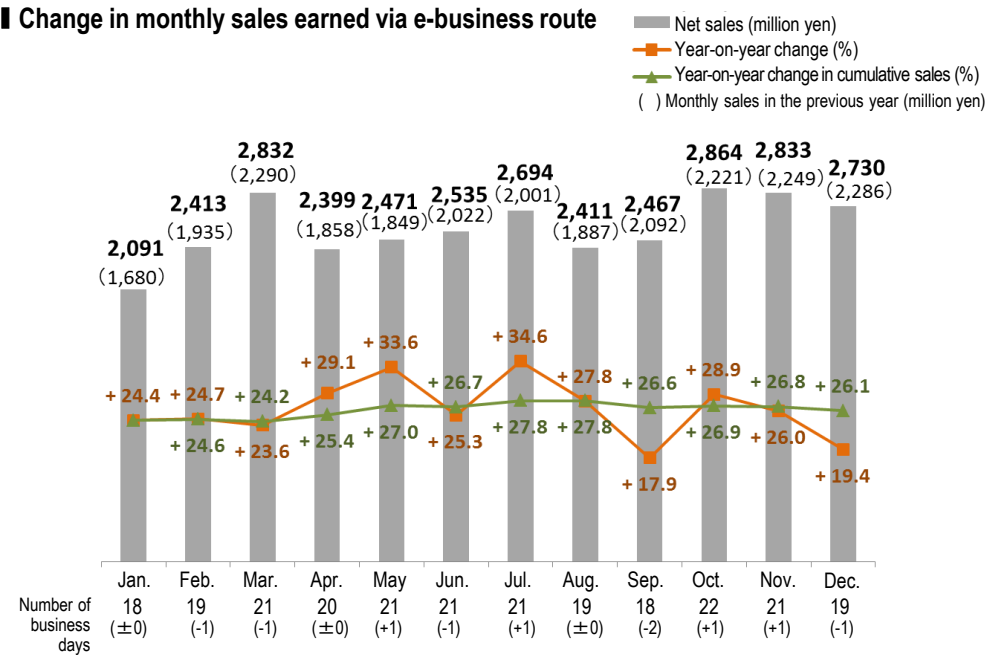


B-① Change in monthly sales by sales route

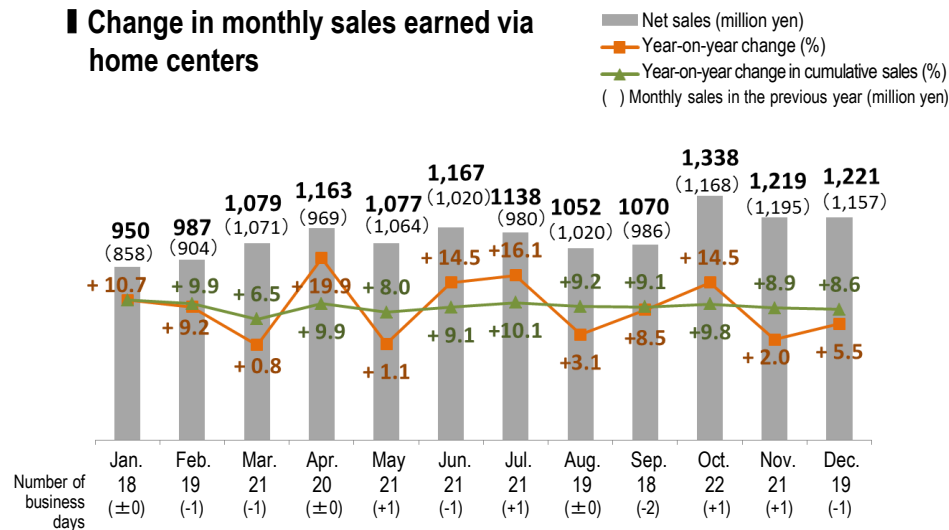
Change in monthly sales earned via factory route



Change in monthly sales earned via e-business route



Change in monthly sales earned via home centers



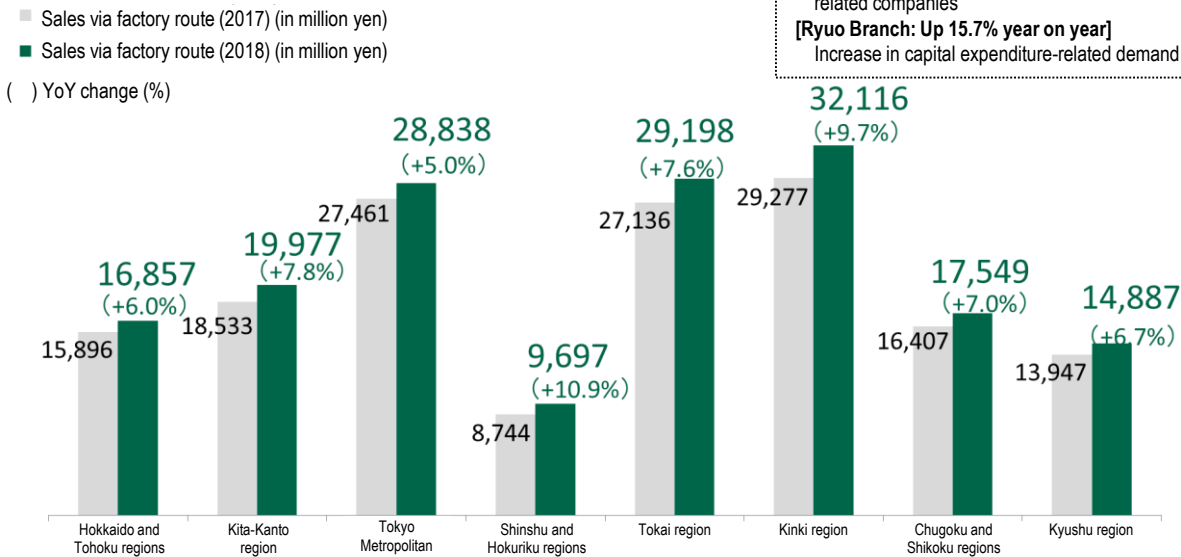
B-② Sales by sales route

Sales by sales route

| | FYE December 31, 2017 | | FYE December 31, 2018 | | | | | |
|------------------------|-----------------------|---------------------|-----------------------|------------|---------------------|------------|---------------------|----------------------------|
| Sales route | Net sales | Gross profit margin | Net sales | | Gross profit margin | | Sales (million yen) | |
| | Actual results | Actual results | Actual results | YoY change | Actual results | YoY change | Budget | Comparison with the budget |
| Factory route | ¥157,405 million | 20.9% | ¥169,122 million | +7.4% | 20.8% | - 0.1 | 169,000 | +0.1% |
| e-business route | ¥24,377 million | 25.3% | ¥30,745 million | +26.1% | 25.2% | - 0.1 | 30,300 | +1.5% |
| Home center route | ¥12,398 million | 17.5% | ¥13,466 million | +8.6% | 17.9% | + 0.4 | 12,600 | +6.9% |
| Other (Overseas, etc.) | ¥915 million | 19.4% | ¥963 million | +5.3% | 20.2% | + 0.8 | 1,100 | - 12.4% |
| Total | ¥195,096 million | 21.2% | ¥214,297 million | +9.8% | 21.2% | + 0.0 | 213,000 | +0.6% |

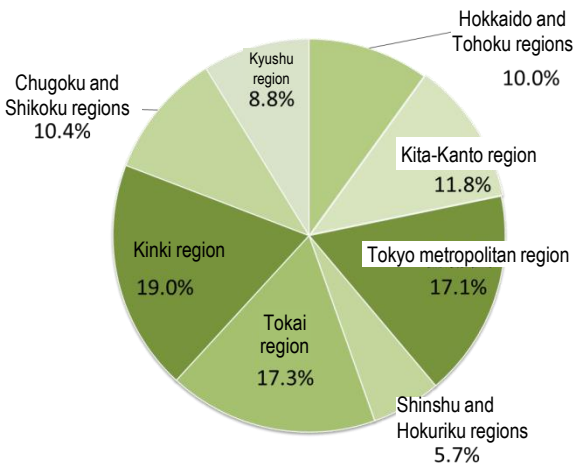
B-③ Factory route: Sales by region, sales constituent ratio by region, and sales by industry

■ Factory route: Sales by region



[Utsunomiya Branch: Down 1.4% year on year]
Impact of smaller auto-related capital expenditures
[Okazaki Branch: Up 12.3% year on year]
Strong performance of manufacturing lines of automobile-related companies
[Ryuo Branch: Up 15.7% year on year]
Increase in capital expenditure-related demand

■ Factory route: Sales constituent ratio by region



■ Factory route sales by industry

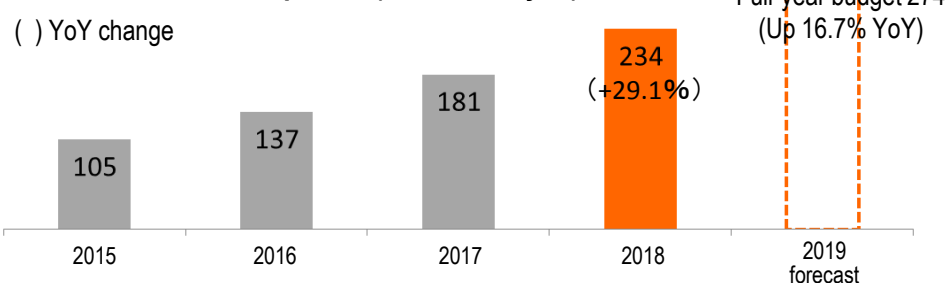
| | FYE December 31, 2017 | | FYE December 31, 2018 | | | | | |
|---|-----------------------|---------------------|-----------------------|------------|---------------------|------------|---------------------|----------------------------|
| Sales route | Net sales | Gross profit margin | Net sales | | Gross profit margin | | Sales (million yen) | |
| | Actual results | Actual results | Actual results | YoY change | Actual results | YoY change | Budget | Comparison with the budget |
| Machine tool dealers | ¥83,352 million | 20.8% | ¥89,678 million | +7.6% | 20.6% | -0.2 | 89,441 | +0.3% |
| Welding material dealers | ¥22,632 million | 21.2% | ¥24,343 million | +7.6% | 21.2% | -0.0 | 24,300 | +0.2% |
| Other manufacturing related (incl. physical and chemical material, transmission machinery, packing material dealers) | ¥25,348 million | 20.2% | ¥27,011 million | +6.6% | 20.4% | + 0.2 | 27,215 | -0.7% |
| Construction related | ¥26,071 million | 21.4% | ¥28,088 million | +7.7% | 21.4% | + 0.0 | 27,992 | +0.3% |
| Total net sales via factory route | ¥157,405 million | 20.9% | ¥169,122 million | +7.4% | 20.8% | -0.1 | 169,000 | +0.1% |

B-④ Change in sales via the e-business route and the number of companies participating in Orange Commerce

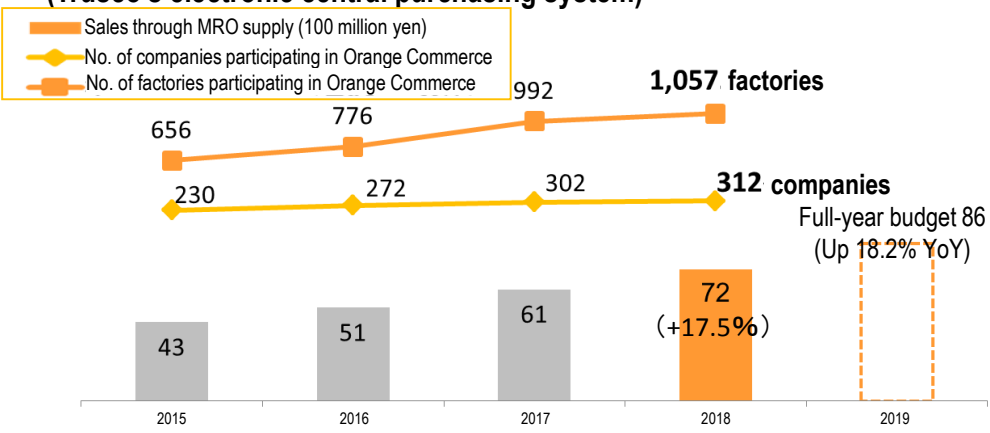
■ Sales via e-business route

| Sales route | FYE December 31, 2018 | | | |
|--|-----------------------|------------|--|------------|
| | Net sales | | Percentage share of gross profit against net sales | |
| | Result | YoY change | Result | YoY change |
| Mail order companies | ¥23,469 million | +29.1% | 24.4% | + 0.0 |
| Companies participating in Orange Commerce (Trusco's electronic central purchasing system) | ¥7,275 million | +17.5% | 27.6% | -0.4 |
| Total net sales via e-business route | ¥30,745 million | +26.1% | 25.2% | -0.1 |

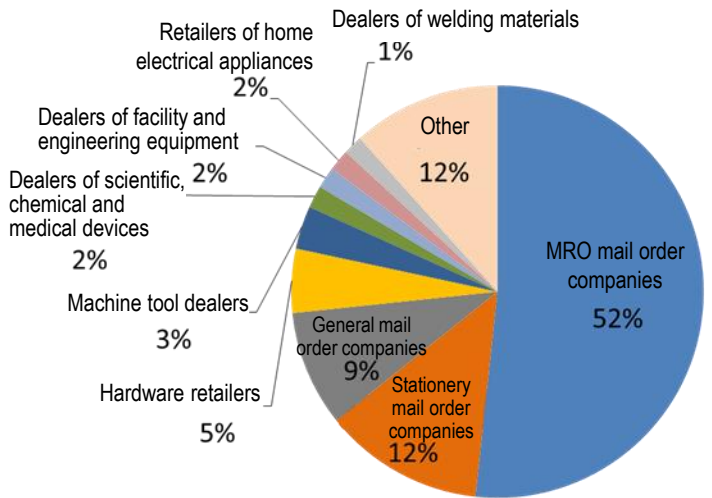
■ Sales to mail order companies (100 million yen)



■ Change in the number of companies participating in Orange Commerce (Trusco's electronic central purchasing system)

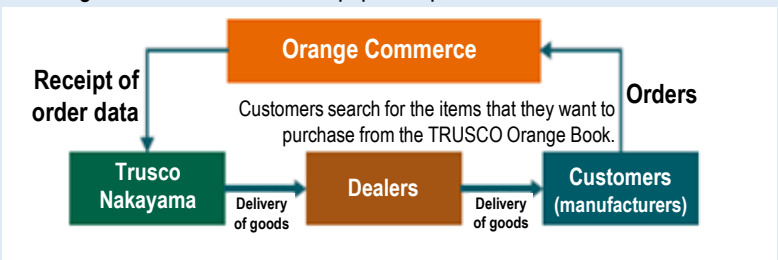


■ Sales to mail order companies: Sales ratio by industry



* Trusco's electronic central purchasing system:

This purchasing system, mainly adopted by large-lot users (manufacturers), is designed to curtail their material and equipment procurement costs and increase their business operational efficiency through the Internet-based management of material and equipment purchases.



Conducting business among customers, distributors and Trusco Nakayama by connecting customer's purchasing system with Trusco's central purchasing system

B-⑤ Sales to top 10 clients in the home center route

As a professional-tool wholesaler, Trusco Nakayama has focused on dealing in pro tools and actively proposed to general hardware mass discounters that allot part of their floor spaces to pro-tool shops. Trusco Nakayama will work on enhancing its comprehensive marketing power by stepping up sales of its products via the home center route where pro-tool shops and material shops are housed.

■ Ranking of sales to general hardware mass discounters (Units: million yen; %)

| Ranking | Name of client | FYE December 31, 2017 | FYE December 31, 2018 | YoY change |
|---|-------------------------|--------------------------|--------------------------|------------|
| 1 | Nafco | 1,477 | 1,595 | + 8.0 |
| 2 | DCM Hodaka (Pro Shop) ※ | 1,169 | 1,431 | + 22.4 |
| 3 | DCM Homac ※ | 1,414 | 1,381 | - 2.4 |
| 4 | Royal Home Center | 1,319 | 1,294 | - 1.8 |
| 5 | DCM Kahma ※ | 1,277 | 1,156 | - 9.4 |
| 6 | Kohnan Shoji | 982 | 1,144 | + 16.5 |
| 7 | Shimachu | 678 | 736 | + 8.6 |
| 8 | DCM Daiki ※ | 644 | 692 | + 7.4 |
| 9 | Keiyo ※ | 294 | 664 | + 125.8 |
| 10 | Komeri | 441 | 560 | + 27.0 |
| Combined sales to top 10 companies | | 9,699 | 10,658 | + 9.9 |
| Combined sales via general hardware mass discounter route | | 12,398 | 13,466 | + 8.6 |
| Percentage share of sales to top 10 companies | | 78.2 | 79.1 | |

Normalization of transactions commenced in 2007

- 1) Refrain from making unprofitable business transactions
- 2) Refrain from staging excessive sales campaigns on such occasions as store opening day and anniversary day
- 3) Not providing personnel support for products not sold by Trusco Nakayama

Our efforts to normalize sales practices as explained above resulted in a plunge from 21.9 billion yen in 2006, the 43rd business year, to about 10 billion yen in recent years in sales to general hardware mass discounters.

The result reflected our policy of giving higher priority to making business transactions in line with appropriate business rules than seeking profits.

* DCM Holdings

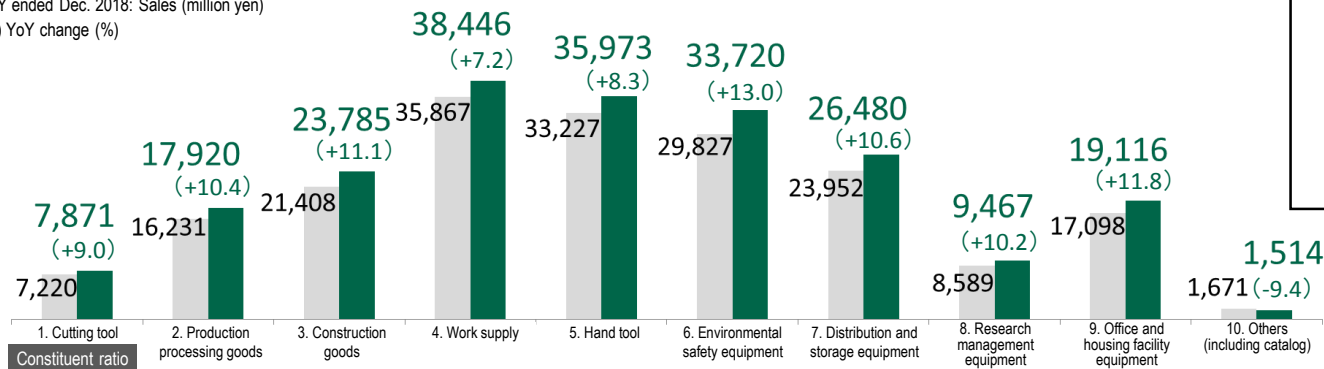
Total: ¥5,326 million (up 11.0% year on year)
[DCM Homac, DCM Kahma, HODAKA, DCM Daiki, DCM Kuroganeya, Homac Nicot, Keiyo, DCM Sanwa]

* The figure above was compiled by the IR Department as a reference.

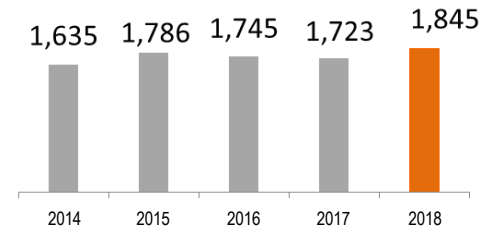
B-⑥ Sales by product category

■ Sales graph by large category and details of medium category

■ FY ended Dec. 2017: Sales (million yen)
■ FY ended Dec. 2018: Sales (million yen)
() YoY change (%)



■ Sales of goods used for repair
(million yen)



Repair service, Naojiro Repair Workshops

| Category of goods (large category) | Medium category | Trusco's sales | Constituent ratio | YoY change | Gross profit margin | Category of goods (large category) | Medium category | Trusco's sales | Constituent ratio | YoY change | Gross profit margin |
|---------------------------------------|---|----------------|-------------------|------------|---------------------|---|--|----------------|-------------------|------------|---------------------|
| 1. Cutting tool 3.7 | Cutting tools | 3,840 | 1.8 | +9.3 | 10.6 | 6. Environmental safety equipment 15.7 | Protective equipment | 16,356 | 7.6 | +12.9 | 25.2 |
| | Drilling and thread cutting tools | 4,031 | 1.9 | +8.7 | 23.4 | | Safety goods | 8,901 | 4.2 | +11.7 | 26.1 |
| 2. Production processing goods 8.4 | Measurement equipment | 8,774 | 4.1 | +9.6 | 16.9 | | Environment improvement goods | 2,040 | 1.0 | +17.9 | 20.4 |
| | Mechatronics | 3,614 | 1.7 | +10.4 | 15.8 | | Air conditioning goods | 3,759 | 1.8 | +17.5 | 17.6 |
| | Tools for machine tools | 2,596 | 1.2 | +12.7 | 21.2 | | Disaster and crime prevention goods | 876 | 0.4 | +12.6 | 20.9 |
| | Electric machinery | 2,935 | 1.4 | +10.9 | 10.5 | | Closets and exterior goods | 1,786 | 0.8 | +7.4 | 15.1 |
| 3. Construction goods 11.1 | Hydraulic tools | 1,905 | 0.9 | +9.5 | 11.7 | 7. Distribution and storage equipment 12.4 | Loading goods | 7,028 | 3.3 | +13.4 | 17.5 |
| | Pumps | 3,505 | 1.6 | +11.4 | 15.8 | | Conveyors | 1,367 | 0.6 | +12.4 | 15.7 |
| | Welding equipment | 1,986 | 0.9 | +6.9 | 18.7 | | Transportation goods | 10,375 | 4.8 | +10.2 | 22.4 |
| | Painting and interior goods | 2,154 | 1.0 | +4.6 | 24.7 | | Containers and vessels | 3,772 | 1.8 | +8.8 | 30.6 |
| | Civil engineering and building goods | 1,803 | 0.8 | +27.5 | 13.4 | | Steel shelves | 3,938 | 1.8 | +7.8 | 26.6 |
| | Ladders and stepladders | 3,083 | 1.4 | +12.1 | 22.7 | 8. Research management equipment 4.4 | Tool wagons | 1,140 | 0.5 | +8.3 | 29.0 |
| | Piping and materials of electric equipment | 3,198 | 1.5 | +11.9 | 23.6 | | Storage and management goods | 1,351 | 0.6 | +8.0 | 31.6 |
| 4. Work supply 17.9 | Component, hardware, and building materials | 6,147 | 2.9 | +10.2 | 28.5 | | Work benches | 1,539 | 0.7 | +11.4 | 26.7 |
| | Cutting goods | 1,280 | 0.6 | +6.5 | 23.0 | | Stainless goods | 1,939 | 0.9 | +8.4 | 17.8 |
| | Grinding and polishing goods | 7,174 | 3.3 | +7.3 | 24.0 | 9. Office and housing facility equipment 8.9 | Research and development-related goods | 3,496 | 1.6 | +12.3 | 17.8 |
| | Chemical products | 18,402 | 8.6 | +6.9 | 23.0 | | Cleaning utensils | 5,765 | 2.7 | +13.7 | 21.6 |
| | Factory miscellaneous goods | 3,534 | 1.6 | +6.9 | 15.9 | | Stationery | 1,651 | 0.8 | +17.3 | 19.3 |
| | Packing and binding goods | 5,092 | 2.4 | +11.2 | 30.4 | | Office miscellaneous goods | 2,318 | 1.1 | +12.2 | 28.4 |
| 5. Hand tool 16.8 | Casters | 2,962 | 1.4 | +3.1 | 18.3 | | Electric appliances | 3,558 | 1.7 | +8.4 | 23.6 |
| | Electric power tools and accessories | 9,923 | 4.6 | +9.1 | 15.3 | | OA business machinery | 1,525 | 0.7 | +18.0 | 26.8 |
| | Pneumatic tools and accessories | 6,655 | 3.1 | +7.5 | 18.7 | | Office furniture | 4,022 | 1.9 | +8.3 | 24.9 |
| | Tools for manual work | 17,673 | 8.2 | +7.9 | 22.0 | | Interior goods | 273 | 0.1 | +2.2 | 20.5 |
| | Tool boxes | 1,721 | 0.8 | +10.5 | 31.1 | 10. Other 0.7 | Total | 1,514 | 0.7 | -9.4 | - |
| | | | | | | Total | | 214,297 | 100.0 | +9.8 | 21.2 |

(Million yen, %)

- Of construction goods, demand increased for power generators and so on in civil engineering and building goods due to natural disasters.
- Of environmental safety equipment, demand grew in the factory and e-business routes for seasonal winter products including heaters whose sales were strong in the first quarter and for seasonal summer products including portable air-conditioners and factory fans due to extreme heat. In addition, demand rose for blowers and fans in environment improvement goods.

B-⑦ Sales of private brand (PB) goods

■ Sales of PB goods by category of goods

* Excluding sales through other routes

Unit: million yen

| | Entire company | | Factory route | | e-business route | | Home center route | |
|---------------------------------------|---------------------|--------------|---------------------|--------------|---------------------|---------------|---------------------|--------------|
| | Constituent ratio | 20.3% | Constituent ratio | 20.2% | Constituent ratio | 26.5% | Constituent ratio | 6.9% |
| | Gross profit margin | 35.7% | Gross profit margin | 35.8% | Gross profit margin | 36.5% | Gross profit margin | 29.8% |
| | Net sales | YoY change | Net sales | YoY change | Net sales | YoY change | Net sales | YoY change |
| Total | 43,596 | +8.6% | 34,191 | +4.8% | 8,147 | +27.7% | 928 | +5.4% |
| Cutting tool | 689 | +9.8% | 514 | +7.8% | 101 | +27.2% | 62 | -1.2% |
| Production processing goods | 1,515 | +7.0% | 1,169 | +3.5% | 299 | +24.4% | 21 | +6.4% |
| Construction goods | 3,531 | +6.8% | 2,726 | +3.5% | 714 | +19.7% | 62 | +6.0% |
| Work supply | 7,661 | +7.3% | 6,327 | +4.7% | 1,205 | +23.9% | 77 | +8.2% |
| Hand tool | 4,575 | +6.7% | 3,475 | +2.5% | 896 | +25.6% | 138 | +0.3% |
| Environmental safety equipment | 7,069 | +12.9% | 5,699 | +10.3% | 1,249 | +27.5% | 102 | +10.7% |
| Distribution and storage equipment | 10,861 | +8.3% | 8,287 | +3.9% | 2,070 | +31.1% | 441 | +4.6% |
| Research management equipment | 3,652 | +7.7% | 2,954 | +2.7% | 666 | +38.6% | 3 | +19.7% |
| Office and housing facility equipment | 4,034 | +9.8% | 3,036 | +4.0% | 943 | +28.3% | 15 | +81.1% |
| Other | 3 | +5.0% | 0 | - | 0 | - | 3 | +5.0% |

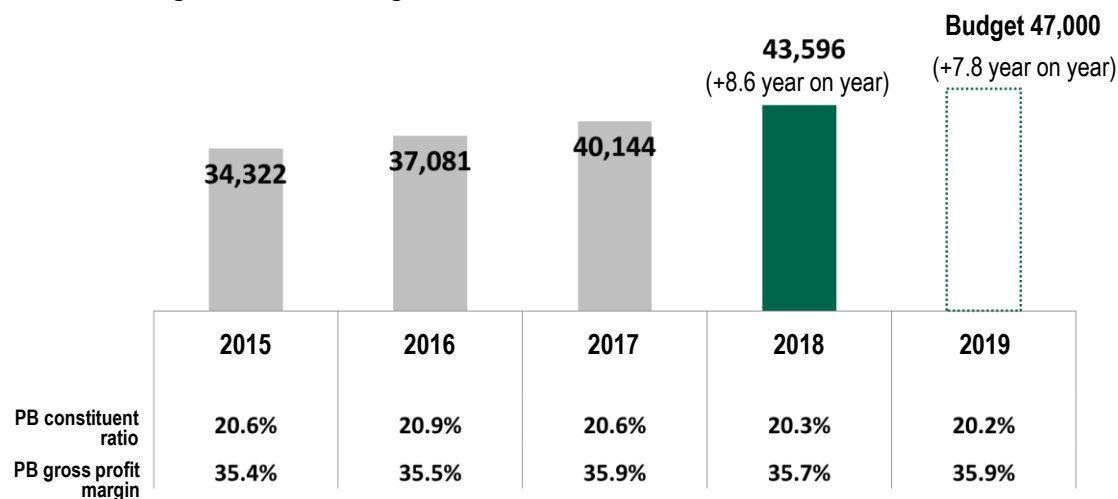


■ Private Brand (PB) goods

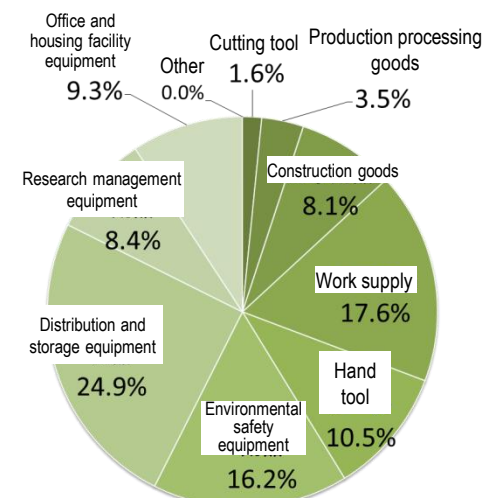
Products designed and developed by Trusco. Approximately 5,000 new products are launched a year. Their profit margin is greater than that of national brand goods. PB goods account for 20.3% of Trusco's sales.



■ Change in sales of PB goods (Unit: million yen, %)

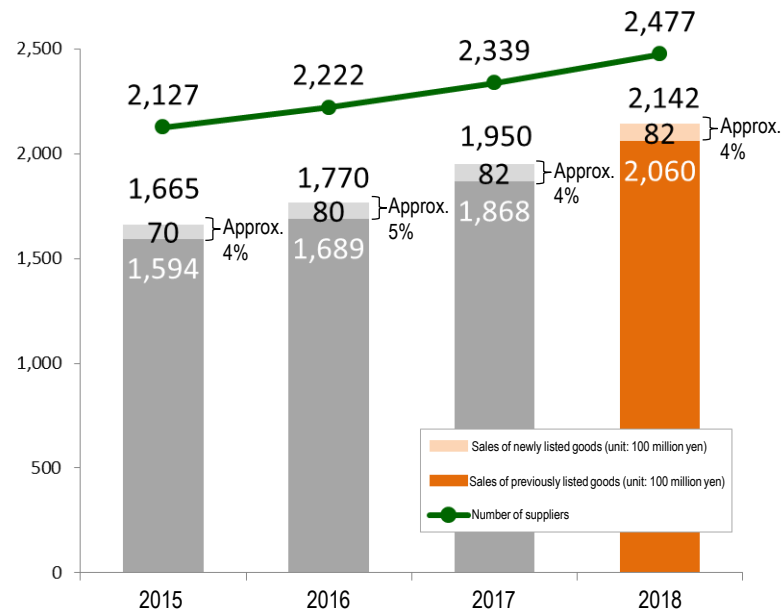


■ PB sales ratio by category of goods



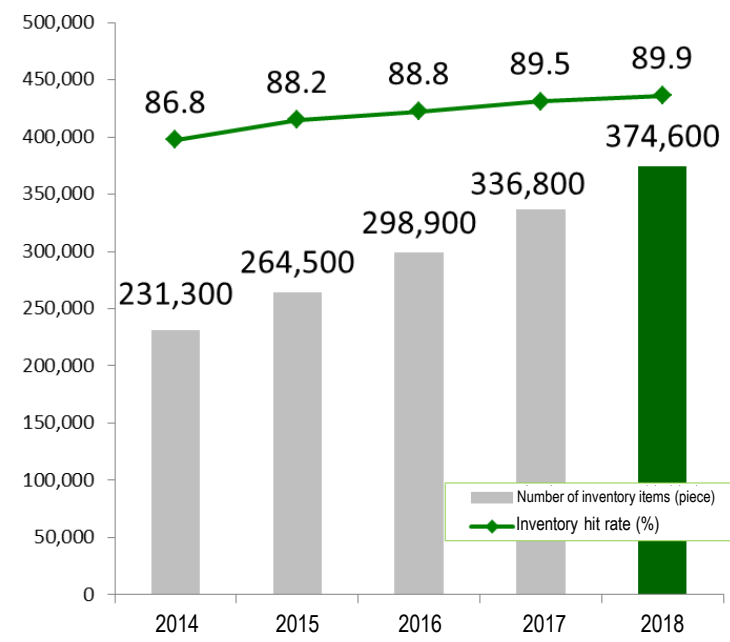
C-① Change in sales of newly listed goods & number of suppliers, number of items in inventory and inventory hit rate, and change in number of sales accounts

1. Change in sales of goods newly listed in the TRUSCO Orange Book

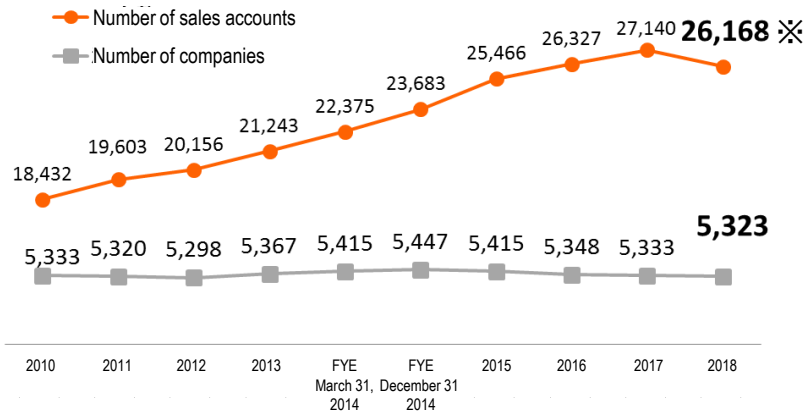


* The above figures slightly differ from the figures presented in the data analysis material of the first quarter financial results released on May 8 due to the change in the sampling method of the newly listed goods.

2. Change in the number of inventory items and the inventory hit rate



3. Changes in the number of sales accounts



- 1. Products newly listed in our product catalogue, TRUSCO Orange Book, for the relevant year account for approximately 4% of total sales.
 - 2. Inventory hit rate: Number of rows used for products shipped from inventory divided by the total number of rows used for orders
We nearly achieved the initial target of 90%.
 - 3. Although the number of corporate customers is declining, the number of accounts, which is the key for sales growth, is increasing steadily.
The number of corporations that were deregistered stood at about 100 per year.
- * The reduction in the number of accounts in 2018 is mainly attributable to deregistration of accounts due to the termination of transactions with customers using the home center route.

C-② System operation status

■ ① Orders received via computer systems (including FAX-OCR)

[Reference] Cumulative results as of the end of December

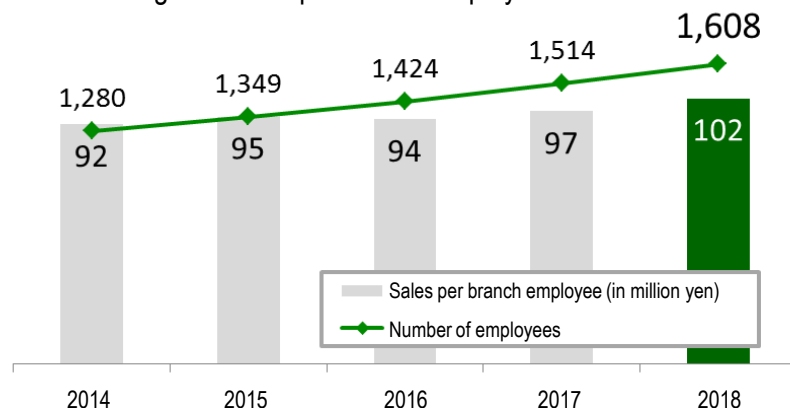
Number of inquiries made: (DOTKUL) Approx. 640 a day

Number of accesses to the website: Approx. 60,600 a day

| Orders received | Number of orders received (items) | Share of the total number of orders received | YoY change in share in the total number of orders received* | Value of orders received (in million yen) | Share in the total value of orders received | YoY change in share in the total value of orders received* |
|---|-----------------------------------|--|---|---|---|--|
| Trusco Orange Book.com (For retailers and users) Orders received/placed via the Internet | 14,242,495 | 43.4% | +3.2 | 89,656 | 41.8% | +5.0 |
| Trusco EDI Data linkage with the order placement system for retailers | 5,136,314 | 15.6% | +22.2 | 20,669 | 9.6% | +25.4 |
| DOTKUL FAX-OCR | 453,353 | 1.4% | ※ - 23.9 | 2,120 | 1.0% | ※ - 24.4 |
| Orange Commerce Linked to the purchase system of users | 525,283 | 1.6% | ※ +3.1 | 2,998 | 1.4% | ※ +3.3 |
| EOS Home center electronic order placement system | 6,464,294 | 19.7% | +12.0 | 12,022 | 5.6% | +8.5 |
| Total | 26,821,739 | 81.7% | +7.8 | 127,466 | 59.5% | +7.4 |

* This is attributable to the transfer to Trusco EDI.

■ ② Changes in sales per branch employee



* The figures are sales per branch employee which factor in selling, general and administrative expenses (e.g., logistics and head office personnel expenses).

Improvement to operational efficiency following the introduction of computerized order systems

- ① Share of orders received via computer systems in the entire company: 81.7%
In terms of sales, more than 80% of the orders received via all routes are received automatically through computer systems.
- ② Sales per branch employee: approx. 102 million yen

D-① Financial statements

■ Segment information, etc.

Units: million yen, %, () year-on-year change

| | | Jan. to Dec. 2018 | |
|---------------------------------|-------------------|-------------------|---|
| | | Net sales | Ordinary income/loss |
| Reportable segments | Factory route | 169,122 (+7.4) | 11,560 (-1.5) |
| | e-business route | 30,745 (+26.1) | 2,948 (+15.4) |
| | Home center route | 13,466 (+8.6) | -19 (Ordinary income of ¥55 million in 2017) |
| | Total | 213,333 (+9.9) | 14,489 (+1.0) |
| Other (Overseas sales section) | | 963 (+5.3) | -81 (Ordinary loss of ¥28 million in 2017) |
| Total | | 214,297 (+9.8) | 14,408 (+0.6) |
| Adjustments | | - | 234 |
| Amounts on financial statements | | 214,297 (+9.8) | 14,642 (+0.4) |

1. The *Other* segment includes overseas sales, etc., that are not included in reportable segments.
 2. Adjustments of 234 million yen in ordinary income include ordinary income that is not attributable to each reportable segment.
- * Adjustments: Gains on the rental income from rental properties, etc.

* We took out a 15-billion-yen bank loan in July 2018 to invest in physical distribution and IT.

■ Balance sheet

As of December 31, 2018

Unit: million yen, %, () YoY change

| Assets | Liabilities and shareholders' equity |
|---|--|
| Current assets 78,834 (+13.0) | Current liabilities 22,311 (+4.1) |
| | Non-current liabilities 27,257 (+122.5) |
| Non-current assets 91,382 (+17.8) Of which property, plant, and equipment 78,715 (+16.0) | Net assets 120,648 (+6.1) Shareholders' equity ratio 70.9% |
| Total assets | 170,216 (+15.5) |

■ Statement of cash flows

Unit: million yen

| | Jan. to Dec. 2018 |
|---|-------------------|
| Cash flows from operating activities | 6,928 |
| Cash flows from investing activities | -18,144 |
| Cash flows from financing activities | 12,492 ※ |
| Effect of exchange rate change on cash and cash equivalents | -4 |
| Net increase (decrease) in cash and cash equivalents | 1,273 |
| Cash and cash equivalents at beginning of period | 10,412 |
| Cash and cash equivalents at end of period | 11,685 |

D-② Selling, general and administrative expenses (SGA)

■ Breakdown of selling, general and administrative expenses

Unit: million yen, %

| | Jan. to Dec. 2017 | Jan. to Dec. 2018 | Changes | Change from previous year |
|---|-------------------|-------------------|--------------|---------------------------|
| 1 Freightage and packing expenses | 4,687 | 5,584 | 897 | +19.1 |
| 2 Advertising expenses | 350 | 646 | 295 | +84.3 |
| 3 Promotion expenses | 3 | 121 | 118 | +3295.1 |
| 4 Vehicle expenses | 203 | 233 | 29 | +14.7 |
| 5 Remuneration paid to directors | 371 | 367 | -4 | -1.1 |
| 6 Salary and bonus | 11,418 | 12,284 | 865 | +7.6 |
| 7 Provision for bonuses | 399 | 62 | -337 | -84.5 |
| 8 Welfare expenses | 2,043 | 2,222 | 178 | +8.8 |
| 9 Entertainment expenses | 81 | 133 | 51 | +63.4 |
| 10 Traveling expenses and transportation expenses | 547 | 574 | 26 | +4.8 |
| 11 Communication expenses | 310 | 341 | 30 | +9.9 |
| 12 Commission fee | 1,315 | 1,607 | 291 | +22.1 |
| 13 Supplies expenses | 526 | 738 | 212 | +40.3 |
| 14 Utilities expenses | 272 | 321 | 48 | +17.9 |
| 15 Taxes and dues | 936 | 1,206 | 269 | +28.8 |
| 16 Depreciation | 2,749 | 3,614 | 865 | +31.5 |
| 17 Leasehold and office rents | 501 | 644 | 143 | +28.5 |
| 18 Other | 393 | 422 | 29 | +7.5 |
| Total | 27,114 | 31,127 | 4,013 | +14.8 |

Key Items

- Impact of the increased shipment volume (approx. up 16%) using fixed-route freight services due to sales growth (+approx. ¥353 million)
- Price hike (up approx. 16%) of fixed-route freight services (+approx. ¥408 million)
- Impact of price hike for charter vehicles (contracted delivery services), increase in the use of one-off delivery services due to sales growth, increase in the size of freight (+approx. ¥61 million)

Increase due to the sponsoring of a TV Tokyo program, *TRUSCO Shirarezaru Gulliver*, which began in October 2017

- Increase in expenses for the English version of TRUSCO Digital Orange Book (¥112 million) and TRUSCO Orange Book for internal use (+¥43 million)

- Full-time employees increased by 89 (Breakdown: 49 in career-track positions, 38 in logistics positions, and others) (¥441 million)
- Part-time employees increased by 62 (¥275 million) (Of those, 43 are employed for Planet Saitama)
- Increase in after-hour pay (+¥48 million)

- Drop in expenses for performance-based bonuses due to the non-fulfillment of payment conditions

- Increase in maintenance and inspection costs of information systems and so on including data linkage among the product search site TRUSCO Orange Book.com, product database Sterra, and online shopping companies, and introduction of logistics equipment (+¥267 million)

- Fixtures for Planet Saitama (¥202 million)

- Estimated real estate acquisition tax for Planet Saitama (¥186 million)

- Building, lighting equipment, logistics equipment, and so on for Planet Saitama (¥526 million)
- Renewal of the product search site, TRUSCO Orange Book.com (¥124 million)
- Product database, Sterra (¥123 million)

- Increase in warehouse rental costs due to the rebuilding of Planet South Kanto (+¥64 million)
- Increase in external warehouse costs (+¥64 million)

D-③ Capital expenditures

Major past and future capital expenditures

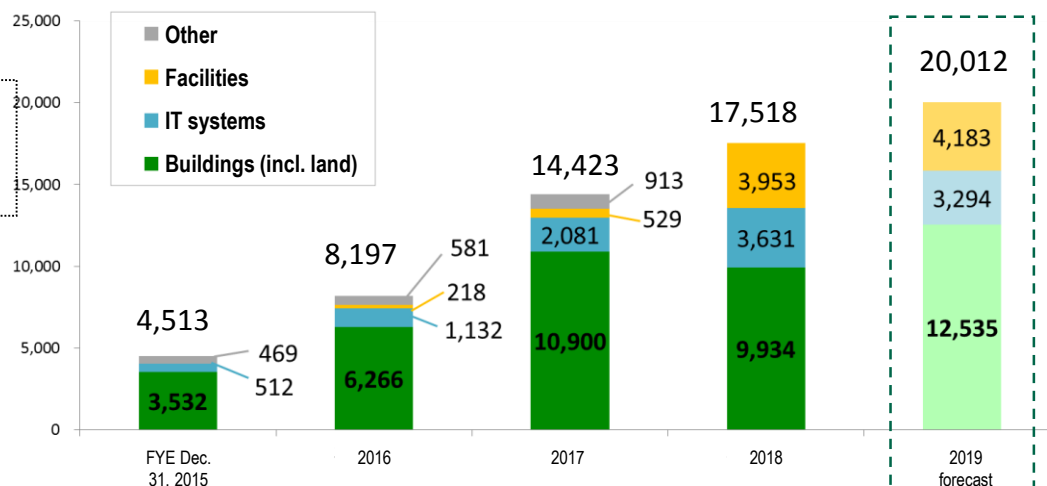
| Details of major capital expenditures | | Scheduled total investment amount | Expenses paid in or before previous business year | Investment made in 56th business year | Scheduled investment amount in 57th business year |
|---------------------------------------|---|-----------------------------------|---|---------------------------------------|---|
| Buildings | Planet Saitama Building & designing | 13,473 | 10,419 | 3,054 | - |
| | Planet South Kanto Rebuilding | 8,784 | 280 | 2,853 | 4,884 |
| | Planet Tohoku Extension | 4,050 | - | 854 | 3,196 |
| | Planet North Kanto Extension | 1,178 | 56 | 328 | 794 |
| Facilities | Planet Saitama (Automated warehouse/SAS/GAS/Butler/Auto Store/I-Pack, etc.) | 3,241 | - | 2,541 | 700 |
| | Planet Tohoku (Automated bucket warehouse/SAS/GAS/Auto Store/I-Pack, etc.) | 3,022 | - | - | 516 |
| | Planet South Kanto (Automated bucket warehouse/SAS/Auto Store/Case CV/electric moving pallet racks, etc.) | 2,338 | - | 646 | 1,692 |
| | Planet Tokai (Automated warehouse/SAS/GAS) | 1,137 | - | 450 | 687 |
| | Planet East Kanto (Automated bucket warehouse/SAS/GAS) | 899 | - | 500 | 399 |
| | Planet Kobe (Automated bucket warehouse/SAS/GAS/electric moving pallet racks, etc.) | 864 | - | - | 864 |
| | Planet North Kanto (Auto Store/automated pallet warehouse) | 669 | 97 | 442 | 130 |
| | Planet Shiga (Automated bucket warehouse/electric moving pallet racks) | 261 | - | 20 | 241 |
| IT systems | Renewal of Paradise (order receipt/placement system) | 3,289 | - | 869 | 1,620 |
| | Renewal of e-commerce site (TRUSCO Orange Book.com) | 1,426 | - | 1,426 | - |
| | TRUSCO AI Orange Rescue (product search system) | 289 | - | 157 | 132 |
| Land | Land of West Japan Distribution Center (Yamatokoriyama City) | 2,853 | 144 | - | 151 |
| | Land of Planet Aichi (Kitanagoya City) | 1,831 | - | 140 | 296 |
| | Land of Planet Hokkaido | 1,110 | - | 1,110 | - |
| | Land of Takamatsu Branch | 250 | - | 250 | - |
| Other | | - | - | 1,506 | 3,710 |
| Total | | | | 17,146 | 20,012 |

Change in capital expenditures Unit: million yen

Capital expenditures

- The investment amount may fluctuate during the business year because the scheduled amount of capital expenditures includes expenses for projects at the planning stage.

* From 2018, items included in "Other" are allocated to facilities, IT systems, or buildings.



E-① Management plan (non-consolidated)

We use as the entire company's budget the total of the "annual budget of each branch prepared by the branch manager throughout Japan."

The branch managers, who are familiar with their market, formulate their respective branch's budget as they are in charge of developing their branch strategy including staffing and are ultimately accountable for their branch. Because we will keep using the total of the budget prepared by branch managers as the entire company's budget, their plans are subject to a review every business year.

| | | 56th business year FYE December 31, 2018 | | | 57th business year FYE December 31, 2019 | | | 58th business year FYE December 31, 2020 | | |
|--|-------------------|---|--------------|-------------------|---|--------------|-------------------|---|--------------|-------------------|
| | | Results (¥ million) | Ratio (%) | YoY change (%) | Budget (¥ million) | Ratio (%) | YoY change (%) | Forecast (¥ million) | Ratio (%) | YoY change (%) |
| Net sales | | 214,297 | 100.0 | 109.8 | 233,000 | 100.0 | 108.7 | 253,000 | 100.0 | 108.6 |
| | Factory route | 169,122 | 78.9 | 107.4 | 181,000 | 77.7 | 107.0 | 193,000 | 76.3 | 106.6 |
| | e-business route | 30,745 | 14.3 | 126.1 | 36,000 | 15.5 | 117.1 | 43,000 | 17.0 | 119.4 |
| | Home center route | 13,466 | 6.3 | 108.6 | 14,800 | 6.4 | 109.9 | 15,500 | 6.1 | 104.7 |
| | Other (overseas) | 963 | 0.4 | 105.3 | 1,200 | 0.5 | 124.5 | 1,500 | 0.6 | 125.0 |
| Gross profit | | 45,491 | 21.2 | 109.9 | 49,300 | 21.2 | 108.4 | 53,500 | 21.1 | 108.5 |
| | Factory route | 35,152 | 20.8 | 107.0 | 37,460 | 20.7 | 106.6 | 39,800 | 20.6 | 106.2 |
| | e-business route | 7,738 | 25.2 | 125.3 | 9,000 | 25.0 | 116.3 | 10,700 | 24.9 | 118.9 |
| | Home center route | 2,406 | 17.9 | 110.6 | 2,600 | 17.6 | 108.1 | 2,700 | 17.4 | 103.8 |
| | Other (overseas) | 194 | 20.1 | 109.2 | 240 | 20.0 | 123.7 | 300 | 20.0 | 125.0 |
| Selling, general and administrative expenses | | 31,127 | 14.5 | 114.8 | 34,300 | 14.7 | 110.2 | 37,000 | 14.6 | 107.9 |
| Operating income | | 14,364 | 6.7 | 100.6 | 15,000 | 6.4 | 104.4 | 16,500 | 6.5 | 110.0 |
| Ordinary income | | 14,642 | 6.8 | 100.4 | 15,250 | 6.5 | 104.2 | 16,750 | 6.6 | 109.8 |
| Net income | | 9,722 | 4.5 | 95.6 | 10,300 | 4.4 | 105.9 | 11,300 | 4.5 | 109.7 |
| Net income per share | | ¥147.44 | - | ¥6.84 | ¥156.19 | - | +¥8.75 | ¥171.35 | - | +¥15.16 |
| Sales of PB goods | | 43,596 | 20.3 | 108.6 | 47,000 | 20.2 | 107.8 | 51,000 | 20.2 | 108.5 |
| | Factory route | 34,191 | 20.2 | 104.8 | 36,540 | 20.2 | 106.9 | 38,550 | 20.0 | 105.5 |
| | e-business route | 8,147 | 26.5 | 127.7 | 9,000 | 25.0 | 110.5 | 10,800 | 25.1 | 120.0 |
| | Home center route | 928 | 6.9 | 105.4 | 1,100 | 7.4 | 118.5 | 1,200 | 7.7 | 109.1 |
| | Other (overseas) | 328 | 34.1 | 122.8 | 360 | 30.0 | 109.8 | 450 | 30.0 | 125.0 |
| Gross profit margin of PB goods | | 35.7 | - | - | 35.9 | - | - | 35.9 | - | - |
| Number of PB goods in inventory | | 49,100 | - | 112.9 | 49,600 | - | 101.0 | 57,600 | - | 116.1 |
| Inventory value | | 37,000 | - | 116.2 | 39,000 | - | 105.4 | 42,000 | - | 107.7 |
| Number of employees | | 1,608 | - | 105.9 | 1,720 | - | 107.0 | 1,820 | - | 105.8 |
| Number of part-timers | | 1,111 | - | 105.9 | 1,125 | - | 101.3 | 1,145 | - | 101.8 |

This mid-term management plan represents the estimation the Company made when this material was prepared. The Company does not guarantee the accuracy of information contained herein. Actual business performance and results may differ from the forecast due to various factors.

E-② Management plan (consolidated)

1. Commencement of consolidated account settlement

We established TRUSCO NAKAYAMA CORPORATION (THAILAND) LIMITED in September 2010 and TRUSCO NAKAYAMA CORPORATION (INDONESIA) LIMITED in January 2015, respectively.

They remained non-consolidated subsidiaries until the FYE December 31, 2018 as their impact on our business performance was insignificant. Going forward, however, they are expected to have greater significance for our assets, operating results, and so on. We will therefore adopt consolidated account settlement from the FYE December 31, 2019 by including both companies in the scope of consolidation.

Consolidated business forecast for the 57th business year

(In ¥ million)

| | Net sales | Operating income | Ordinary income | Net income attributable to shareholders of the parent | Net income per share |
|--------------------|-----------|------------------|-----------------|---|----------------------|
| Full-year forecast | 233,294 | 14,929 | 15,179 | 10,254 | ¥155.49 |

[Reference] Full-year non-consolidated business forecast for each company

(In ¥ million)

| | | Net sales | Operating income | Ordinary income | Net income | Net income per share |
|------------|-----------------------------|-----------|------------------|-----------------|------------|----------------------|
| Parent | Trusco Nakayama Corporation | 233,000 | 15,000 | 15,250 | 10,300 | ¥156.19 |
| Subsidiary | TRUSCO NAKAYAMA THAILAND | 700 | 14 | 14 | 10 | - |
| Subsidiary | TRUSCO NAKAYAMA INDONESIA | 309 | -63 | -63 | -63 | — |

*1. For business forecasts for the subsidiaries, the estimates in local currency are converted into the Japanese yen at the latest exchange rate.

2. For consolidated business forecasts, consolidation adjustments are made including the elimination of sales of products from the parent to subsidiaries as internal transactions.