

A large, modern industrial building with a dark blue facade and large white 'TRUSCO' letters. The building has multiple levels and a glass-enclosed section on the right. The sky is clear blue.

TRUSCO®

The 56th Annual
Shareholders' Meeting

Convocation Notice

For January 1, 2018
to December 31, 2018

■ Date and time

March 8 (Friday), 2019
10 a.m. (Doors open at 9 a.m.)

■ Venue (Refer to the back cover for details.)

Osaka: Swissotel Nankai Osaka
(attended by the chairman)

Tokyo: Hotel New Otani



トラスコ中山株式会社

Planet Saitama, a distribution center launched on October 1, 2018 (Satte City, Saitama)



At the 1F entrance of Planet Saitama

[Engage in work that will live on in corporate history]

Generate "ideas," "methods," "systems," "mechanisms" and "strategies" that lead to the evolution and development of the company and create a turning point. Selling, buying or making profits alone will not produce work that will live on in corporate history. The source of a company's competitiveness is creativity. Ideas that no one else can come up with will lead to the growth of the company.

社史に残る
仕事を

To our shareholders

(Securities code: 9830)
February 19, 2019

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

Keep It Up, Japanese “Monozukuri”®!!

中山 哲也

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

Trusco Nakayama has made efforts to improve the convenience of customers by continuing its aggressive capital investment in distribution facilities and equipment as well as its information system, and strategically strengthening its expansion of its product lineup and inventories in order to accurately meet the needs of monozukuri sites for a wide variety of items in small lots.

This year's key phrase is “Engage in work that will live on in corporate history.” Work that will live on in corporate history is the generation of “ideas,” “methods,” “systems,” “mechanisms” and “strategies” that lead to the evolution and development, no matter how small, of the company, and create a turning point. The source of a company's competitiveness is creativity. Ideas that no one else can come up with will lead to the growth of the company. Selling, buying and making profits are highly valued in the world today, but such achievements alone will not live on in corporate history.


This year also marks our 60th anniversary. I intend to make this year a year in which all of our employees will engage in work with an awareness toward achieving work that will go down in corporate history so that we can further advance from our developing stage and reach our 100th anniversary in 40 years' time.

“Businesses and companies are only worthwhile if they are of use to people and society.” With this thought always in mind, we will continue to 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 56th 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 8 (Friday), 2019 at 10:00 a.m. (Doors open at 9:00 a.m.)
2. Place :
 - (1) Osaka (venue where the chairperson will attend)
Naniwa Room, 8th Floor, Swissotel Nankai Osaka, 5-1-60 Namba, Chuo-ku, Osaka
 - (2) Tokyo
Fuyo Room, Banquet Floor, the Main Building, Hotel New Otani, 4-1 Kioi-cho, Chiyoda-ku, Tokyo

*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 56th Period (from January 1, 2018 to December 31, 2018)
 - Matters to Be Resolved: Proposal No.1: Partial Amendment to the Articles of Incorporation
Proposal No.2: Revision of the Total Amount of Directors' Remuneration, etc.
Proposal No.3: Election of Nine (9) Directors
Proposal No.4: Election of One (1) Corporate Auditor
Proposal No.5: Election of One (1) Substitute Corporate Auditor
4. Guide to the Exercising of Voting Rights ▶  P8 and 9
 - (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 8, and exercise your voting rights within the time limit.
Time limit for exercising voting rights: March 7 (Thursday), 2019 at 5:30 p.m.
Website for exercising voting rights: <https://www.web54.net>

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”).

Organizational Chart

(as of January 1, 2019)



Tokyo
venue

Kenichi Saito

Outside director
Board Brain (BB)
Born November 15, 1949 (69 years old)
[No. of shares held] 2,500
Career summary
1975: Joined McKinsey & Company
1996: Founded ForeSight & Company
President (present)
2016: Outside Director of the Company (present)
2017: Founded the Society for Problem Solving Proficiency
Representative Director of the Society (present)



Osaka
venue

Kuniaki Hagihara

Outside director
Board Brain (BB)
Born August 19, 1953 (65 years old)
[No. of shares held] 2,000
Career summary
1976: Joined Hagihara Industries Inc.
1984: President of Hagihara Industries Inc.
2010: President & CEO
2016: Chairman (present)
2016: Outside Director of the Company (present)
2018: President of Toyo Heisei Polymer Co., Ltd.
(present)

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.

Promotion



Tokyo
venue

Kazuo Nakai

Executive Officer
Head of Corporate
Management Division
Born July 7, 1969
49 years old; 25 years 9 months
at Trusco
[No. of shares held] 2,700

Career summary
1993: Joined the Company
2002: Head of HC Niigata Sales Office
2004: HC Osaka Branch Manager
2010: Head of Human Resources
Section & Head of Healthcare Section
2013: Head of Corporate Planning Dept.
2017: Executive Officer & Head of
Corporate Planning Dept.
2019: Executive Officer & Head of
Corporate Management Division (present)

Promotion



Osaka
venue

Atsushi Kazumi

Executive Officer
Head of Information Systems
Division
Born September 10, 1970
48 years old; 25 years 9 months
at Trusco
[No. of shares held] 2,700

Corporate Management Division

(88 employees in total)

Corporate Planning Dept.

Concurrent



Osaka
venue

Hiroaki Imagawa

Executive Officer
Head of Corporate Planning Dept. &
Head of Accounting Dept.
Born January 22, 1963
55 years old; 32 years 9 months
at Trusco
[No. of shares held] 20,000

A new organization has been launched.
I will cooperate with all divisions as the
"control tower" of management!

Career summary
1986: Joined the Company
2007: Director & Head of Sales Division
2013: Executive Officer & Head of Factory
Sales Dept. (East)
2016: Executive Officer & Head of Accounting Dept.
2019: Executive Officer & Head
of Corporate Planning Dept. & Head of Accounting
Dept. (present)

Corporate Planning, IR Section
Secretarial Section
Human Resources Development
Section
Recruitment Section
CSR Section
(16 employees)

Administration Dept.



Osaka
venue

Toshihiko Maeda

Head of Administration Dept.
Born August 3, 1968
50 years old; 27 years 9 months
at Trusco
[No. of shares held] 2,800

I will enhance the sense of fulfillment
by valuing the company's assets and
promoting effective use of them.

Career summary
1991: Joined the Company
2006: Head of Numazu Sales Office
2010: Osaka Branch Manager
2014: Head of Administration Dept. (present)

Tokyo Administration Section
Osaka Administration Section
Personnel Section
Healthcare Section
Legal Section
Property Section
Trusco Resort & Spa Hakone
Kyoto Kaguraoka Rengetsu-so
Trusco Nakayama Health Insurance Association
Establishment Preparation Office
(49 employees)



Scheduled for
establishment in April 2019
Tomoya Tamai
Secretariat, Trusco
Nakayama Health Insurance
Association Establishment
Preparation Office

Accounting Dept.

Concurrent



Osaka
venue

Hiroaki Imagawa

Executive Officer
Head of Corporate Planning Dept. &
Head of Accounting Dept.
Born January 22, 1963
55 years old; 32 years 9 months
at Trusco
[No. of shares held] 20,000

I will improve the quality of accounting
in an effort to strengthen the company!

Career summary
1986: Joined the Company
2007: Director & Head of Sales Division
2013: Executive Officer & Head of Factory
Sales Dept. (East)
2016: Executive Officer & Head of
Accounting Dept.
2019: Executive Officer & Head of Corporate
Planning Dept. & Head of Accounting Dept.
(present)

Accounting Section
Finance Section
(21 employees)

Information Systems Dept.

New appointment



Osaka
venue

Takayuki Kimura

Head of Information Systems
Dept.
Born June 26, 1973
45 years old; 20 years 9 months
at Trusco
[No. of shares held] 4,000

I will establish a foundation for greater
convenience through system and IT
reforms.

Career summary
1998: Joined the Company
2011: Yamaguchi Branch Manager
2013: Head of Human Resources
Development Section
2019: Head of Information Systems Dept.
(present)

IT Planning Section
System Management Section
Data Management Section
(40 employees)

Tokyo Product Dept.

Tokyo
venue



Yutaka Yoneda

Head of Tokyo Product Dept.
Tokyo Product Dept.
Born November 6, 1975
43 years old; 19 years 9 months
at Trusco
[No. of shares held] 2,500

I will realize an overwhelming product
line-up that can address changes in
the market as well as high-level
collaboration with suppliers.

Career summary
1999: Joined the Company
2005: Head of Shiga Sales Office
2009: Head of Recruitment Section
2013: Head of Corporate Planning Section
2017: Head of Tokyo Product Dept.
(present)

Tokyo NB Product Section
Tokyo PB Product Section
Tokyo Supplier Development Section
PB Product Design Section
PB Quality Assurance Section
Overseas Purchase Section
Germany Representative Office
(34 employees)



Norihiro Higashi
Manager, Germany
Representative Office



Osaka
venue

Takashi Nakai

Senior Managing Director
Assistant to President
Born January 16, 1955
63 years old; 40 years 9 months at Trusco
[No. of shares held] 31,100
Career summary
1978: Joined the Company
1996: Tokyo Branch Manager
1998: Head of Corporate Planning Division
1999: Executive Officer & Head of Corporate Planning Division
2004: Director & Head of Distribution Division
2007: Managing Director & Head of Product Division
2017: Senior Managing Director & Head of Corporate Management Division
2019: Senior Managing Director & Assistant to President (present)



Osaka
venue

Tetsuya Nakayama

President
Born December 24, 1958
60 years old; 37 years 9 months at Trusco
[No. of shares held] 1,874,900
Career summary
1981: Joined the Company
1984: Director
1987: Managing Director
1991: Representative Director & Senior Managing Director
1994: President (present)

Shareholders' Meeting

Board of Directors

President

Career summary
1993: Joined the Company
2001: Head of Tsuchiura Sales Office
2006: Osaka Branch Manager
2010: Head of Catalog Media Section & Head of Dotto Kuru Section
2013: Head of e-Commerce Sales Dept.
2017: Executive Officer & Head of Mail Order, e-Business Sales Dept.
2017: Executive Officer & Head of Information Systems Dept.
2019: Executive Officer & Head of Information Systems Division (present)



Tokyo
venue

Shinsaku Miyata

Executive Officer
Head of Product Division
Born June 9, 1964
54 years old; 29 years 9 months
[No. of shares held] 5,000

Career summary
1989: Joined the Company
1997: Head of Overseas Sales Office
1999: Nagoya Branch Manager
2001: Head of Kobe Sales Office
2008: Center Manager, Planet South Kanto
2011: Head of Product Dept.
2015: Executive Officer & Head of Product Dept.
2016: Executive Officer & Head of Tokyo Head Office Product Dept.
2017: Executive Officer & Head of Product Division (present)



Osaka
venue

Product Division

(96 employees in total)

Osaka Product Dept.

Newly appointed



Osaka
venue

Kenichi Ogasawara

Head of Osaka Product Dept.
Born January 13, 1970
48 years old; 24 years 9 months at Trusco
[No. of shares held] 600

I will strengthen our partnerships with suppliers.

Career summary
1994: Joined the Company
2003: Head of HC Maebashi Sales Office
2014: Osaka Branch Manager
2019: Head of Osaka Product Dept. (present)

Osaka NB Product Section
Osaka PB Product Section
Osaka Supplier Development Section
Supplier Management Section
(21 employees)

Catalogue Media Dept.



Osaka
venue

Kiyoharu Kawai

Executive Officer
Head of Catalog Media Dept.
Born January 27, 1958
60 years old; 42 years 9 months at Trusco
[No. of shares held] 6,800

A renewed Orange Book.Com has been launched!!

Career summary
1976: Joined the Company
1995: Head of Kanazawa Sales Office
2007: Head of NB Product Dept.
2013: Executive Officer & Head of Factory Sales Dept. (West)
2016: Executive Officer & Head of Catalog Media Dept. (present)

Trusco Orange Book Section
Trusco Orange Book.Com Section
Trusco Orange Book AI Section
(38 employees)

Distribution Division

(1,443 employees in total)

Distribution Dept.



Tokyo
venue

Masashi Yamamoto

Head of Tokyo Metropolitan Area Distribution Dept.
Born May 27, 1973
45 years old; 22 years 9 months at Trusco
[No. of shares held] 2,600

Planet Saitama has been launched! I will further improve the convenience of all customers.

Career summary
1996: Joined the Company
2004: Head of Hamamatsu Sales Office
2010: Head of Auditor Office
2010: Head of Administration Section
2014: Center Manager, Planet Tohoku
2018: Head of Tokyo Metropolitan Area Distribution Dept. (present)

Distribution Planning Section
Delivery Management Section
Planet Saitama
Planet East Kanto
(274 employees)



Tokyo
venue

Takeshi Okamoto

Executive Officer
Head of East Japan Distribution Dept.
Born August 4, 1964
54 years old; 31 years 9 months at Trusco
[No. of shares held] 4,800

I will enhance our strength of delivery by reinforcing our distribution functions.

Career summary
1987: Joined the Company
1999: Head of Toyohashi Sales Office
2008: Head of East Japan Sales Dept.
2011: Head of Accounting Dept.
2014: Executive Officer & Head of Accounting Dept.
2016: Executive Officer & Head of Sales Planning Dept.
2019: Executive Officer & Head of East Japan Distribution Dept. (present)

Planet Hokkaido
Planet Tohoku
Planet North Kanto
Planet Tokyo
Planet South Kanto
HC East Japan Distribution Center
(404 employees)



Osaka
venue

Takuma Fukui

Head of West Japan Distribution Dept.
Born May 25, 1968
50 years old; 27 years 9 months at Trusco
[No. of shares held] 1,100

I will achieve high-quality distribution by integrating distribution facilities and personnel.

Career summary
1991: Joined the Company
2005: Himeji Branch Manager
2010: Center Manager, Planet Kyushu
2017: Head of West Japan Distribution Dept. (present)

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

* "Planet" is the name of the distribution centers.

Board of Auditors

Corporate Auditor's Office
Two employees
(concurrent position)

Audit Supervision Office
Two out of the four employees
hold concurrent positions.



Osaka
venue

Masaki Matsuda

Full-time Corporate Auditor

Born March 30, 1956

62 years old

[No. of shares held] 14,600

Career summary

1978: Joined the Kyowa Bank, Ltd.
(currently Resona Bank, Ltd.)
2003: Chief Credit Officer of the Osaka
No. 3 Loan Dept., Resona Bank, Ltd.
2007: Full-time Corporate Auditor of
the Company (present)



Tokyo
venue

Akira Takada

Full-time Corporate Auditor

Born January 3, 1958

60 years old

[No. of shares held] 100

Career summary

1981: Joined Nomura Securities Co., Ltd.
2001: Head of IB Consulting Office
2009: Managing Director of IB Business
Development Dept.
2012: Director of Nomura Investor Relations
Co., Ltd.
2015: Advisor of Nomura Investor Relations
Co., Ltd.
2018: Full-time Corporate Auditor of the
Company (present)

Hideki Naoyoshi

Executive Officer

Head of Distribution Division

Born December 7, 1971

47 years old; 24 years 9 months

at Trusco

[No. of shares held] 3,500

Career summary

1994: Joined the Company
2003: Head of Amagasaki Sales Office
2007: Head of Kokura Sales Office
2010: Head of Corporate Auditor's Office
2011: Head of Corporate Planning Section
2013: Head of Information Systems Dept.
2017: Executive Officer & Head of Information
Systems Dept.
2017: Executive Officer & Head of Distribution
Division (present)



Tokyo
venue

Tadahisa Yabuno

Managing Director

Head of Sales Division

Born March 13, 1962

56 years old; 34 years 9 months

at Trusco

[No. of shares held] 29,300

Sales Division

Marketing Dept.

Concurrent

Osaka
venue



Tsuyoshi Tsuchiya

Head of Marketing Dept. &
Head of MRO Supply, e-Business
Sales Dept.

Born February 19, 1978

40 years old; 18 years 9 months

at Trusco

[No. of shares held] 3,200

I will further improve the convenience
of customers by using digital
technology.

Career summary

2000: Joined the Company
2007: Head of PR Section
2012: Yokkaichi Branch Manager
2016: Head of MRO Supply, e-Business Sales
Dept.
2019: Head of Marketing Dept. & Head of
MRO Supply, e-Business Sales Dept.
(present)

Sales Planning Section
Branch Support Section
Customer Service Office
(17 employees)



Tokyo
venue

Ryo Domori

Head of Hokkaido/Tohoku/
North Kanto Factory Sales Dept.

Born April 5, 1975

43 years old; 19 years 9 months

at Trusco

[No. of shares held] 1,600

I will make efforts to expand our
customers' business by exercising our
sales and distribution abilities.

Career summary

1999: Joined the Company
2007: Center Manager, Planet North Kanto
2009: Head of Distribution Control Section
2015: Kanazawa Branch Manager
2018: Head of Hokkaido/Tohoku/North Kanto
Factory Sales Dept. (present)

15 branches

Hokkaido/Tohoku block
Sapporo Hachinohe
Akita Koriyama
North Kanto block
Mito Satte
Utsunomiya Koyama
Isezaki Omiya
Niigata-kita
(204 employees)

Sendai

Kashima
Kumagaya
Niigata



Tokyo
venue

Eitaro Shimoda

Head of Tokyo Metropolitan Area
Factory Sales Dept.

Born August 21, 1970

48 years old; 24 years 9 months

at Trusco

[No. of shares held] 1,700

I will contribute to helping the
business expansion of our customers.

Career summary

1994: Joined the Company
2002: Head of Yokohama North Sales Office
2007: Head of Corporate Planning Section
2014: Tokyo Branch Manager
2016: Head of Factory Sales Dept. (East)
2018: Head of Tokyo Metropolitan Area
Factory Sales Dept. (present)

10 branches

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



Osaka
venue

Mikio Adachi

Head of Shinshu/Hokuriku/
Tokai Factory Sales Dept.

Born September 20, 1969

49 years old; 24 years 9 months

at Trusco

[No. of shares held] 2,500

I will continue to strive to enable users
to use us more conveniently.

Career summary

1994: Joined the Company
2002: Head of HC Nagoya Sales Office
2013: Center Manager, Planet North Kanto
2016: Head of Factory Sales Dept. (West)
2018: Head of Shinshu/Hokuriku/Tokai
Factory Sales Dept. (present)

14 branches

Shinshu/Hokuriku block
Okaya Toyama Fukui
Ueda Kanazawa

Tokai block
Shizuoka Fuji Okazaki
Kariya Yokkaichi Hamamatsu
Nagoya Komaki Meijo
(214 employees)



Osaka
venue

Masato Otani

Head of Kinki Area Factory
Sales Dept.

Born October 24, 1967

51 years old; 27 years 9 months

at Trusco

[No. of shares held] 1,200

I will determine the information and
products that are needed to try to
solve problems of customers.

Career summary

1991: Joined the Company
2008: Head of Kagoshima Sales Office
2014: Head of Human Resources Section
2018: Head of Kinki Area Factory Sales
Dept. (present)

10 branches

Kinki block
Ryuo Kyoto Osaka
Minami-Osaka Higashi-Osaka
Kita-Osaka Himeji Kobe
Akashi Wakayama
(150 employees)



Osaka
venue

Hiroho Kamakura

Part-time Corporate Auditor

Born January 27, 1947

71 years old

[No. of shares held] 2,500

Career summary

1971: Joined Tohmatsu Aoki & Co.

(currently Deloitte Touche Tohmatsu LLC)

1973: Registered as a certified public accountant

2012: Part-time Corporate Auditor of the Company

(present)

Part-time corporate auditor of Yushin Precision

Equipment Co., Ltd. (present)

2013: Part-time corporate auditor of Fujio Food

System Co., Ltd. (present)



56th October Management Committee (55th Anniversary Hall, 3F, Tokyo Head Office)
The meetings are held in a round-table layout so that everyone can see each other's faces.
The seating is changed each time so that the members can participate with a fresh feeling each time.

Career summary

1984: Joined the Company

1998: Head of Fujisawa Sales Office

2000: Kanagawa Branch Manager

2003: Executive Officer & Jonan Branch Manager

2007: Director & Head of Corporate Management Division

2014: Managing Director & Head of Corporate Management Division

2016: Officer in charge of Trusco Nakayama Indonesia (present)

2017: Managing Director & Head of Sales Division (present)

Officer in charge of Trusco Nakayama Thailand (present)

(1,037 employees in total)



Osaka
venue

Yoshihiro Fujimoto

Head of Chugoku/Shikoku/
Kyushu Factory Sales Dept.

Born September 10, 1971

47 years old; 23 years 9 months
at Trusco

[No. of shares held] 1,000

I will improve our personal and sales
abilities to make further use of
managerial resources.

Career summary

1995: Joined the Company

2012: Kagoshima Branch Manager

2015: Fukuoka Branch Manager

2018: Head of Chugoku/Shikoku/Kyushu

Factory Sales Dept. (present)

17 branches

Chugoku/Shikoku block

Yonago Okayama

Fukuyama Ube

Takamatsu Tokushima

Hiroshima

Shunan

Matsuyama

Kyushu block

Fukuoka Kokura

Nagasaki Kumamoto

Oita

Kagoshima Okinawa

(192 employees)

Home Center Sales Dept.



Tokyo
venue

Hiroyuki Hoshino

Head of Home Center Sales Dept.

Born March 14, 1971

47 years old; 26 years 5 months
at Trusco

[No. of shares held] 2,700

I will provide a broad range of products
and services that meet the needs of
physical stores.

Career summary

1991: Joined the Company

2007: Center Manager, Planet Nagoya

2012: Okazaki Branch Manager

2016: Head of Home Center Sales Dept.

(present)

6 branches

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.

(41 employees)

e-Business Sales Dept.



Tokyo
venue

Koichi Ezaki

Head of Mail Order, e-Business
Sales Dept.

Born February 3, 1975

43 years old; 21 years 9 months
at Trusco

[No. of shares held] 2,500

I will improve the formula
"people=sales," which connects
distribution and systems with the aim
of further expansion.

Career summary

1997: Joined the Company

2003: Head of Yokohama Sales Office

2010: Representative Director, Managing

Director of Trusco Nakayama Thailand

2014: Hiroshima Branch Manager

2017: Head of Mail Order, e-Business Sales

Dept. (present)

3 branches

Mail Order Tokyo No.1

Mail Order Tokyo No.2

Mail Order Osaka

(40 employees)

Concurrent



Osaka
venue

Tsuyoshi Tsuchiya

Head of Marketing Dept. & Head of
MRO Supply, e-Business Sales Dept.

Born February 19, 1978

40 years old; 18 years 9 months
at Trusco

[No. of shares held] 3,200

I will further promote electronic
procurement by introducing the new
Orange Commerce.

Career summary

2000: Joined the Company

2007: Head of PR Section

2012: Yokkaichi Branch Manager

2016: Head of MRO Supply, e-Business

Sales Dept.

2019: Head of Marketing Dept. & Head of

MRO Supply, e-Business Sales Dept.

(present)

2 branches

MRO Supply Tokyo

MRO Supply Kobe

(15 employees)

Overseas Dept.



Tokyo
venue

Kiyonori Unto

Head of Overseas Dept.

Born February 9, 1962

56 years old; 31 years 1 month
at Trusco

[No. of shares held] 5,100

We will enter a new phase, as we start
to achieve consolidated results and
the new building in Indonesia is
completed.

Career summary

1986: Joined the Company

1996: Head of Fukui Sales Office

2011: Head of Factory Sales Dept. (East)

2013: Head of Overseas Dept. (present)

Overseas Sales Section

*Overseas subsidiary service center

(12 employees: incl. 6 staff on loan)

*Overseas subsidiaries Officer in charge at Trusco Nakayama Corporation: Tadahisa Yabuno (38 employees in total)

TRUSCO NAKAYAMA
CORPORATION (THAILAND) LIMITED.

Capital: 390 mn. baht

(approx. 1.3 bn. yen)

Auditor: Kiyonori Unto

(3 staff on loan, 18 local staff)



Noboru Yasui
President

PT.TRUSCO NAKAYAMA
INDONESIA

Capital: 378.8 bn. rupiah

(approx. 3.2 bn. yen)

Auditor: Kiyonori Unto

(3 staff on loan, 14 local staff)



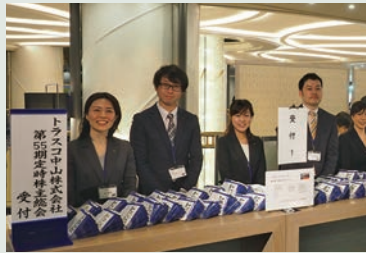
Mitsugu Okumura
Representative
Director & President

Voting Right Exercise Methods

There are three methods to exercise your voting rights.

A By attending the Meeting

Please present the enclosed Voting Form to the reception.



[Date and time of the Meeting]
March 8 (Friday), 2019
10:00 a.m.
(reception starts at 9:00 a.m.)

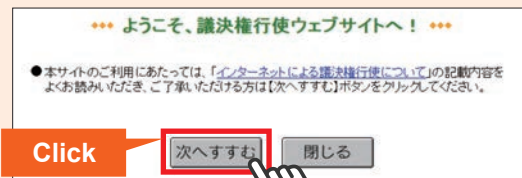
← Please bring the form WITHOUT separating the right section.

B Via the Internet

To exercise your voting rights via the Internet, please access the website specified by the Company and exercise your rights by following the instructions on the screen.

[Time limit for the exercise of voting rights]
March 7 (Thursday), 2019
5:30 p.m.

1. Access the website for exercising voting rights.

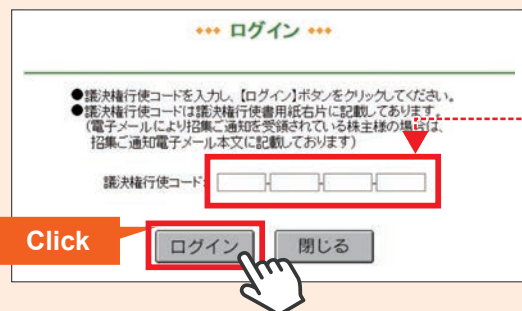


Website for exercising voting rights:
<https://www.web54.net>

If using a smartphone, you may also access the site from the code on the right.



2. Log in.



The "Code for the Exercise of Voting Rights" and the "Password" indicated in the enclosed Voting Form are required.

3. Enter a new password on the next screen and enter "For" or "Against" according to the instructions on the screen.

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., excluding year-end and New Year's holidays)

C By post

If exercising your voting rights by post, please indicate your vote "For" or "Against" for each proposal on the Voting Form, tear off the right section along the perforation, hide your personal information using the sticker, and post the Form.

Please enter here and post.

[Time limit for the exercise of voting rights]
March 7 (Thursday), 2019
5:30 p.m. (latest arrival time)

* When attending the Shareholders' Meeting, do not post the Voting Form but bring it to the venue of the Meeting.

How to Fill in the Voting Form

Please enter your vote for each proposal by referring to pages 31 to 40 for the details of the proposals.

議 決 権 行 使 書

株主番号 議決権行使個数 個

トラスコ中山株式会社 御中

私は、平成31年3月8日開催の貴社第56期定時株主総会（継続会又は延会を含む）における各議案につき、右記（賛否を○印で表示）のとおりに議決権を行使します。

平成31年 月 日

各議案につき賛否の表示をされない場合は、賛成の表示があったものとして取扱います。

トラスコ中山株式会社

議案	第1号議案	第2号議案	第3号議案 (下の候補(表を除く))	第4号議案	第5号議案
賛否表示欄	賛	賛	賛	賛	賛
	否	否	否	否	否

**Circle “賛(For)” if you agree.
Circle “否(Against)” if you disagree.**

インターネットと書面両方で議決権行使された場合は、インターネットを有効とします。
株主総会にご出席の際は、この用紙の右片を切離さずにそのまま会場受付にご提出ください。

お 願 い

1. 株主総会にご出席願えない場合は、この議決権行使書用紙に賛否を○印で表示してください。

Attention: ⚠

- If you do not indicate your vote for each proposal, your votes will be treated as **affirmative** votes.
- Your vote will be **invalid** if you circle both “賛(For)” and “否(Against).”

(Correct) (Incorrect)

第1号議案 第1号議案

賛 否

トラスコ中山株式会社

Voting on the Day

Based on the idea that it is important to judge “For” or “Against” after seeing the presentations, discussions, persons, etc. on the day of the Meeting, we hand voting forms to the shareholders. We aggregate the results of the votes by our shareholders on the day of the Meeting and disclose them in the notice of resolution or extraordinary reports.

投票書 0001

トラスコ中山株式会社 株主総会 議決権行使書

私は、平成31年3月8日開催の貴社第56期定時株主総会（継続会又は延会を含む）における各議案につき、右記（賛否を○印で表示）のとおりに議決権を行使します。

平成31年 月 日

各議案につき賛否の表示をされない場合は、賛成の表示があったものとして取扱います。

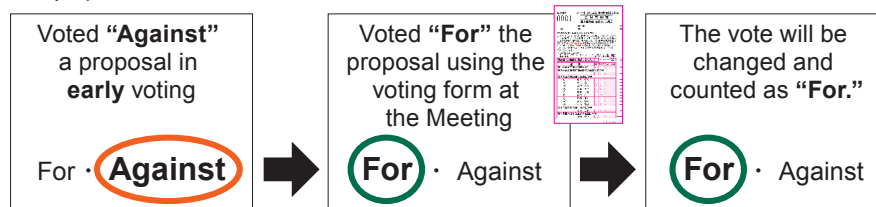
トラスコ中山株式会社

議案	第1号議案	第2号議案	第3号議案 (下の候補(表を除く))	第4号議案	第5号議案
賛否表示欄	賛	賛	賛	賛	賛
	否	否	否	否	否

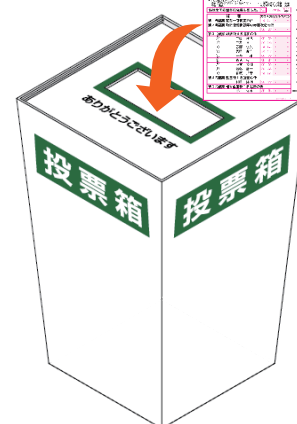
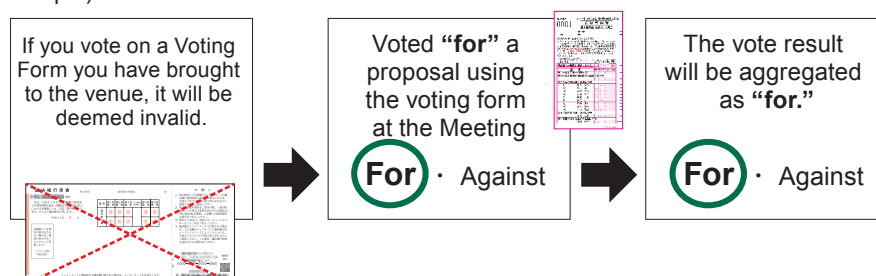
Voting form at the Meeting

Relationship between Prior Voting and Voting on the Day

1. If voting early via the Internet (refer to B on page 8) and attending the Meeting (Example)



2. If attending the Meeting without voting early (Example)



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 concerning the President by shareholders who have heard the business report and Q&As to be an important evaluation indicator of the President as the “OJS on the President.” The results will be posted on the notice of resolution on the Company’s website on March 11 (Monday), 2019 after the closing of the Meeting. The results of the “OJS on the President” for the previous period (55th Period) are presented on page 33.

(Attachment) Note: Figures are rounded to the nearest unit.

Business Development and Results

Results for the 56th period (Year ended December 31, 2018)

Sales 214,297 million yen
Year on year +9.8%

Gross profit margin 21.2%
Year on year Unchanged

SG&A expenses ratio 14.5%
Year on year +0.6 points

Operating income 14,364 million yen
Year on year +0.6%

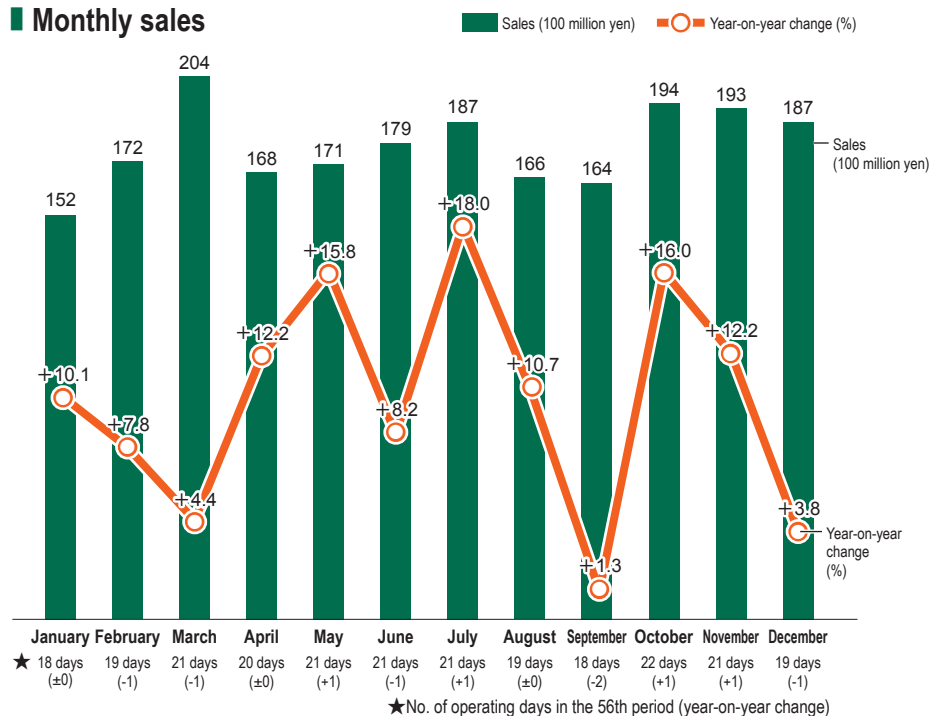
Ordinary income 14,642 million yen
Year on year +0.4%

Net income 9,722 million yen
Year on year -4.4%

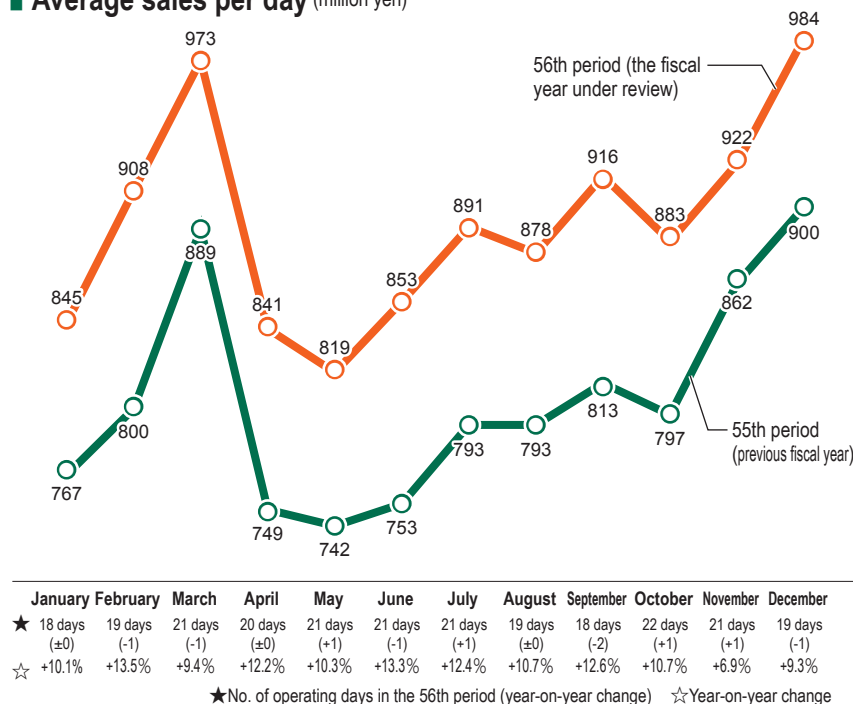
Net income per share 147.44 yen
Increase/Decrease -6.84 yen

Dividend per share 37.00 yen
Increase/Decrease -2.00 yen

Monthly sales



Average sales per day (million yen)



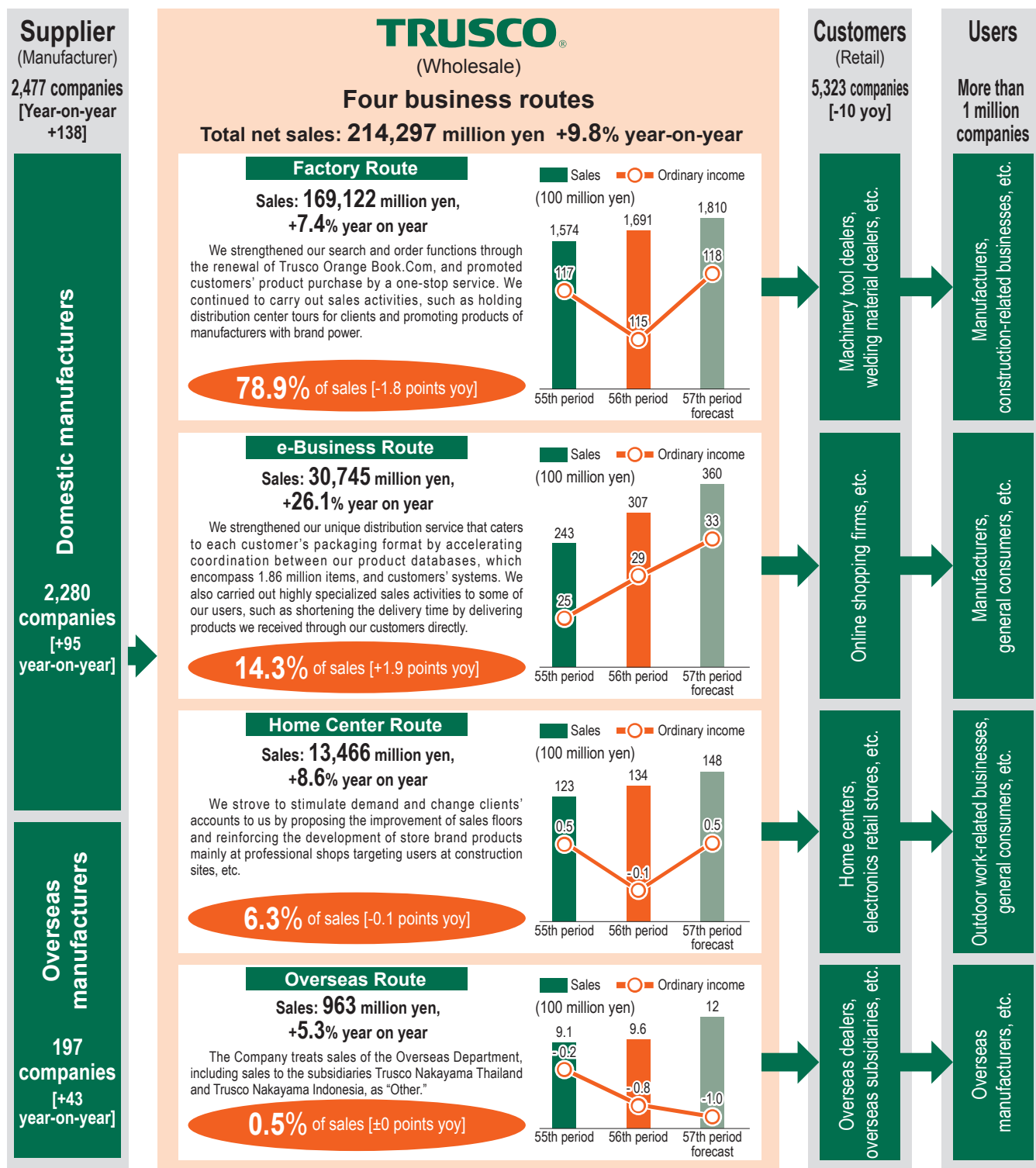
During the fiscal year under review (January 1, 2018–December 31, 2018), the Japanese economy saw flat growth in companies' production activities in general, due to high levels of capital investment by companies on the back of labor-saving efforts owing to labor shortage as well as IoT, despite heightened uncertainties due to the impact of multiple natural disasters and the developments of the U.S. trade policy.

In the field of *monozukuri*, or manufacturing, in Japan, corporate earnings remained stable due to a rise in expectations toward demand for restoration from the aforementioned natural disasters, despite capital investment in semiconductor manufacturing equipment and industrial robots appearing to have paused.

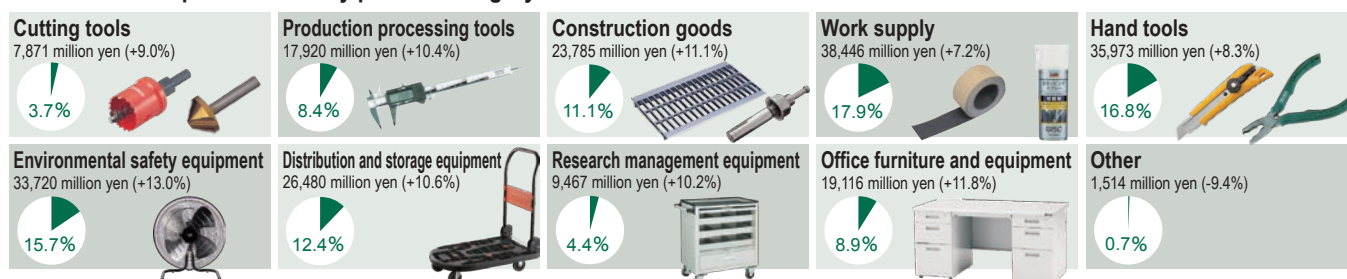
Under these circumstances, Trusco Nakayama continued to make aggressive capital investment to accurately meet the frequent needs of *monozukuri* sites for a wide variety of items in small lots.

Planet Saitama (gross floor area: 12,915 tsubo; inventories in possession: 360,000 items), Trusco Nakayama's largest distribution center which was launched on October 1, 2018, has strengthened the immediate delivery system by introducing cutting-edge distribution facilities, such as an automated warehouse-type picking system, and establishing a unique distribution system to improve the efficiency of distribution work. It has made efforts to improve customers' convenience by increasing the number of items handled and strengthened its inventory enhancement strategically toward the goal of enhancing the number of inventory items of each area, centered around distribution centers, to 520,000 by 2023.

Business Model



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



Business Development and Results

Progress and plan of the Company's important indices

Important indices		55th Period Year ended December 2017 Previous fiscal year	56th Period Year ended December 2018 Fiscal year under review	57th Period Year ending December 2019 Plan Next fiscal year
Product	No. of items handled	1,662,400 items (+233,000)	1,863,100 items (+200,700)	2,350,000 items (+486,900)
	No. of private brand (PB) product items	50,200 items (+4,600)	56,500 items (+6,300)	58,700 items (+2,200)
	Total number of suppliers	2,339 companies (+117)	2,477 companies (+138)	2,587 companies (+110)
	Of which, No. of domestic suppliers	2,185 companies (+76)	2,280 companies (+95)	2,360 companies (+80)
	Of which, No. of overseas suppliers	154 companies (+41)	197 companies (+43)	227 companies (+30)
Distribution	No. of inventory items	336,800 items (+37,900)	374,600 items (+37,800)	384,150 items (+9,550)
	Inventory hit rate (Percentage of deliveries shipped from inventory out of total order intake)	89.5% (+0.7)	89.9% (+0.4)	90.0% (+0.1)
	No. of own delivery trucks	74 (+11)	89 (+15)	105 (+16)
	Percentage of use of own delivery trucks	24.3% (+1.6)	30.4% (+6.1)	35.8% (+5.4)
Sales	No. of customer firms	5,333 companies (- 15)	5,323 companies (- 10)	5,310 companies (- 13)
	No. of customer accounts	27,140 (+813)	26,168 (- 972)	26,700 (+532)
IT	No. of companies connected to Orange Commerce	302 companies (+30)	312 companies (+10)	342 companies (+30)
	No. of factories connected to Orange Commerce	992 (+216)	1,057 (+65)	1,174 (+117)
	Online order intake ratio (Percentage of orders processed in the system out of total order intake)	82.0% (±0)	81.7% (- 0.3)	82.0% (+0.3)
Personnel	Average age (Regular employees)	38.6	38.2	39.0
	Average annual income (Regular employees)	7.15 million yen (+0.4 million yen)	7.01 million yen (-0.14 million yen)	6.77 million yen (-0.24 million yen)
	Of which, average performance-linked bonus payment	0.4 million yen	0.23 million yen	0 yen
	Total no. of employees (incl. part-time staff)	2,568 (+279)	2,719 (+151)	2,845 (+126)
Trusco Orange Book	No. of manufacturers listed	1,572 companies (+112)	1,719 companies (+147)	1,770 companies (+ 51)
	No. of items listed	359,800 items (+47,800)	401,600 items (+41,800)	444,000 items (+42,400)

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

2. Average annual income includes executive officers and excludes financial bonds.

Assets and Profits of the Past 10 Years

Performance indicators

(million yen)

Period Category	47th Period Year ended Mar. 2010	48th Period Year ended Mar. 2011	49th Period Year ended Mar. 2012	50th Period Year ended Mar. 2013	51th Period Year ended Mar. 2014	52th Period Year ended Dec. 2014 (nine-month results)	53th Period Year ended Dec. 2015	54th Period Year ended Dec. 2016	55th Period Year ended Dec. 2017	56th Period Year ended Dec. 2018 (Fiscal year under review)
Sales	99,201	115,477	129,912	132,295	145,882	114,473	166,565	177,053	195,096	214,297
Gross profit margin	20.9%	20.4%	20.4%	20.3%	20.4%	20.9%	21.5%	21.7%	21.2%	21.2%
SG&A	17,036	18,075	18,134	18,451	19,588	15,504	22,788	24,198	27,114	31,127
Operating income	3,745	5,479	8,369	8,356	10,133	8,477	12,976	14,163	14,276	14,364
Ordinary income	3,665	5,378	8,315	8,311	10,078	8,494	13,211	14,433	14,581	14,642
Net income	1,607	2,874	3,933	4,818	5,954	5,474	8,242	9,963	10,173	9,722
Net income per share	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	147.44 yen
Net assets	73,554	75,723	78,541	82,283	87,039	90,917	97,777	105,836	113,680	120,648
Return on equity (ROE)	2.2%	3.9%	5.1%	6.0%	7.0%	6.2%	8.7%	9.8%	9.3%	8.3%
Total assets	88,687	92,857	97,459	100,032	109,738	109,917	120,141	128,044	147,363	170,216
Net assets per share	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	1,829.54 yen
Return on assets (ROA)	4.2%	5.9%	8.7%	8.4%	9.6%	7.7%	11.5%	11.6%	10.6%	9.2%
Capital adequacy ratio	82.9%	81.5%	80.6%	82.3%	79.3%	82.7%	81.4%	82.7%	77.1%	70.9%

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 47th period.

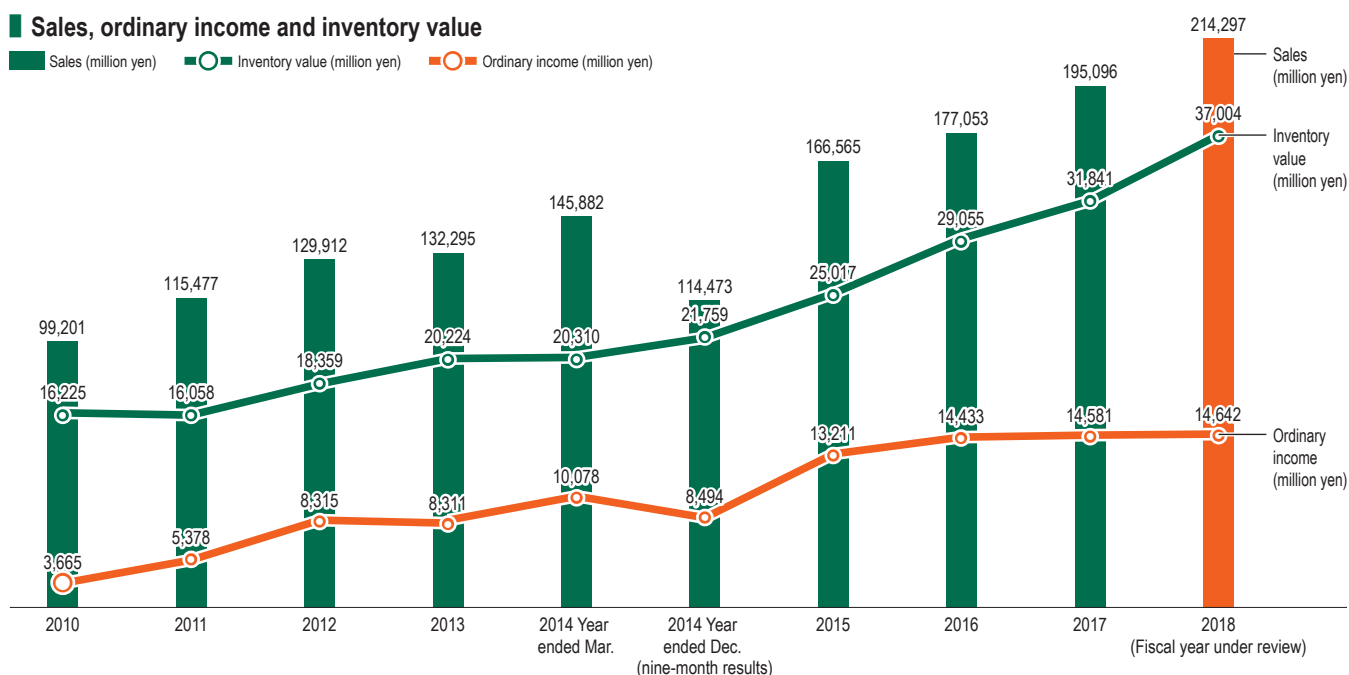
Trend of cash flows

(million yen)

Period Category	47th Period Year ended Mar. 2010	48th Period Year ended Mar. 2011	49th Period Year ended Mar. 2012	50th Period Year ended Mar. 2013	51th Period Year ended Mar. 2014	52th Period Year ended Dec. 2014 (nine-month results)	53th Period Year ended Dec. 2015	54th Period Year ended Dec. 2016	55th Period Year ended Dec. 2017	56th Period Year ended Dec. 2018 (Fiscal year under review)
Cash flows from operating activities	7,132	5,937	3,567	4,486	9,368	3,263	9,336	6,459	8,932	6,928
Cash flows from investing activities	- 1,665	- 8,674	- 3,195	- 5,293	- 5,502	- 4,385	- 5,083	- 7,806	- 16,628	- 18,144
Cash flows from financing activities	- 629	- 662	- 892	- 1,187	- 1,288	- 1,735	- 1,575	- 2,262	7,424	12,492
Balance of cash and cash equivalents at end of period	17,812	14,413	13,893	11,899	14,476	11,618	14,296	10,682	10,412	11,685

Sales, ordinary income and inventory value

■ Sales (million yen) ● Inventory value (million yen) ○ Ordinary income (million yen)



Major Capital Investments during the Fiscal Year under Review

Capital investments during the 56th period

Launch of “Auto Store” at Planet North Kanto

On April 2, we launched Auto Store, an automated warehouse-type picking system at Planet North Kanto. Containers are placed in a limited space at high density and are conveyed by robots.

- Investment: Approx. 480 million yen
- No. of containers: 32,000
- No. of items expected to be stored: 77,800
- No. of conveyor robots: 24
- Storage efficiency improvement: 3.5 times
- Work efficiency improvement: 4 times



Launch of distribution center, Planet Saitama

On October 1, we launched Planet Saitama, our largest distribution center.

- Address: 988-7 Shinmeiuchi Akagi, Saitama City, Saitama
- Site area: 14,297 tsubo
- Floor area: 12,915 tsubo
- Investment: Approx. 20 billion yen (land, building, equipment, supplies)
- No. of inventory items: 360,000 (as of end-Dec.)
520,000 items (during 2023)

Planet Saitama is our first distribution center to have a day nursery and an employee canteen. Cooks, dietitians and nursery staff are also regular employees of the Company.



Day nursery Trukids Saitama



Employee canteen Cherry Blossom

Started internal use of the product search system AI Orange Rescue

On June 1, we started internal use of AI Orange Rescue, a new system that uses AI. It enables users to search from a vast number of products through natural conversation (natural language), as well as narrowing down products when the product name or item number is unknown, using ambiguous words such as usage and characteristics. We will first make the AI learn through internal use and enhance it for customers' use in the future.



Reference Capital investments continued in the 57th period

Planet North Kanto (extension)

- Isezaki City, Gunma
- Site area: 10,000 tsubo
- Floor area: 7,695 tsubo after extension
- Total investment: 1.9 billion yen
- No. of planned inventory items: 500,000
- Extension scheduled for completion in Aug. 2019



Image of completed facility

Planet Tohoku (extension)

- Sendai City, Miyagi
- Site area: 3,905 tsubo
- Floor area: 8,587 tsubo after extension
- Total investment: 7 billion yen
- No. of planned inventory items: 500,000
- Extension scheduled for completion in Nov. 2019



Image of completed facility

Planet South Kanto (reconstruction)

- Isehara City, Kanagawa
- Site area: 3,662 tsubo
- Floor area: 7,885 tsubo after extension
- Total investment: 11.1 billion yen
- No. of planned inventory items: 500,000
- Reconstruction scheduled for completion in May 2020



Image of completed facility

Financing

With the aim of enhancing functions to improve customers' convenience, we financed 10 billion yen through bank borrowings in August 2017 and have made aggressive capital investment. During the fiscal year under review, we financed 15 billion yen through bank borrowings in July 2018 to continue investments in distribution facilities and information systems.

Issues Facing the Company

Forecast for the 57th period (year ending December 2019) and subsequent years

Companies' production activities are expected to remain stable in general due to the expected high level of companies' capital investment on the back of continued labor-saving efforts owing to labor shortages as well as IoT, and to expectations toward demand for restoration from natural disasters. The Company will establish a system that can meet the various needs of the market by aggressively carrying out capital investment toward the expansion of sales.

With regard to the non-consolidated business performance of the next fiscal year, we forecast sales of 233.0 billion yen, operating income of 15.0 billion yen, ordinary income of 15.25 billion yen, and net income of 10.3 billion yen. The Company's sales budget is based on declarations from branch managers.

Non-consolidated business performance	56th Period Year ended Dec. 2018 Fiscal year under review	57th Period Year ending Dec. 2019 Budget	58th Period Year ending Dec. 2020 Expectation
Sales	214,297 million yen (+9.8%)	233.0 billion yen (+8.7%)	253.0 billion yen (+8.6%)
Gross profit margin	21.2%	21.2%	21.1%
SG&A	31,127 million yen (+14.8%)	34.3 billion yen (+10.2%)	37.0 billion yen (+7.9%)
Operating income	14,364 million yen (+0.6%)	15.0 billion yen (+4.4%)	16.5 billion yen (+10.0%)
Ordinary income	14,642 million yen (+0.4%)	15,250 million yen (+4.2%)	16,750 million yen (+9.8%)
Net income	9,722 million yen (-4.4%)	10.3 billion yen (+5.9%)	11.3 billion yen (+9.7%)
Net income per share	147.44 yen (-6.84 yen)	156.19 yen (+8.75 yen)	171.35 yen (+15.16 yen)

*Figures in brackets indicate year-on-year change.

Following the transition to consolidated results starting the fiscal year ending December 2019, we will disclose performance including the performance of subsidiaries on other routes. The full-year consolidated performance forecasts are sales of 233,294 million yen, ordinary income of 15,179 million yen, net income of 10,254 million yen, net income per share of 155.49 yen, and annual dividends of 39 yen.

Strategies for sustainable development



Product Strategy

We will improve our product supply ability by further expanding our industry's largest product lineup (approx. 370,000 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 by 2023 to further accelerate delivery.



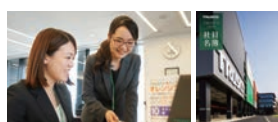
Sales Strategy

In addition to expanding the number of items handled and the number of inventory items, we will make efforts mainly in the use of Trusco Orange Book, our paper catalog, and Trusco Orange Book.Com, our digital catalog, to increase customers' business opportunities.



IT Strategy

We will continue to make aggressive investments to reinforce our IT capability, such as the introduction of AI, in order to establish ourselves as the company that offers the greatest convenience in the industry.



Human Resources Strategy

We will carry out thorough job rotation so that employees can adapt to any kind of job, and improve the quality of individual work as well as creating an environment where employees can work for many years.

■ Takashi Nakai Senior Managing Director & Assistant to President



[Initiatives in the 57th period] Establish a foundation for the future!

This year's keyword: *Katsuyo* (utilization)

活用

The future is not promised by investments alone, but will open up only when investments are utilized. I intend to create the future with all of my wisdom without being content with a privileged environment.

1 Become a stronger company under a new organization

We have been continuing aggressive capital investment in distribution, inventory and information systems ahead of a new stage.

In order to clarify the responsibilities toward investments, we have promoted the Information Systems Department to a Division, and have reformed the organization to a five-division system starting January 2019.

We will make aggressive efforts to tackle medium- to long-term issues based on this organization.

- Promoted the Information Systems Dept. to a Division -> A five-division system
- Maintained the speed of management by directly linking the five division heads and the president.
- All division heads are directors* = Grow by working hard together
Resolute determination (one year in service)

*Assuming election of the five heads at the Meeting.

Tetsuya Nakayama
President

(60 yrs old)

Takashi Nakai
Senior Managing Director
Assistant to President

(64 yrs old)

Tadahisa Yabuno
Managing Director
Head of Sales Division

(56 yrs old)

Shinsaku Miyata
Executive Officer
Head of Product Division

(54 yrs old)

Kazuo Nakai
Executive Officer
Head of Corporate Management
Division

(49 yrs old)

Atsushi Kazumi
Executive Officer
Head of Information Systems
Division

(48 yrs old)

Hideki Naoyoshi
Executive Officer
Head of Distribution Division

(47 yrs old)

2 Utilize "checks" toward new challenges

- It is indispensable to check the outlook and effects of investments.
- Utilize checks and raise awareness toward linking investments with the next challenge.

P — D — C — A
(Plan) (Do) (Check) (Action)



P — D — C — C
(Plan) (Do) (Check) (Challenge)

Distribution equipment introduced at Planet Saitama (launched Oct. 2018)



Bucket automated warehouse



SAS (Systema Streamer)
High-speed binding device

3 As Assistant to President

- Responsibility as a director = Efforts to strengthen the Company's functions
- Alleviate the work of the busy president
- Strengthen relations with clients
- Carry out enlightenment activities to revitalize human resources



Trusco Tokyo Head Office visit (May)



Second quarter results presentation (August)



Tadahisa Yabuno Managing Director & Head of Sales Division

[Initiatives in the 57th period] Expand the market by All Trusco

This year's keyword: *Shinnen* (belief)

真念

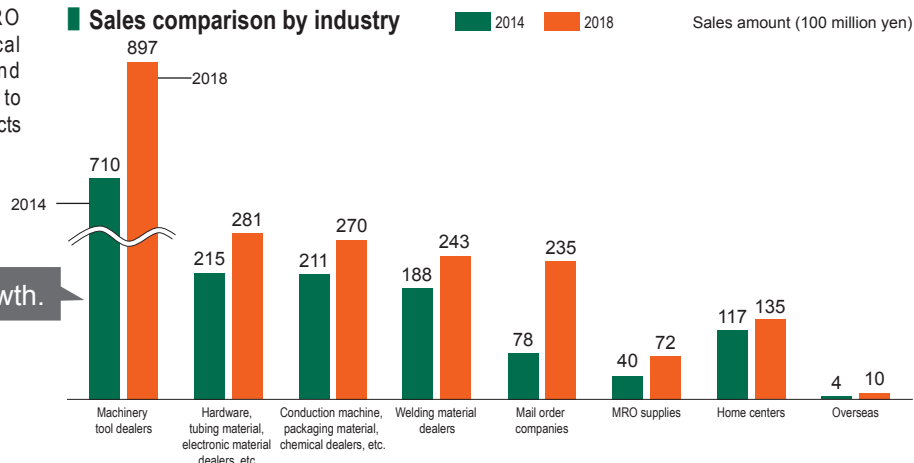
Put colleagues first. Be brave to choose the path that should be taken. Make judgments based on faith and not on self-protection. Live each day to the fullest and without regrets. I hope Trusco will be such a company. I hope to be such a person.

By using our functions, sales agents will be able to deliver products quickly, leading to increased sales. I believe this will also lead to the improvement of users' convenience and the expansion of the market.

1 Strengthen our structure to be able to respond to any area, either physical or online

We will respond to a wide range of MRO (sub-material) needs of retailers, from physical businesses such as manufacturing lines and construction sites that require products "now," to online and overseas businesses that require products by "tomorrow."

Sales comparison by industry



All industries have seen growth.

Index of sales with sales in 2014 as 100

Sales of the core factory route account for 80% of total sales.

Route		Fiscal period	2014	2015	2016	2017	2018	2018 sales (100 mn. yen)	yoy change (%)	Share (%)
Factory			100	105	109	118	127	1,691	+7.4	79.3
e-business	For mail order companies		100	135	176	233	301	235	+29.0	14.4
	MRO supplies		100	106	128	154	181	72	+17.5	
Home centers			100	97	102	105	114	135	+8.6	6.3
All companies (excl. overseas)			100	106	113	124	137	2,133	+9.9	100.0

Sales of the growing e-business route tripled over the last five years.

2 Expand the market of customers by offering a one-stop service.

(1) Measures to increase sales of product categories with room for growth

- Enhance product inventory
- Conduct promotional activities through Trusco Orange Book.Com
- Encourage employees' acquisition of product knowledge

No. of qualified employees	2017	2018	Total
Class 1 certified specialist of pneumatic device assembly	0	9	9
Class 2 certified specialist of pneumatic device assembly	15	146	161

(2) Strengthen links with systems

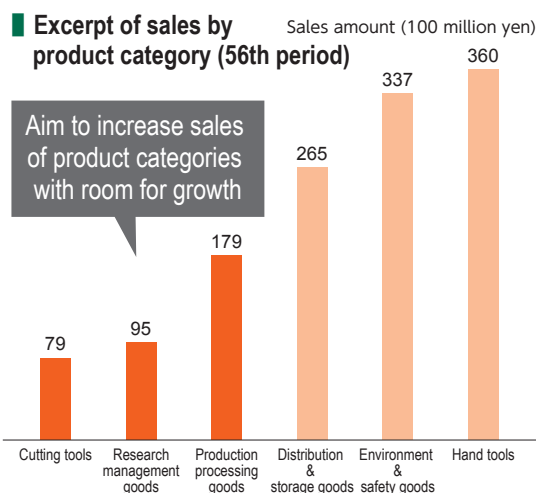
- Improve the rate of system order intake

● Target: 90% from 81.7% as of December 31, 2018

- Encourage the use of Trusco Orange Book.Com subscriber service

● The work of sales agents will be reduced if users request quotes, request orders, and inquire on inventory through Trusco Orange Book.Com.

Excerpt of sales by product category (56th period)



Aim to increase sales of product categories with room for growth



Shinsaku Miyata Executive Officer & Head of Product Division

[Initiatives in the 57th period]

Aim for earnings expansion and social contribution through product line-up

This year's keyword: *Kibin* (agile)

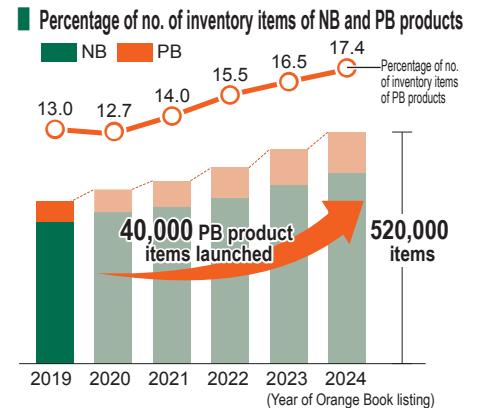


Carefully look for opportunities, make the optimal judgment, and take action immediately. I hope to be "agile" in responding to changes in the environment surrounding the Company, the minds of customers and suppliers, and the mentality of colleagues.

1 Accelerate the development of private brand (PB) products

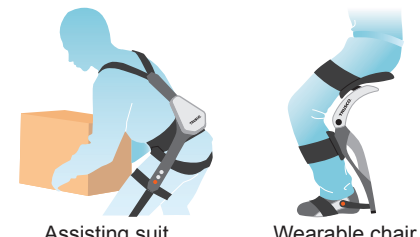
- (1) Reconstruct the basic balance between national brand (NB) products and private brand (PB) products (five-year plan).
- (2) Make detailed enhancements in the product groups that support the improvement of profitability.
- (3) Offer volume services, such as small portions, by the internal processing of distribution.

Year of Orange Book listing	2019	2020	2021	2022	2023	2024
No. of inventory items listed	365,000	390,000	410,000	440,000	480,000	520,000
No. of PB inventory items (yoy)	47,600 (+5,600)	49,600 (+2,000)	57,600 (+8,000)	68,600 (+11,000)	79,600 (+11,000)	90,600 (+11,000)



2 Full-scale use of Trusco Universal Design (TUD)

- (1) Promote the development of functional assistance devices as measures against the aging of manufacturing workers.
- (2) Propose new values of "universal" in the concept of *monozukuri*.
- (3) Create an environment of social contribution through joint development with more than 2,400 suppliers.



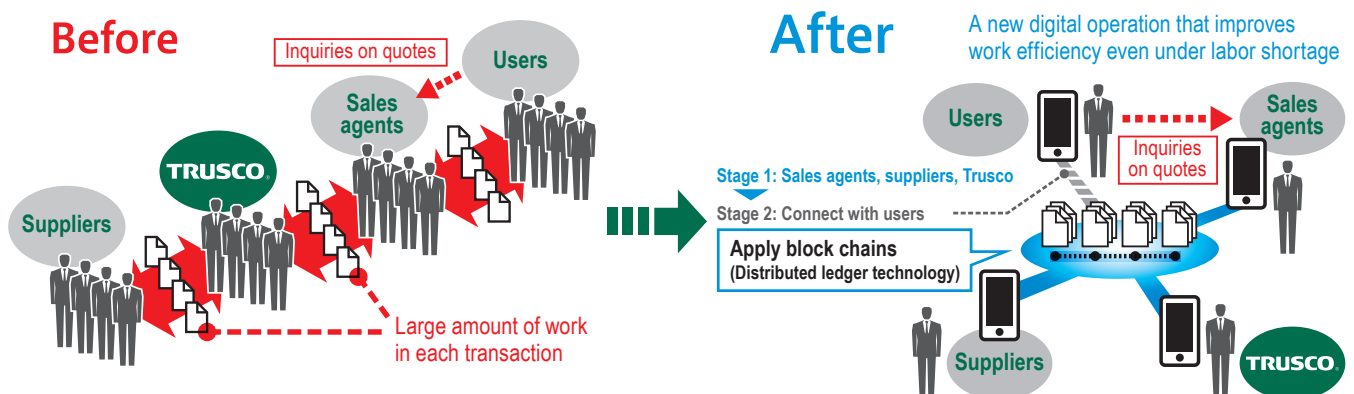
Assisting suit

Wearable chair

*Images

3 Create an environment for the introduction of a new industry platform

- (1) Propose a new mechanism that links suppliers and Trusco, and Trusco and customers, applying block chain technologies, etc.
- (2) Automate the conventional work process, establish a research group for improving the efficiency of the overall industry, and play a leading role.



4 Full-scale offering of product search using AI

Product search and guidance chat functions will be available on smartphones (scheduled in June 2019).



What are you looking for today?

I'm looking for a helmet for women.

There are 41 hits.
What kind of site is it intended for?

An outdoor construction work site.



*Image of a chat



■ Kazuo Nakai Executive Officer & Head of Corporate Management Division

[Initiatives in the 57th period]

Improve corporate value and aim to become a more attractive company

This year's keyword: *Enjin* (huddle)



This year marks our 60th anniversary and the start of our new five-division organizational structure. This year I will strive to act toward achieving targets by understanding what must be done in each position and forming a strong *enjin* (huddle) with everyone.

1 Initiatives in personnel strategies toward continuous corporate growth

- (1) I will strive to acquire personnel with creative ideas for future growth.
- (2) I will carry out unique personnel education by making the most of trainings in which senior employees serve as instructors.
- (3) I will allocate the right employees in the right jobs so as to accelerate growth.
- (4) I will continue to enhance the personnel system under which employees can work with peace of mind, and create a system that will also lead to workstyle reforms.

■ Trusco Nakayama's unique personnel system (excerpts)

Happy Sunday Program (since 2002)

Employees posted away from their families are allowed to come to work from their family's home on Monday morning. This is a happy program that allows them to spend Sunday night with their family.

Lovebird Transfer Program (since 2005)

Job relocations have basically been accompanied by family members since 15 years ago. If a spouse's job is relocated, whether internally or externally, employees are allowed to apply for a job transfer to their preferred area.

Welcome Back Program (since 2014)

Those who have resigned due to child/elder care or fertility treatment but wish to work at Trusco in the future can be re-employed within up to 10 years by registering.

Trusco New Staff Support Program (since 2016)

In order to assist with personal preparation costs for starting a career, Trusco provides 200,000 yen to those who require a house move and 100,000 yen to those commuting from home, one month before they start work.

▶ Details of the programs are described on page 26.

2 Measures for corporate PR and improving recognition

- (1) We will make the most of the TV program *Shirarezaru Gulliver* and TV commercials in our PR and hiring activities. We will also utilize them to expand our areas of business with our clients and build a strong relationship with them.
- (2) We will increase opportunities for connecting with shareholders and clients through site visit tours and seminars, and continue to carry out open and straightforward IR activities.
- (3) We will make use of the Porter Prize, which we were awarded for our unique management strategies, in our PR and hiring activities.

A program that expresses our commitment to give confidence and energy to Japan



Dec. 6 Porter Prize awarding ceremony
Professor Kazuo Ichijo, Hitotsubashi ICS (right)



A prize awarded to Japanese companies that have succeeded in competition with unique strategies
Host: Hitotsubashi ICS

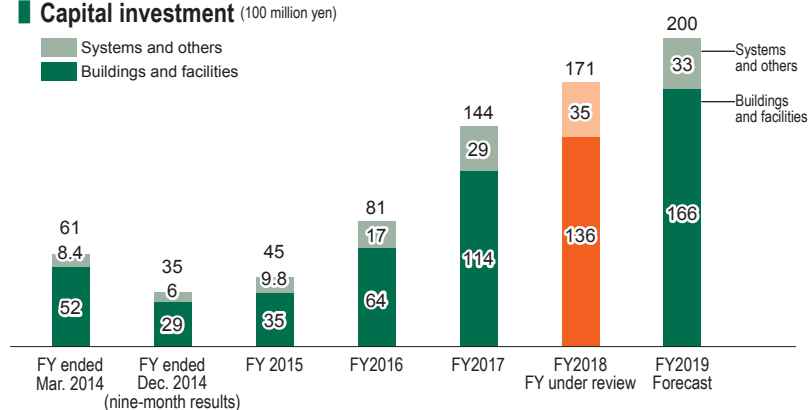
3 We will create new history from our 60th anniversary toward our 100th anniversary.

- (1) We will imagine the future and act based on the assumption that there is no future that is an extension of the past.
- (2) We will respond to globalization and equip ourselves with the strength to take on challenges and the ability to solve problems even in situations where change is severe.
- (3) We will continue to make capital investment in infrastructure necessary for continuous growth and lead it to earnings improvement.



■ Capital investment (100 million yen)

■ Systems and others
■ Buildings and facilities





■ Atsushi Kazumi Executive Officer & Head of Information Systems Division

[Initiatives in the 57th period]

Aim for the highest convenience in the industry in systems

This year's keyword: *Mirai shiko* (future-oriented)



These are times when most of the things we imagine can be realized. I hope to sketch many exciting ideas and make this a vibrant year.

1 Strengthen system coordination functions to improve customers' convenience

We will establish a system that aims to optimize the entire supply chain including our customers as a backyard of business.

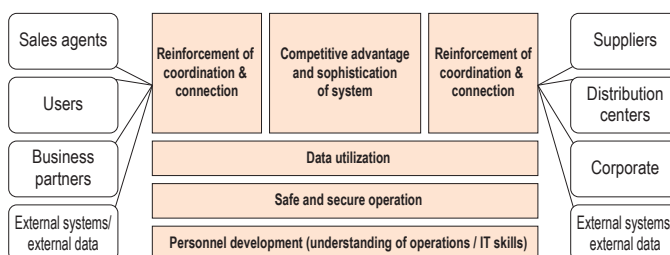
● Establish a more convenient "Trusco Consent"

We will reinforce varied system coordination and connection, such as EDI (electronic data interchange) and the web, that meet the needs of customers.

● Promote the use of more diverse "Trusco Information (Data)"

We will propose a scheme that allows our customers more advanced use of information assets, such as product data and inventory data, that we possess.

■ Initiatives of the Information Systems Division (concept chart)



2 Sophisticated system development using the latest technology

We will seek to improve the quality of work by utilizing AI (artificial intelligence) and RPA (robotic process automation) and establish our own IT service.

● AI quote system

50,000 quotes everyday -> An automated quote system using AI

● Digital MRO stocker

Stocked tools, a system that enables users to use our inventory any time

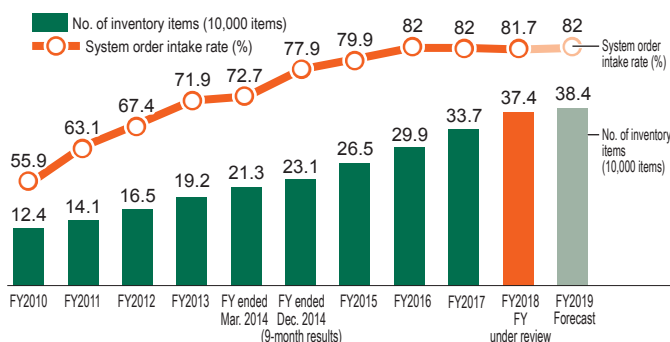
● Real-time delivery status app

A smart app that notifies in real time when the product will be delivered

3 Support business with stable system operation

With the percentage of automated order intake by the system rising each year, systems are supporting business.

■ Percentage of order intake by the system and the number of inventory items



Trusco's major systems



Data center Solmare

We have set up a room in the Tokyo Head Office dedicated to systems to prepare for earthquakes and blackouts, and operate them internally.



"paradise," which supports order intake and accounting

An order and accounting system that supports a daily intake of 150,000 orders



"TRULOGIS," which manages warehouse operations

A distribution system that supports 160,000 daily receipts, shipping and warehouse operations



"Trusco Orange Book.Com," enabling online order intake

An EC site with 480,000 monthly users, handling 1.66 million items



"Sterra," integrated management of all product data

A database that manages the data of 1.86 million products



Hideki Naoyoshi Executive Officer & Head of Distribution Division

[Initiatives in the 57th period] Strengthen distribution functions by trying all possible means

This year's keyword: *Shinjitsu Banro* (seeking the truth)



There is nothing more convenient than being able to provide all of the vast types of pro tools that the market requires. We cannot stop distribution, a lifeline, under any circumstances. This year I hope to pursue the "truth" by trying out all possible means.

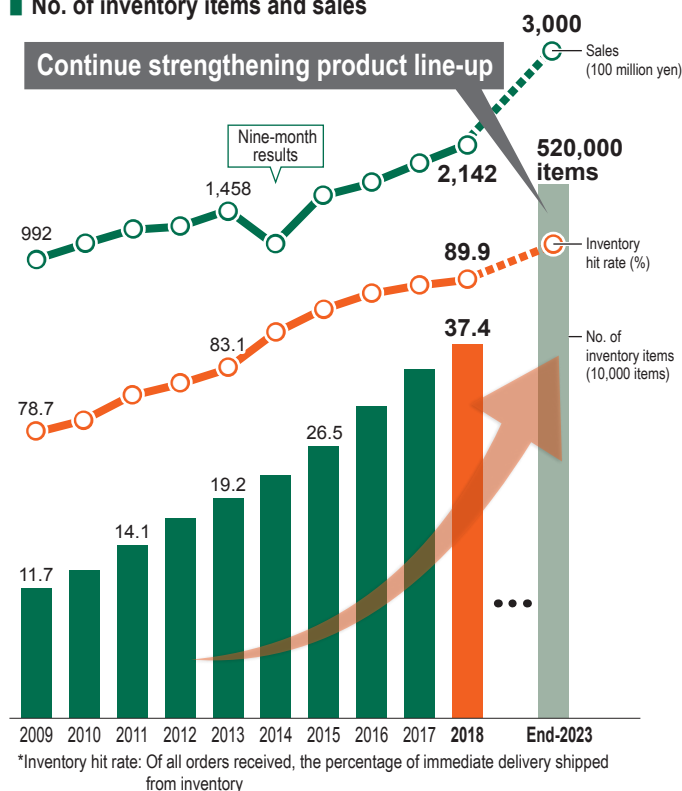
1 Inventory enhancement and the improvement of inventory hit rates are the growth engine.

We will strive for immediate delivery and to improve customers' convenience by carrying as varied pro tools listed on Trusco Orange Book as possible as inventory at each distribution center.

<Measures>

- Strengthen distribution centers' ability to carry inventory
- Establish a distribution center specializing in stocking functions

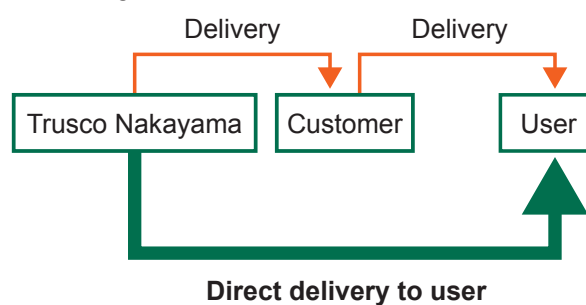
No. of inventory items and sales



2 Strengthen functions of delivering directly to users

We will shorten the lead time of delivering products to end users as much as possible.

<Flow of goods>



(Background)

- Pursuit of reduction of delivery costs and further reduction of delivery time
- A chronic shortage of labor

A major distribution issue at monozukuri sites

Aiming to solve this issue is also our important mission.

<Measures>

- Install automated packaging lines at major distribution centers nationwide
- Respond to customers' varied transportation needs, such as delivery and direct shipment



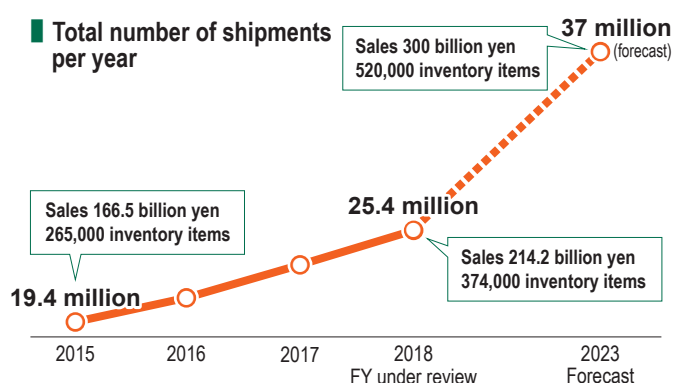
Complete automation of packaging

Automatic packaging machine I-Pack®
Processing capacity: 720 items/hour (at one line)
(Approx. 24 times the productivity of manual packaging)

3 Preparations in view of distribution in the near future

We will seek to continuously strengthen the distribution system and the operational level.

Total number of shipments per year



<Measures>

- Strengthen shipping abilities
- Make the most of automation technologies
- Develop logistics employees (job specializing in distribution)



Auto Store



Picking robot

Reference Trusco Nakayama as seen from outside directors

Q How do you view Trusco's governance system?

A I think Trusco is making its utmost efforts to be a responsible company. There are regular opportunities for dialogue with major clients. In addition, the company carries out thorough information disclosure to its shareholders through convocation notices and its website, and encourages facility visits. The company's issues are discussed at the monthly Management Committee by all directors and department heads. The disclosure of the minutes of the meetings to all employees is proof of transparency. Most of all, the company's workplace is always filled with laughter, which I think signifies fairness.

Q What are the issues of the 57th period?

A One of the important issues is measures to improve productivity and the optimal allocation of personnel in accordance with their achievements. Investments are made in distribution systems and IT for continuous growth, and personnel are hired accordingly. The improvement of the awareness of each individual and a review of the work process are constantly required, and personnel allocation with wide mobility aiming to maximize the productivity of the entire company will become important.

Career summary

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 (present)



Kenichi Saito
Outside Director

Attendance at Board of Directors' meetings
100% (11/11 meetings)

Q How do you view our Management Committee?

A At the beginning of each monthly Management Committee, President Nakayama states his opinions on business issues and current affairs of the past month. His comments are truly virtuous and are mostly in accordance with the company's management philosophy. Through the meeting, they have a significant positive effect on the code of conduct of directors, executive officers, and other members of senior management. Furthermore, the participants discuss investment projects, strategies and tactics between themselves in a straightforward manner, with a common sense of mission of whether such investments, etc. would be useful to customers.

Q Please tell us your overall evaluation of the 56th period.

A The 56th period was a year of strategic investment to achieve further growth of the company. In particular, Planet Saitama, which started operation in October 2018, was a large investment that will go down in the history of the company. Although this strategic investment has led to some decrease in profit, I believe that the increase in sales from the previous year amid a somewhat unfavorable business environment surrounding the manufacturing industry of customers was due to the underlying strength that is required of a specialized trading company.

Career summary

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)
June 2018: President of Toyo Heisei Polymer Co., Ltd. (present)



Kuniaki Hagihara
Outside Director

Attendance at Board of Directors' meetings
99% (10/11 meetings)

The 56th Period Management Committee

You can watch a video of the activities of the outside directors from this code.



Reference Map of sales & distribution locations

Number of locations

98

Establish a distribution
immediate delivery





Distribution centers	Stock centers	Head offices	Branches
17	5	2	74

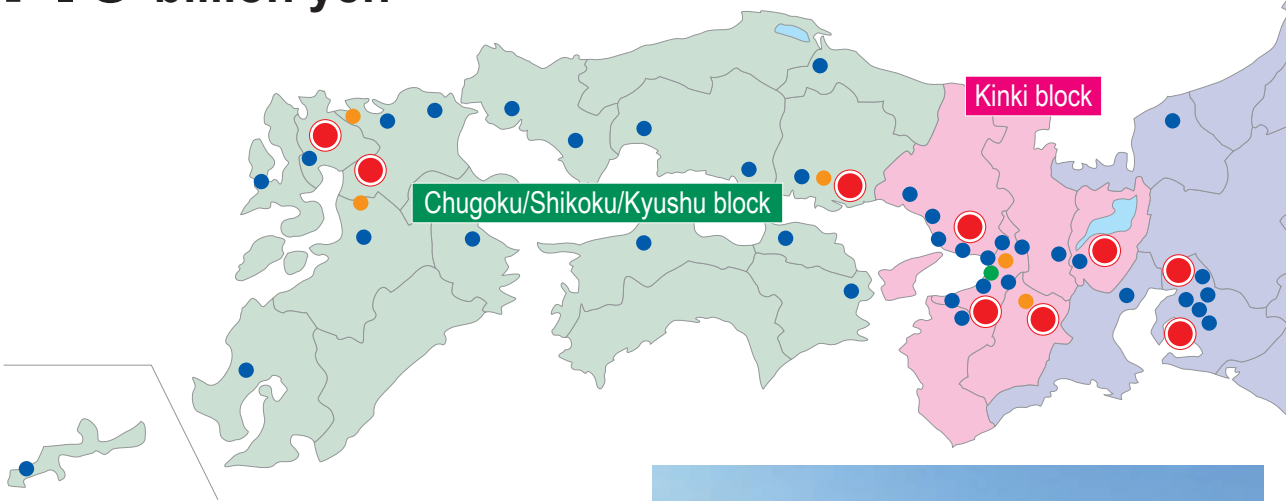
No. of inventory items

370,000

Total inventory value

37.0 billion yen

-  Distribution center
-  Stock center (storage of bulk purchase inventory, etc.)
-  Head office
-  Branch

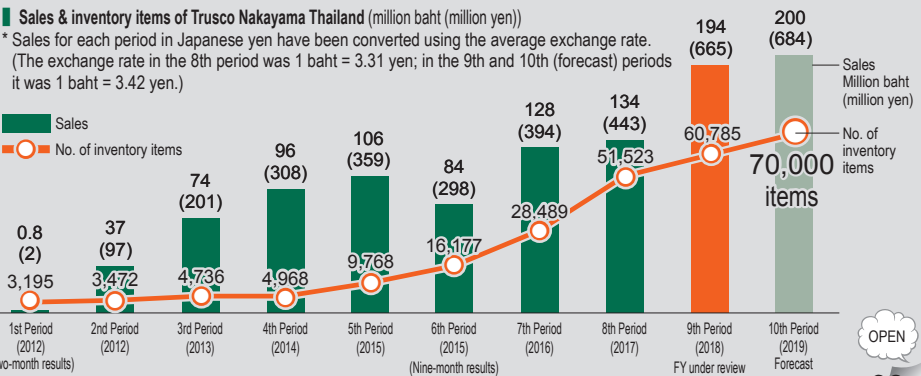


TRUSCO THAILAND Trusco Nakayama Thailand

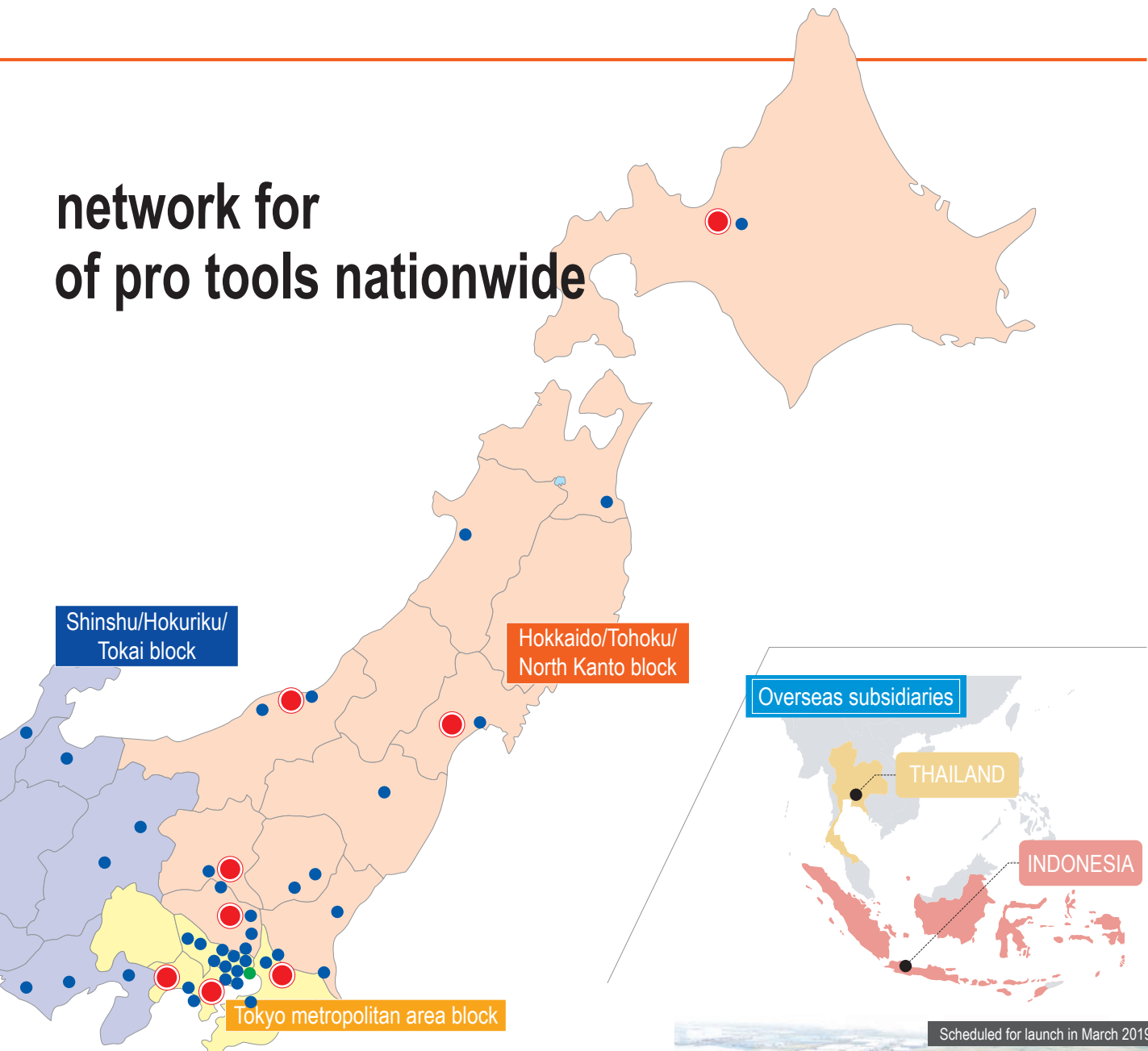
Since its founding in 2010, this subsidiary has continued to expand its sales to Japanese dealers and to major local dealers. It is making efforts to spread the Thai and English versions of Trusco Orange Book Junior and increase its number of inventory items with the aim of becoming a company that is indispensable to Thailand's *monozukuri*.

Company overview

- Trade name: TRUSCO NAKAYAMA CORPORATION (THAILAND) LIMITED.
- President: Noboru Yasui
- Executive in charge at Trusco Nakayama Corporation: Tadahisa Yabuno
- Auditor: Kiyonori Unto
- Capital: 390 mn. baht (approx. 1.3 bn. yen)
- No. of employees: 21 (incl. 3 from Trusco Nakayama Corporation)
- Established: September 2010
- Site area: 3,310 tsubo (1 tsubo = 3.3 sqm)
- Floor area: 1,431 tsubo
- No. of inventory items: 60,785
- Inventory value: 490 million yen
- Capital investment amount: Land 230 mn. yen / building 200 mn. yen, etc.



network for of pro tools nationwide



TRUSCO INDONESIA Trusco Nakayama Indonesia

As time and effort are required for importing into Indonesia, our inventory, distribution infrastructure and accurate deliveries offer significant advantages to Japanese companies doing business in the country. We will continue to contribute to *monozukuri* in Indonesia, which is set to accelerate on the back of domestic demand from 250 million people.

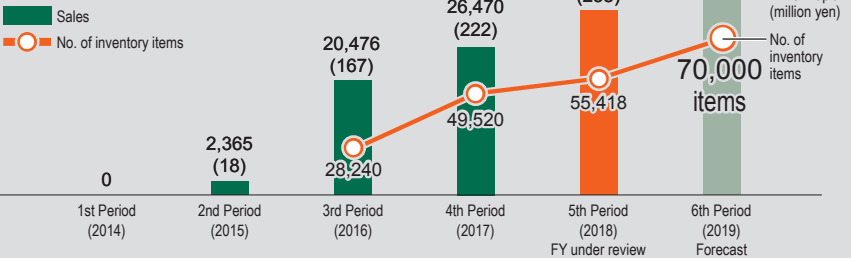
Company overview

- Trade name: PT.TRUSCO NAKAYAMA INDONESIA
- President: Mitsugu Okumura
- Executive in charge at Trusco Nakayama Corporation: Tadahisa Yabuno
- Auditor: Kiyonori Unto
- Capital and capital surplus: 378.8 bn. rupiah (approx. 3.2 bn. yen)
- No. of employees: 17 (incl. 3 from Trusco Nakayama Corporation)
- Established: January 2015
- Site area: 4,894 tsubo (1 tsubo = 3.3 sqm)
- Floor area: 3,155 tsubo
- No. of inventory items: 55,418
- Inventory value: 330 million yen
- Planned capital investment amount: Land 1.0 bn. yen* / buildings 0.75 bn. yen, etc.

*Land has already been purchased.

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

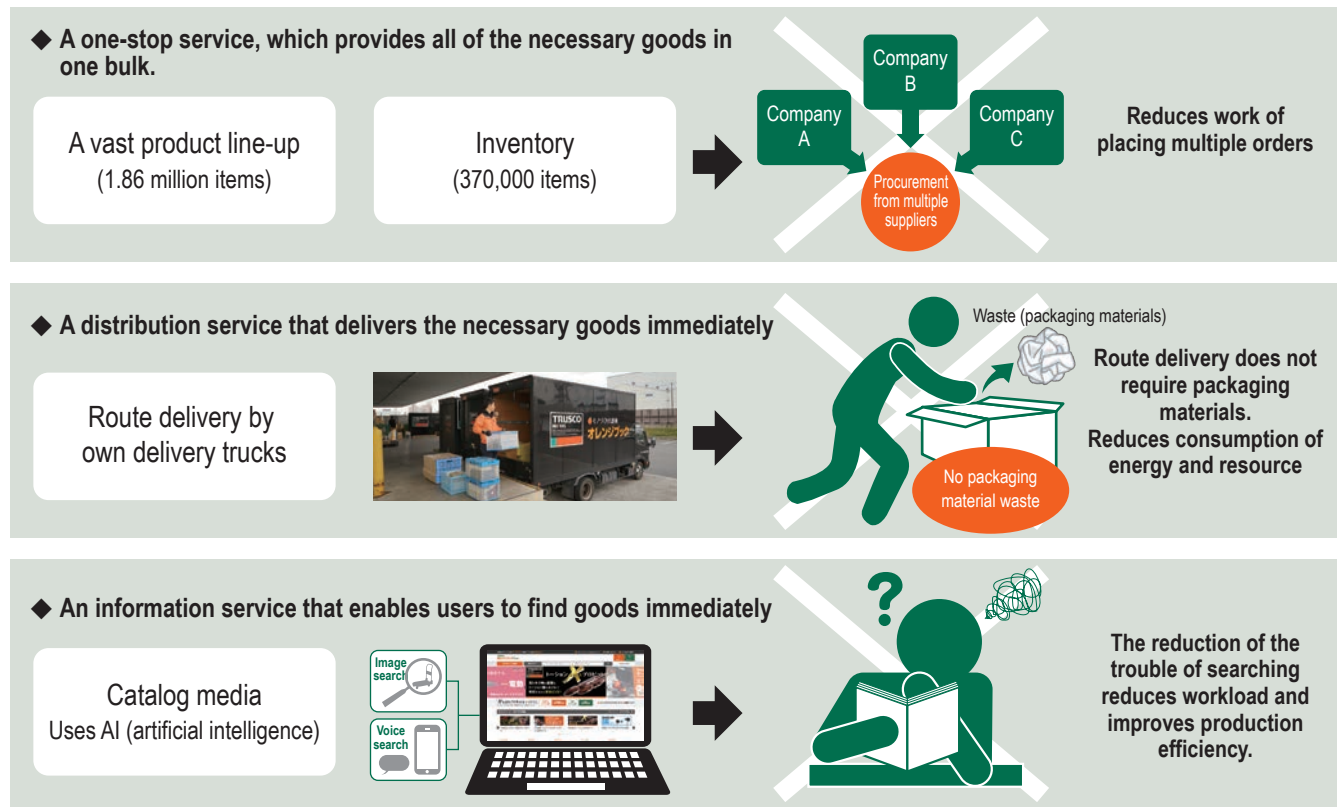
* Sales for each period in Japanese yen have been converted using the average exchange rate. (The exchange rate in the 4th period was 1 rupiah = 0.0084 yen; in the 5th and 6th (forecast) periods it was 1 rupiah = 0.0078 yen.)



Reference Environment (Activities concerning the environment)

Our mission is to become a company that can address the needs of customers precisely by handling and stocking pro tools required at *monozukuri* sites in as much variety as possible. If we can respond to demand for the required goods when they are needed in the required amount, we will be able to reduce the energy workload, such as the number of order placements, and reduce the consumption of resources. In other words, the expansion of services that customers use will lead to an alleviation of environmental load.

Services that customers use lead to the alleviation of environmental load



The labor-saving leads to the alleviation of environmental load.

Introduction of labor-saving facilities

Auto Store



High-density storage system

Alleviates environmental load by automation and labor-saving in work that had been done by human workers

- Storage efficiency improvement: 3.5 times
- Work efficiency improvement: 4 times

LED rack lighting with human presence sensor



LED rack lighting that responds individually with a sensor

Due to the presence sensor integrated with each lighting device, the system significantly contributes to labor-saving, since lights only go on when a person enters.

Environmental facilities lead to the alleviation of environmental load.

Introduction of environmental facilities

Solar power generation equipment

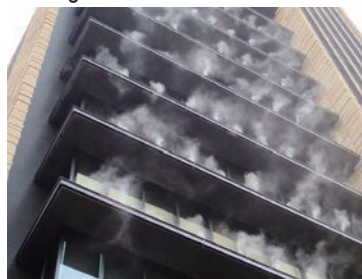


The roof of Planet Saitama

Our own power generation equipment is installed on the roofs and walls of distribution centers, branches, and head office buildings.

- No. of power generation facilities: 18
- Total power generation capacity: 2,164 kW

Cooling mist



The side surface of the Tokyo Head Office Building

Cool air can be circulated during the summer by spraying mist and cooling the outside air, combined with the use of automatic ventilation equipment.

Reference Social (Creating an employee-friendly environment)

Based on the idea that companies have a responsibility to provide an environment where employees can work with peace of mind and a sense of happiness, Trusco Nakayama employs all of its employees as regular employees. We will continue to enhance our unique programs to provide an employee-friendly environment.

Introduction of programs

Workstyles

Relaxed Work Hour Reduction Program (since 1996)

Allows work hours to be reduced to up to three hours per day for employees during childcare (until the child is in the sixth grade), nursing care of family members (until such care is no longer required), and pregnancy.

* The program has been used by 90 employees.

Happy Sunday Program (since 2002)

• When employees posted away from their families go to work from their family's home but will not be on time for the start of work even if they use the first train in the morning, they will not be treated as being late (prior approval is required).

• Employees posted away from their families are provided expenses for travel to their family's home twice a month, as well as singles corporate housing and allowances.

Transfer Request Program (since 2005)

Enables employees to apply for a job relocation to their preferred location due to marriage or elder care (unavoidable circumstances of the employee or family member).

* The program has been used by 45 employees.

Lovebird Transfer Program (since 2005)

Allows employees to apply for a job relocation to their preferred area when a spouse (husband or wife) is relocated.

* The program has been used by 22 employees.

Welcome Back Program (since 2014)

Employees who have resigned due to child/elder care or fertility treatments but wish to work at Trusco again in the future can be re-employed within up to 10 years by registering, once they can return to work.

* The program has been used by 18 employees, of whom one returned to work.

Employment Extension Program (since 2015)

Enables employees who have reached the retirement age of 65 to continue their employment until they are 70 years old (the employment of all applicants is continued, in principle).

* The program has been used by 24 employees.

* When employees who have reached the age of 70 wish to continue their employment, they can be employed until they are 75 years old as a part-timer, subject to the satisfaction of certain criteria.

Work-from-home Program (since 2017)

Enables employees who have come to have difficulty commuting from home due to relocation or integration of the office to work from home.

* The program has been used by five employees.

Childcare Leave Graduation Program (since 2019)

Enables employees on childcare leave to choose their number of working days and working hours, as well as whether to work at the office or from home, after their childcare leave ends and until the child reaches the age of three.

Childcare

Childcare Leave Program (since 1992)

Enables employees to take leave from work for childcare until the end of the month when the child reaches the age of three.

* The program has been used by 101 employees.

Maternity Bonus Program (since 2005)

The company pays a bonus to employees on special maternity leave (14 weeks), during which no salary is paid.

New employees

Trusco New Staff Support Program (since 2016)

In order to help a smooth start of a career, the company provides prospective employees with personal preparation costs (200,000 yen to those who need to move house and 100,000 yen to others) one month before entering the company.

* The number of persons who have used the programs is the total number of users between 2016 and 2018 (as of December 31, 2018).

Situation of female employees

Our idea of developing female employees

We adhere to the principle of ability, without discriminating in employees' work, allocation across divisions, and job relocations on the basis of gender. It is not our policy to appoint female management intentionally, but we believe it is the natural course for a company in which female executives are appointed as a result of their achievements.



Interview of a second-year employee by a female branch manager

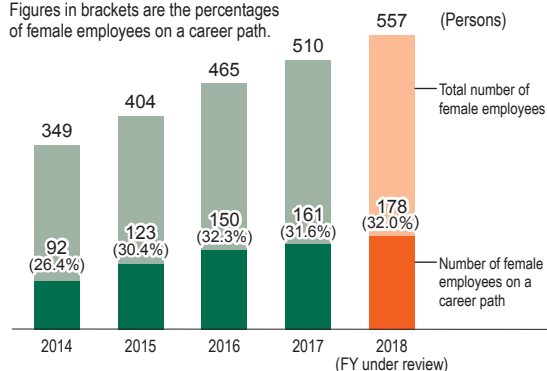
No. of female employees in managerial posts (As of December 31, 2018)

Section heads, branch managers	6	Acting senior supervisors	32
Deputy center managers	2	Supervisors	74
Senior supervisors	7		

* No. of female employees (average age: 30.9) 557 (34.6% of total employees)

Total no. of female employees and the percentage of female employees on a career path

Figures in brackets are the percentages of female employees on a career path.



Toward the establishment of Trusco Nakayama Health Insurance Association (Scheduled for establishment in April 2019)

"Aim to become a company where employees can work with peace of mind for many years." The health of employees is essential in order to achieve this end. Subject to administrative approval, we plan to establish our own health insurance association in order to aggressively and flexibly carry out health management. For the final procedures of establishment, we created the Trusco Nakayama Health Insurance Association Establishment Preparation Office in January 2019.



Health insurance card (sample)



President Nakayama and the establishing members, with the health insurance card in hand

Reference Social (Social contribution) Public interest incorporated foundation: Nakayama Visually Impaired Welfare Foundation

20 diligent years and more to come

Nakayama Visually Impaired Welfare Foundation was established in 1997 in response to the will of “wanting to serve visually impaired people” by Seiko, the mother of Tetsuya Nakayama (chairman of the foundation), who was born with damaged optic nerves due to a forceps delivery. In 2010, the Foundation became a public interest incorporated foundation, and received the Hyogo Prefectural Social Award in November 2011 as well as the Minister of Health, Labour and Welfare’s Award in December 2013.

It celebrated its 20th anniversary in 2017 and received the Kobe Citizen Welfare Incentive Award in September of the same year.

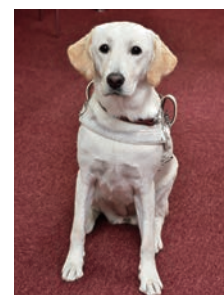


20th anniversary commemorative ceremony

Overview

- Established: October 1, 1997
Became a public interest incorporated foundation in November 1, 2010
- Competent authority: Hyogo Prefecture
- Address: Nakayama Memorial Hall 3-26, 5-chome, Kamiwaka-dori, Chuo-ku, Kobe, Hyogo 651-0067
- Working capital: Securities: 4 million Trusco Nakayama Corporation shares (basic property)
Deposits: 500 million yen of public interest management activity capital (specific property)

The Foundation was established with the Nakayama family, including the chairman, contributing 4 million Trusco Nakayama Corporation shares and 500 million in cash. The Foundation does not receive donations or sponsorships from outside and operates its projects with dividends from the shares. Over 21 years, from its foundation to 2017, the Foundation has carried out a total of 697.46 million worth of projects, such as grants.



FY2018
Guide dog, Nakayama-go
Chloe

Director/Councilors Roster (As of January 1, 2019) In Japanese alphabetical order

Post	Name	Professional affiliation
Chairman	Tetsuya Nakayama	Trusco Nakayama Corporation, President
Senior Managing Director	Saori Nakayama	NR Holdings Co., Ltd., Representative Director, Certified Public Accountant
Managing Director	Atsushi Matsumae	Executive Director
Director	Takuji Iuchi	AS ONE Corporation, President
	Tatsuya Otsuka	Earth Corporation, Chairman
	Teruo Hashimoto	Nippon Lighthouse Welfare Center for the Blind, Chairman
	Kenji Furuhashi	Hosiden Corporation, President & CEO
	Masahiko Mori	DMG MORI Co., Ltd., President
	Naoyuki Yamamoto	Yamamoto Kogaku Co., Ltd., COO & Chairman
	Makoto Yukawa	Full-time Director
Auditor	Kohei Nomura	Nomura & Partners, Attorney
	Yoritomo Wada	Deloitte Touche Tohmatsu LLC, Partner, Certified Public Accountant
Councilor	Yusuke Saraya	Saraya Co., Ltd., President & Representative Director
	Shoichi Suganumata	Trusco Nakayama Corporation, Osaka Administration Section
	Tomihiko Takamatsu	DyDo Group Holdings, Inc., Chairman & Director
	Yuko Nakayama	NS Holdings Co., Ltd., Representative Director
	Rie Nakayama	National Hospital Organization Tochigi Medical Center, Otolaryngologist
	Motonobu Nishimura	Mandom Corporation, President, Executive Officer & Director
	Junji Hada	ELECOM Co., Ltd., President
	Kunio Yamada	Rohto Pharmaceutical Co., Ltd., Chairman & CEO
	Yoshiaki Yamamoto	Kobe Senior Manpower Center, Director of Western Center
	Teiji Wakita	Wakita & Co., Ltd., President & Representative Director

Public interest project 1

Nakayama Memorial Hall facilities lending business

At Nakayama Memorial Hall, which was opened in 2007, six non-profit organizations work in conjunction with each other to offer overall support in response to consultations requested from many and unspecified persons with visual impairment. The number of consultation projects at Nakayama Memorial Hall amounts to approximately 2,400 per year.



New Nakayama Memorial Hall scheduled for completion in March 2021



Nakayama Memorial Hall (Chuo-ku, Kobe)

New Nakayama Memorial Hall

With the aim of creating an even more useful facility, we are planning to build a facility that is 13-times larger than the current Nakayama Memorial Hall. We hope to make it a symbolic building where persons with visual impairment, groups of concerned parties, and support groups in the prefecture can gather without restraint.

- Address: 2-1-3 Mizuki-dori, Hyogo-ku, Kobe, Hyogo
(Three minutes on foot from Shin-kaichi station of the Kobe Rapid Line)
- Site area: 424 tsubo
- Floor area: 2,753 tsubo
- Building size: 1 floor underground, 8 floors above ground
- Total construction cost: 4 billion yen

Public interest project 2

Grant project for support groups of visually impaired persons and individual visually impaired persons

The Foundation provides grants to groups for visually impaired persons and support groups in financial difficulty, and provides scholarships free of charge to university students and others.

Public interest project 3

Support for social participation activities of visually impaired persons

The Foundation supports social participation activities for visually impaired persons with the aim of establishing the concept of normalization, which aims to create a society in which persons with disabilities can spend every day just like persons without disabilities, and can lead vigorous lives.

- <Main projects>
1. Hyogo Prefecture Visually Impaired People Music Festival Project "Nakayama/KLC concert"
*Concert organized by the Nakayama Visually Impaired Welfare Foundation in cooperation with the Kobe Light Center (KLC)
 2. Guide dog lending business (lent a total of 38 dogs)
 3. Personal computer course project
 4. Music performance project "Nakayama Wonderful Festa"
 5. Accompanying aid workers (guide helpers) training project
 6. Barrier-free movie screening project "Nakayama UD Film Festival"
*A film festival hosted by the Nakayama Visually Impaired Welfare Foundation. (UD: universal design)



Pianist Ms. Hiroko Shimizu at the Nakayama/KLC Concert 2018



Ms. Aki Yashiro's concert at Nakayama Wonderful Festa vol. 21



Guide dog presentation ceremony

Nakayama Wonderful Festa vol. 21

The Festa, a concert that accommodates participants with guide dogs or in wheelchairs to allow persons with visual impairment to enjoy it without hesitation, has been held once a year since 1998. In 2018, 1,910 people, including persons with visual impairment and guide volunteers, attended the festival.

Reference Governance

Our idea of corporate governance

Our company name and corporate logo are a direct expression of a “trust company,” which is trusted by all stakeholders. We intend to fulfil our social mission by basing our everyday corporate activities on and embodying the practice of **TRUSCO**.

$$\text{TRUST} + \text{COMPANY} = \text{TRUSCO}^{\circledR}$$

Trusco Nakayama's corporate philosophy

Trusco Nakayama upholds “existence philosophy” as its ethical standard and practices its “management philosophy” as a corporate vision as well as “action philosophy” as its social behavior based thereon.

Top-Level Parties Conference (Board Meeting)

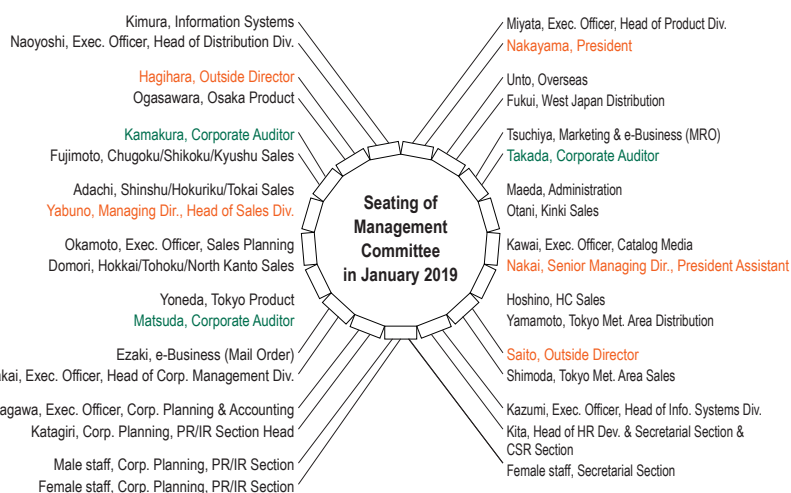
Consisting of executives (excluding outside directors) and division heads, the Board Meeting ensures objectivity and rational judgment, and discusses and shares the company's direction, upon which the Board of Directors' meeting (Management Committee) is held.

Board of Directors (Management Committee)

Decisions are made at the Board of Directors' meetings that are generally held once a month. The Management Committee seeks the opinions of the participants, including executive officers and department heads, in order to ensure a broader perspective and transparency.

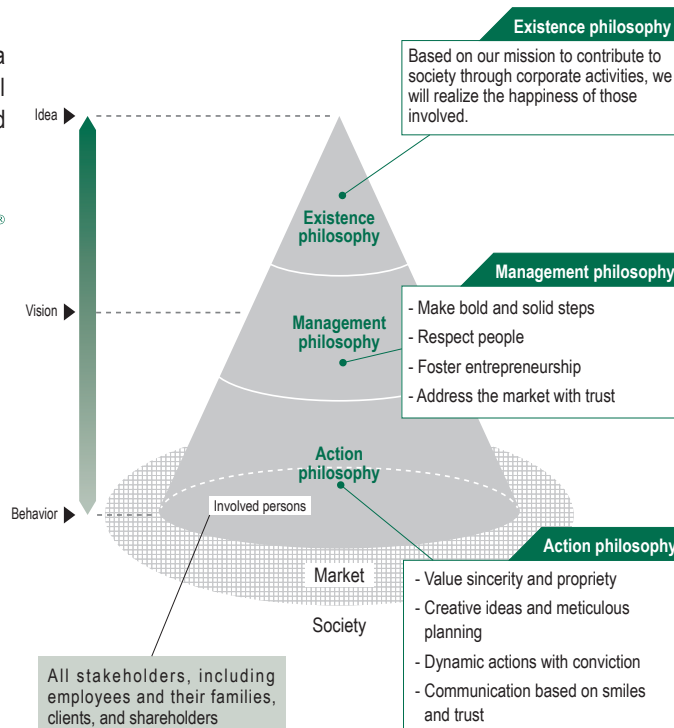
Characteristics of the Management Committee

- (1) Seats are laid out in a round table style so that everyone can see each other's face (refer to the figure below).
- (2) Seating is changed every time, with no top or lower seats.
- (3) The Management Committee minutes, which not only include matters that were resolved but also each individual's comments, are disclosed to all employees within a week.



Appointment of outside directors (Board Brain)

TRUSCO currently appoints two outside directors, not only for the prevention of improprieties, but for their broad knowledge and abundant experience concerning company management and for their ability to make contributions to sustainable growth and the improvement of company value.



Boss Conference (Nationwide Managers' Conference)

This conference brings together Management Committee members and nationwide managers to discuss management issues. (The conference was not held during the fiscal year under review for cost reduction, in view of our forecast of an increase in sales and a drop in profit.)



Boss Conference (Nationwide Managers' Conference) held in November 2017

Director / Auditor / Executive Officer / Department Head OJS

We have adopted an original system for the evaluation of executives and department heads. Every year, executives and department heads are evaluated by around 160 managers, with the results used as criteria for promotion/demotion.

Method of operating the executive evaluation system

- 1 Individual information of the voters is undisclosed.
- 2 Each of the six evaluation items is rated on a 4-point scale.
- 3 Based on the scores of the ballots, promotion to director candidate or demotion from director or full-time corporate auditor is determined.
- 4 Evaluation is also performed for outside directors and part-time corporate auditors as reference data.

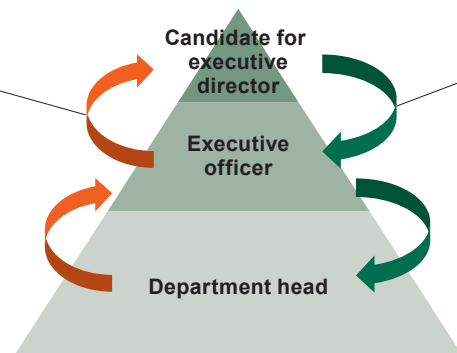
In addition to evaluation by points, evaluation through comments is also conducted, with the results fed back to the evaluation targets for their reference.

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 department head 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).

Conditions for promotion to director candidate
Experience as an executive officer for two years or more and an average OJS score of 18 or more for two consecutive years



Conditions for demotion from director candidate and corporate auditor (full-time) ^{*1}	
Result of evaluation by all voters ^{*2}	Average OJS score of less than 16 for two consecutive years
Result of evaluation by directors, corporate auditors, executive officers and department heads	Average OJS score of less than 15 for two consecutive years

^{*1} Meeting either one of the conditions will make the officer a candidate for demotion

^{*2} Approx. 160 staff members with executive posts, such as branch managers, section heads and center managers

Assessment items for the OJS on Directors, Executive Officers and Department Heads

1	Sense of management, foresight	Has vision and can talk about the company's future within and outside the company	Full score: 4 points
2	Leadership	Has a belief and a will to carry through even against great opposition and leads the organization with enthusiasm	Full score: 4 points
3	Communication ability	Has the ability to listen to the voices of employees and convey them in an understandable way	Full score: 4 points
4	Fairness	Has high ethical standards, is strict with him/herself, is popular, and dislikes flattery and factions	Full score: 4 points
5	Originality	Constantly has new ideas and sends fresh wind to management	Full score: 4 points
6	Problem solving ability	Is reliable when needed and confronts problems with a sense of ownership	Full score: 4 points
			Total full score: 24 points

(Note) The assessment items for the OJS on Corporate Auditors are different.

Reference Reason for Increasing the Number of Directors

To strengthen the management system

In 2007, we reduced the quota of directors from 15 to 7 in order to accelerate decision-making. Following the expansion of the scale and business of the company, we plan to increase the quota from **7 to 10** to suit the situation of our business.

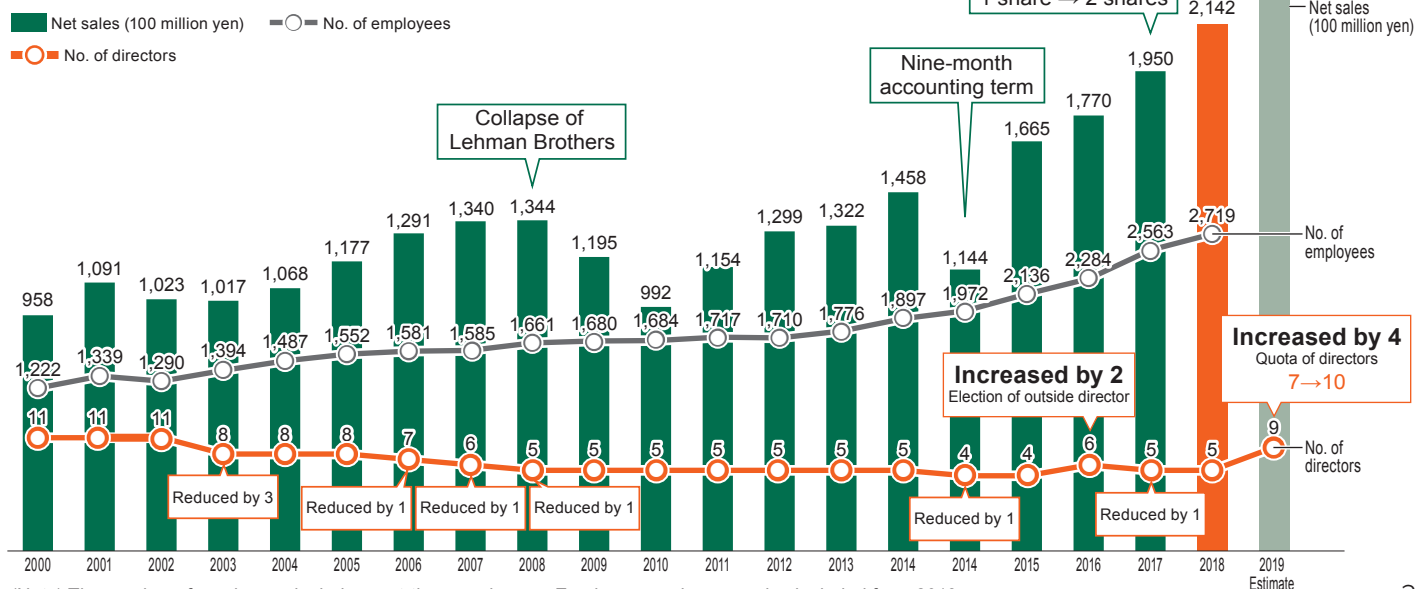
To strengthen checking functions

Apart from the two outside directors, the internal directors comprise the President, the Senior Managing Director, and the Managing Director. **To further improve checking functions between internal officers**, we plan to add multiple internal directors who have knowledge of products, management control, information systems and distribution.

To invest in the future

We plan to increase the quota in anticipation that personnel with the ability to improve the company's functions during their term of office will **develop and act to evolve the company**.

Net sales and the number of directors



(Note) The number of employees includes part-time employees. Employees on loan are also included from 2018.

1. Reason for the proposal

We intend to make the necessary amendments to the Articles of Incorporation to seek the growth of personnel with the ability to improve the company's functions and further enhance the management system in view of the future.

2. Details of the amendment

The details of the amendment are as follows.

(The amended section is underlined.)

Current Articles of Incorporation	Proposed amendment
(Quota and election method) Article 17 The Company's directors shall be <u>seven (7)</u> persons or less and elected at the Shareholders' Meeting.	(Quota and election method) Article 17 The Company's directors shall be <u>ten (10)</u> persons or less and elected at the Shareholders' Meeting.

Proposal No. 2

Revision of the Total Amount of Directors' Remuneration, etc.

The remuneration of the Company's directors consists of fixed remuneration and the directors' bonus (performance-linked). With this proposal, we ask for a revision of the total amount of directors' remuneration as follows:

1. Reason for the proposal

At this Meeting, we have submitted a partial amendment to the Articles of Incorporation to increase the quota of directors (from seven (7) or less to ten (10) or less) as Proposal No. 1. Furthermore, since we have also submitted the election of a total of nine (9) directors (of whom two (2) are outside directors) as Proposal No. 3, we intend to revise the maximum amount of directors' remuneration in consideration of the increase in the quota.

Basic policy concerning the decision of remuneration, etc. for directors and corporate auditors

The Company decides officers' remuneration paid to directors and corporate auditors based on the following policies:

- (1) The level of remuneration enables officers' willingness to improve their performance to be retained, and quality talents from within and outside the company to be secured.
- (2) The level takes into consideration changes in the management environment and external objective data, as well as the balance between general levels, the company's management conditions, and employees' salaries.
- (3) The level is within the maximum annual remuneration including the officers' bonus.

2. Details of the revision

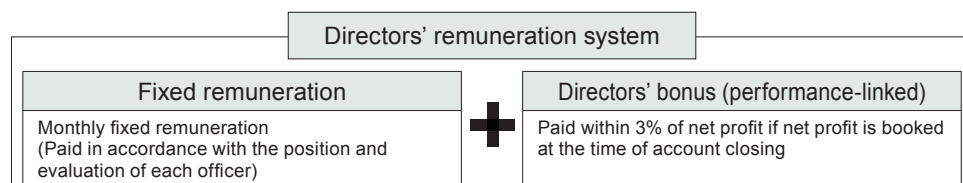
Maximum amount of officers' remuneration

(The amended section is underlined.)

Before the revision		Proposed amendment	
Classification	Maximum amount of remuneration, etc.	Classification	Maximum amount of remuneration, etc.
Director	<u>400</u> million yen per annum	Director	<u>600</u> million yen per annum
Outside director		Outside director	

(Note) There will be no changes to the directors' bonus (performance-linked), which will be paid within 3% of net profit, if net profit is booked at the time of account closing.

Reference Directors' Remuneration



Total amount of directors' remuneration, etc. for the fiscal year under review

(The amended section is underlined.)

	Number of recipients	Amount of remuneration, etc.	Maximum amount of remuneration, etc.
Director	<u>3</u>	306 million yen	<u>400</u> million yen per annum
Outside director	<u>2</u>	13 million yen	

- (Notes) 1. Bonuses during the fiscal year under review are paid at 1.2% of net profit.
2. The figures indicated have been rounded down to the nearest specified unit.

Total amount of directors' remuneration, etc. after the revision (conditional upon approval of this Proposal and Proposal No. 3)

	Number of recipients	Amount of remuneration, etc.	Maximum amount of officers' remuneration, etc.
Director	<u>7</u>	—	<u>600</u> million yen per annum
Outside director	<u>2</u>	—	

The terms of office of Directors Tetsuya Nakayama, Takashi Nakai, Tadahisa Yabuno, Kenichi Saito, and Kuniaki Hagihara will expire at the closing of the Meeting. Furthermore, Proposal No. 1 of the Meeting asks for a partial revision to the Articles of Incorporation to increase the quota of directors (from seven (7) or less to ten (10) or less). Therefore, we would like to ask our shareholders to appoint nine (9) directors (conditional upon the approval of Proposal No. 1). The director candidates are as below.

Candidate no.	Tetsuya Nakayama	Born December 24, 1958; 60 years old; 37 years 11 months with the Company	Re-appointment
1	中山 哲也	No. of Company shares held 1,874,900 shares	Internal
		Attendance at Board of Directors' meetings 100% (11/11 meetings)	



Take on the challenge of a cutting-edge distribution system

In addition to our plan to increase the number of inventory items to 500,000, our urgent issue is to establish a direct distribution system to users. To this end, we must introduce a cutting-edge distribution system as soon as possible. I intend to continue making efforts to enable Trusco Nakayama to fulfill its mission in any era by making preparations ahead of our peers in response to the needs of the times.

Tetsuya Nakayama,
Representative Director and 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)

Reason for nomination as a director candidate

Mr. Nakayama has been nominated as a director candidate, taking into consideration the results of the OJS on the President, which is a vote by shareholders who attended the previous 55th Annual Shareholders' Meeting, as an important benchmark.

Approval rate	No. of attendees	No. of valid votes*	Affirmative votes
99.9%	1,790	1,611	1,609

* 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).

Candidate no.	Takashi Nakai	Born January 16, 1955; 64 years old; 40 years 11 months with the Company	Re-appointment
2	中井 孝	No. of Company shares held 31,100 shares	Internal
		Attendance at Board of Directors' meetings 100% (11/11 meetings)	



Continue to take on challenges based on verification!!

Amid aggressive capital investment, I will strive to carry out planning and verification after launch as accurately as possible. This is because I want it to be the basis for our challenges toward the future, not to mention responding to any errors in estimation. I intend to boldly take on challenges this year without being intimidated by the results of verification.

Takashi Nakai, Senior Managing Director &
Assistant to the President

Takashi Nakai

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

- March 1978 : Joined the Company
- April 1996 : Tokyo Branch Manager
- April 1998 : Head of Corporate Planning Division
- May 1999 : Executive Officer & Head of Corporate Planning Division
- January 2003 : Executive Officer & Head of Procurement Division
- April 2004 : Director & Head of Distribution Division
- April 2006 : Director & Head of Sales Planning Division
- April 2007 : Director & Head of Product Division
- June 2007 : Managing Director & Head of Product Division
- January 2016 : Managing Director, Head of Product Division & Officer in charge of Trusco Nakayama Thailand
- January 2017 : Senior Managing Director & Head of Corporate Management Division
- January 2019 : Senior Managing Director & Assistant to the President (present)

Reason for nomination as a director candidate The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items). (Points*)

	Total	Sense of management, foresight	Leadership	Communication ability	Fairness	Originality	Problem solving ability
Takashi Nakai	17.8	3.2	2.8	3.3	2.9	2.6	3.0
Average*2	17.5	3.0	3.0	3.0	2.9	2.8	2.9

*1 The indicated scores have been rounded to the first decimal place.

*2 The average score of 26 directors, executive officers and department heads

* The candidate has no special interest in the Company.

Candidate no.

3

Tadahisa Yabuno

荻野 忠久

Born March 13, 1962; 56 years old; 35 years with the Company

No. of Company shares held 29,300 shares

Attendance at Board of Directors' meetings 100% (11/11 meetings)

Re-
appointment

Internal



Tread the path of a company of trust

I hope to develop a relationship of trust by deepening our customers' understanding of our company at the forefront. I hope our customers will use our system and purchase products by a one-stop service. A workplace in which employees trust each other, are young and sincere, and can make their own decisions will support the company's business.

"Officers are public servants." I am ready to put my own affairs behind the public good.

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 1998 : Head of Fujisawa Sales Office
- April 2000 : Kanagawa Branch Manager
- April 2003 : Jonan Branch Manager
- October 2003 : Executive Officer & Jonan Branch Manager
- April 2004 : Executive Officer & Head of Corporate Planning Division
- 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)

Reason for nomination as a director candidate The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items). (Points*1)

	Total	Sense of management, foresight	Leadership	Communication ability	Fairness	Originality	Problem solving ability
Tadahisa Yabuno	19.5	3.5	3.6	3.0	3.4	2.9	3.2
Average*2	17.5	3.0	3.0	3.0	2.9	2.8	2.9

*1 The indicated scores have been rounded to the first decimal place.

*2 The average score of 26 directors, executive officers and department heads

Candidate no.

4

Shinsaku Miyata

宮田 晋作

Born June 9, 1964; 54 years old; 29 years 11 months with the Company

No. of Company shares held 5,000 shares

New
appointment

Internal



I will aim to achieve both an expansion of business performance and social contribution through the product lineup.

Ever since I joined the Company, I have focused on thinking and acting from a different approach for everything without imitating others. Going forward, I intend to establish a product lineup from a new perspective and develop products that match the changes of the social situation and stimulate potential demand, as well as cooperating with more than 2,000 suppliers to enhance functional assistance products not only for the manufacturing sites, which continue to be robust, but also for aging Japanese manufacturing workers and those with physical disabilities to help them work more smoothly.

Shinsaku Miyata,
Executive Officer & Head of Product Division

Shinsaku Miyata

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

- March 1989 : Joined the Company
- April 1997 : Head of Overseas Sales Office
- April 1999 : Nagoya Branch Manager
- October 2001 : Head of Kobe Sales Office
- October 2008 : Head of Planet South Kanto Center
- April 2011 : Head of Product Department
- January 2015 : Executive Officer & Head of Product Department
- January 2016 : Executive Officer & Head of Tokyo Head Office Product Department
- January 2017 : Executive Officer & Head of Product Division (present)

Reason for nomination as a director candidate The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items). (Points*1)

	Total	Sense of management, foresight	Leadership	Communication ability	Fairness	Originality	Problem solving ability
Shinsaku Miyata	17.1	3.1	3.1	2.3	2.5	3.3	2.8
Average*2	17.5	3.0	3.0	3.0	2.9	2.8	2.9

*1 The indicated scores have been rounded to the first decimal place.

*2 The average score of 26 directors, executive officers and department heads

* The candidate has no special interest in the Company.

Candidate no.

5

Kazuo Nakai

中井 一雄

Born July 7, 1969; 49 years old; 25 years 11 months with the Company

No. of Company shares held 2,700 shares

New appointment

Internal



Aiming for further growth

I feel rising expectations from our shareholders and clients for us to grow further. In order to meet such expectations, I intend to maintain the ability to take on the challenges of new projects as well as problem solving abilities even under drastic environmental changes, and lead them to growth. I will make company-wide efforts to enable us to become a company that is cheerful, sincere, and trusted at any time, in character with Trusco Nakayama.

Kazuo Nakai, Executive Officer & Head of Corporate Management Division

Kazuo Nakai

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

April 1993	: Joined the Company	April 2010	: Head of Human Resources Section & Head of Healthcare Section	January 2019	: Executive Officer & Head of Corporate Management Division (present)
April 2002	: Head of HC Niigata Sales Office	April 2013	: Head of Corporate Planning Department		
April 2004	: HC Osaka Branch Manager	January 2017	: Executive Officer & Head of Corporate Planning Department		

Reason for nomination as a director candidate The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items). (Points*)

	Total	Sense of management, foresight	Leadership	Communication ability	Fairness	Originality	Problem solving ability
Kazuo Nakai	18.6	3.2	3.1	3.4	3.1	2.7	3.2
Average*2	17.5	3.0	3.0	3.0	2.9	2.8	2.9

*1 The indicated scores have been rounded to the first decimal place.

*2 The average score of 26 directors, executive officers and department heads

Candidate no.

6

Atsushi Kazumi

数見 篤

Born September 10, 1970; 48 years old; 25 years 11 months with the Company

No. of Company shares held 2,700 shares

New appointment

Internal



Future-oriented, brave challenges

A corporate culture of constantly reforming oneself, an openness toward anything, and colleagues who can help each other at any time and go forward cheerfully and positively. On the other hand, there are also many points to be improved. Trusco Nakayama is on a tireless path of reform and has ample room for growth. I will consider this an opportunity to take on the challenge of creating a company that can continuously serve society.

Atsushi Kazumi, Executive Officer & Head of Information Systems Division

Atsushi Kazumi

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

April 1993	: Joined the Company	October 2010	: Head of Catalog/Media Section & Head of Dottokuru Section	January 2017	: Executive Officer & Head of e-Business Sales Department in charge of Mail Order
April 2001	: Head of Tsuchiura Sales Office	October 2013	: Head of e-Commerce Sales Department	July 2017	: Executive Officer & Head of Information Systems Department
November 2002	: Head of Kanazawa Sales Office	April 2014	: Head of e-Business Sales Department	January 2019	: Executive Officer & Head of Information Systems Division (present)
April 2006	: Osaka Branch Manager				

Reason for nomination as a director candidate The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items). (Points*)

	Total	Sense of management, foresight	Leadership	Communication ability	Fairness	Originality	Problem solving ability
Atsushi Kazumi	18.8	3.3	3.4	2.8	3.0	3.1	3.2
Average*2	17.5	3.0	3.0	3.0	2.9	2.8	2.9

*1 The indicated scores have been rounded to the first decimal place.

*2 The average score of 26 directors, executive officers and department heads

* The candidate has no special interest in the Company.

Candidate no.
7

Hideki Naoyoshi

直吉 秀樹

- Born December 7, 1971; 47 years old; 24 years 11 months with the Company
- No. of Company shares held: 3,500 shares

New appointment

Internal



Achieve the highest quality distribution service

The convenience of having one company provide all the pro tools required by the market cannot be overstated. I believe that providing as many unique and convenient services using our abundant inventory as possible is the only way to win the support of customers. I will aim to achieve the highest quality distribution service by promptly working on each theme.

Hideki Naoyoshi, Executive Officer & Head of Distribution Division

Hideki Naoyoshi

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

- April 1994 : Joined the Company
- October 2003 : Head of Amagasaki Sales Office
- April 2007 : Head of Kokura Sales Office
- October 2010 : Head of Corporate Auditor's Office
- October 2011 : Head of Corporate Planning Section
- February 2013 : Head of Information Systems Department
- January 2017 : Executive Officer & Head of Information Systems Department
- July 2017 : Executive Officer & Head of Distribution Division (present)

Reason for nomination as a director candidate The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items). (Points*¹)

	Total	Sense of management, foresight	Leadership	Communication ability	Fairness	Originality	Problem solving ability
Hideki Naoyoshi	19.4	3.4	3.5	3.0	3.1	3.0	3.3
Average* ²	17.5	3.0	3.0	3.0	2.9	2.8	2.9

*¹ The indicated scores have been rounded to the first decimal place.

*² The average score of 26 directors, executive officers and department heads

* The candidate has no special interest in the Company.



Green Terrace Café, 11F Tokyo Head Office

Candidate no.

8

Kenichi Saito

齋藤 顕一

Born November 15, 1949; 69 years old

No. of Company shares held 2,500 shares

Attendance at Board of Directors' meetings 100% (11/11 meetings)

Term of office as outside director Three years as of the closing of the Meeting

Re-
appointment

Outside



Make the joy of others my own joy

Populism and self-centrism are leading the world in the wrong direction. Many companies are only interested in improving their own figures, and many individuals prioritize the pursuit of their own profit. If you start to seek figures, customers and colleagues will leave you. The important thing is to propose products and services that will help improve the business performance of customers and to continue doing what will be of use to your hardworking colleagues. It is only when you start to seek the joy of your customers and colleagues that relationships of trust are established and you can achieve results. The world is really fascinating.

Outside Director (Board Brain), Kenichi Saito

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)

Reason for nomination as an outside director candidate

The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items).

	Total	Sense of management, foresight	Leadership	Communication ability	Fairness	Originality	Problem solving ability
Kenichi Saito	18.1	3.1	3.0	3.1	2.7	3.3	2.9
Average*2	17.5	3.0	3.0	3.0	2.9	2.8	2.9

(Points*1)

*1 The indicated scores have been rounded to the first decimal place.

*2 The average score of 26 directors, executive officers and department heads

Candidate no.

9

Kuniaki Hagihara

萩原 邦章

Born August 19, 1953; 65 years old

No. of Company shares held 2,000 shares

Attendance at Board of Directors' meetings 90.9% (10/11 meetings)

Term of office as outside director Three years as of the closing of the Meeting

Re-
appointment

Outside



We will continue to boldly take on challenges toward new growth and development.

International competition is increasingly intensifying, shaking the international superiority of Japan's manufacturing industry. Trusco Nakayama will continue to take on challenges without remaining in the status quo as a pro tools supplier that "supports Japan's monozukuri." We will continue to push forward to improve customers' convenience and gain their trust so that they will say, "Ask Trusco," or "I knew Trusco would have them."

Outside Director (Board Brain), Kuniaki 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)
- June 2018 : President of Toyo Heisei Polymer Co., Ltd. (present)

Reason for nomination as an outside director candidate

The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items).

	Total	Sense of management, foresight	Leadership	Communication ability	Fairness	Originality	Problem solving ability
Kuniaki Hagihara	18.7	3.3	3.1	3.1	3.1	2.9	3.0
Average*2	17.5	3.0	3.0	3.0	2.9	2.8	2.9

(Points*1)

*1 The indicated scores have been rounded to the first decimal place.

*2 The average score of 26 directors, executive officers and department heads

Reason for being nominated as an outside director candidate

(1) Kenichi Saito

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.

(2) Kuniaki Hagihara

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.



The two Outside Directors (Mr. Kenichi Saito (left) and Mr. Kuniaki Hagihara)

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 (▶ □□ P40). * 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.

(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.

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, corporate governance 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.

The term of office of Corporate Auditor Mr. Masaki Matsuda will expire 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.

Masaki Matsuda

Candidate

松田 昌樹

■ Born March 30, 1956; 62 years old

■ No. of Company shares held 14,600 shares

■ Attendance at Board of Directors' meetings 100% (11/11 meetings)

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

■ Term of office as full-time corporate auditor Eleven years nine months as of the time of the closing of the Meeting

Re-appointment

Full-time

Outside



Continue being TRUSCO

Trusco Nakayama has created the present-day TRUSCO by continuously making various unique efforts with the aim of being a TRUSTED COMPANY that is acknowledged by all. I hope to contribute to the continuous development of the Company by proactively fulfilling the role and responsibilities of a corporate auditor, who plays a part in TRUSCO's corporate governance, so that Trusco Nakayama will continue to be a trusted company in the coming stage of new advancement.

Masaki Matsuda,
Full-time Corporate Auditor

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

<ul style="list-style-type: none"> April 1978 March 2003 June 2007 	<ul style="list-style-type: none"> : Joined the Kyowa Bank, Ltd. (currently Resona Bank, Ltd.) : Chief Credit Officer of the Osaka No. 3 Loan Department, Resona Bank, Ltd. : Full-time corporate auditor of the Company (present)
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Reason for nomination as an outside corporate auditor candidate

The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items).

	Total	Sense of management, foresight	Fairness, sincerity	Objectivity, neutrality, common sense, knowledge	Compliance	Communication	Pointing out problems, proposing improvements
Masaki Matsuda	17.8	3.0	3.0	2.9	3.1	3.0	2.7
Average*2	17.8	3.0	3.0	3.0	3.1	2.8	2.8

*1 The indicated scores have been rounded to the first decimal place.

*2 The average score of three corporate auditors

Reason for nomination as an outside corporate auditor candidate

Mr. Masaki Matsuda has a long history of experience in a financial institution and abundant knowledge of finance, etc. as well as deep insight into management. He has been nominated as a candidate for outside corporate auditor for his expected neutral and fair opinions on the Company's business management and our judgment that he can appropriately execute his duties as an outside corporate auditor based on his knowledge and insight as well as his objective stance as an outside corporate auditor.

Notes concerning the outside corporate auditor candidate

(1) On his independence

Mr. Masaki Matsuda 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 (page 38). In addition, since he fulfills the requirements for independence stipulated by the Tokyo Stock Exchange as well as the independence criteria for outside officers stipulated by the Company (page 40), we have filed him as an independent officer with the Tokyo Stock Exchange. We plan to continue to make him an independent officer if his reappointment is approved.

(2) On special interest in the Company

Mr. Masaki Matsuda worked at Resona Bank, Ltd., which is a business partner of the Company and from which the Company has borrowings, but retired from the bank 11 years and nine months ago. There is no special interest that will hinder or be a problem in Mr. Masaki Matsuda's execution of his duties as an outside corporate auditor.

The validity of the current appointment of a substitute corporate auditor is until the start of the Meeting. Therefore, we would like to ask our shareholders to appoint one (1) substitute corporate auditor in the case that we lack a quorum of corporate auditors as stipulated in laws and regulations. This Proposal has obtained the consent of the Board of Auditors. The substitute corporate auditor candidate is described below.

Candidate

Kohei Nomura

野村公平

Born May 12, 1948; 70 years old

No. of Company shares held: 870 shares

Outside



Reason for nomination as a substitute outside corporate auditor candidate

It is due to his expertise and experience as a lawyer. Since he also has an excellent track record in corporate law, we have determined that he would be able to appropriately execute his duties as an outside corporate auditor, and ask our shareholders to approve his appointment.

Notes concerning the substitute outside corporate auditor candidate

- (1) Mr. Kohei Nomura has exchanged an advisory contract with the Company.
- (2) Mr. Nomura is a substitute outside corporate auditor candidate, and fulfills the requirements for outside corporate auditor candidates as set forth in Item 8, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act.
- (3) If Mr. Nomura is appointed as an outside corporate auditor, we plan to conclude 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, in order to acquire personnel who will become outside officers and secure their effectiveness.
- (4) Although Mr. Nomura belongs to Nomura Law Office, with which the Company has business relations through an advisory contract, the advisory fee is extremely small and therefore we plan to file Mr. Nomura as independent officer with the Tokyo Stock Exchange if his appointment is approved.

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

- April 1975 : Registered as a lawyer (Osaka Bar Association)
- April 1977 : Established Nishikawa & Nomura Law Office (currently Nomura Law Office*) (present)

***Nomura Law Office** Location: Kita-ku, Osaka

Abiding by the motto, "There is no case that cannot be solved," the law office accepts requests from a broad range of clients including companies, groups and individuals, and handles cases in various fields from corporate law, including the Companies Act and financial legislations, to general civil cases and criminal cases.

Reference Criteria for the Independence of Outside Officers

The Company has set out the criteria for independence as below, and deems that an outside officer is independent if none of the criteria apply thereto.

- (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 department head (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 department head 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

Notes concerning outside corporate auditors

- (1) There are no special interests between Mr. Akira Takada, Mr. Hiroho Kamakura and the Company.
- (2) Mr. Akira Takada 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.

Reference Introduction of Corporate Auditors in Office

Akira Takada

高田 明



- Born January 3, 1958; 61 years old
- No. of Company shares held 100 shares
- Attendance at Board of Directors' meetings 100% (9/9 meetings)
- Attendance at Board of Auditors' meetings 100% (9/9 meetings)
- Term of office as full-time corporate auditor One year as of the time of the closing of the Meeting

Full-time

Outside

Delve deeply into the company

As a full-time corporate auditor residing at the Tokyo head office, I intend to contribute to the continuous development of Trusco Nakayama Corporation by promptly and accurately grasping important information on the decision-making of the Company and engaging appropriately as an independent outside corporate auditor with no strings attached.

Akira Takada,
Full-time Corporate Auditor

Akira Takada

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

- April 1981 : Joined Nomura Securities Co., Ltd.
- December 2001 : Head of IB Consulting Office
- March 2009 : Managing Director of IB Business Development Department
- April 2012 : Director of Nomura Investor Relations Co., Ltd.
- April 2015 : Advisor of Nomura Investor Relations Co., Ltd.
- March 2018 : Full-time Corporate Auditor of the Company (present)

Evaluation as Corporate Auditor

The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items).

	Total	Sense of management, foresight	Fairness, sincerity	Objectivity, neutrality, common sense, knowledge	Compliance	Communication	Pointing out problems, proposing improvements
Akira Takada	18.2	3.0	3.1	3.1	3.1	3.0	3.0
Average*2	17.8	3.0	3.0	3.0	3.1	2.8	2.8

*1 The indicated scores have been rounded to the first decimal place.

*2 The average score of three corporate auditors

Hiroho Kamakura

鎌倉 寛保



- Born January 27, 1947; 72 years old
- No. of Company shares held 2,500 shares
- Attendance at Board of Directors' meetings 81.8% (9/11 meetings)
- Attendance at Board of Auditors' meetings 100% (12/12 meetings)
- Term of office as part-time corporate auditor Six years eight months as of the time of the closing of the Meeting

Part-time

Outside

Contribute to sound and continuous development

The duty of an auditor is to carry out auditing activities as an independent institution for the sound development 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,
Part-time Corporate Auditor

H. Kamakura

Brief biography, status, business in charge of 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 : Part-time Corporate Auditor of the Company (present)
Part-time Corporate Auditor of Yushin Precision Equipment Co., Ltd. (present)
- March 2013 : Part-time Corporate Auditor of Fujio Food System Co., Ltd. (present)

Evaluation as Corporate Auditor

The following results of the FY2018 OJS on Directors have been adopted as an important benchmark (Full score of 24 points: 4 points × 6 items).

	Total	Sense of management, foresight	Fairness, sincerity	Objectivity, neutrality, common sense, knowledge	Compliance	Communication	Pointing out problems, proposing improvements
Hiroho Kamakura	17.3	3.0	3.0	3.0	3.0	2.5	2.8
Average*2	17.8	3.0	3.0	3.0	3.1	2.8	2.8

*1 The indicated scores have been rounded to the first decimal place.

*2 The average score of three corporate auditors

Reference

Q&A

Frequently Asked Questions to Trusco

Answers to questions frequently asked by our shareholders

Q1

What are your methods and purpose of **financing** ?

We recognize that reinforcements of distribution functions and the IT infrastructure are essential for the future expansion of the company. Therefore, in order to enhance investment in distribution equipment and information systems, we financed 10 billion yen in August 2017 and 15 billion yen in July 2018 through bank borrowings.

Q2

What is the reason for the **increase in sales and a drop in profit** ?

It was due to an increase in freight and packaging costs owing to an increase in shipment following an increase in sales and a rise in delivery prices, an increase in depreciation due to capital investment in Planet Saitama and others, and an increase in SG&A due to rises in salaries and bonuses on the back of an increase in headcount.

Q3

How do you view your **current payout ratio** ?

We believe we can maximize returns to shareholders by achieving continuous growth. Based on the policy that continued capital investment is essential for improving corporate value, we have focused our investments in distribution centers, IT infrastructure, and the personnel that support them, and achieved solid growth as a result. Currently we intend to maintain a payout ratio of 25% based on business performance as a result of considering the balance between returns by corporate value improvement through capital investment and returns by dividends, and provide returns to shareholders with a comprehensive dividend amount. Starting the fiscal year ending December 2019, we have adopted dividends based on consolidated net income, and set a basic policy of paying dividends based on business performance with a consolidated payout ratio of 25% if the recorded profit exceeds a certain level, with a lower limit for stable dividends.

Q4

Are there any plans for a **share buyback** ?

At the moment, we have no plans for share buybacks. Our ROE at the end of the fiscal year ended December 31, 2018 was 8.3%. 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*, instead of aiming to improve corporate value with short-term methods. We hope to return our profits to our shareholders through corporate value improvement and dividends.

Q5

What is **your succession plan** ?

We carry out personnel transfers across divisions on a regular basis, including not only rank-and-file employees but also managers and heads of departments, in order to establish a foundation on which everyone can obtain a multi-faceted perspective. Executives and department heads or above are evaluated by a total of around 160 executives, department heads and managers in an open judging system (OJS, i.e., 360-degree evaluation), a personnel evaluation system, the results of which are used as criteria for promotion and demotion. Furthermore, executives and department heads or above participate in the Management Committee every month to discuss managerial issues. Through such mechanisms, we focus on creating an environment where manager candidates are trained and fostered.

Management, sales strategy

Shares, dividends, shareholder benefits, IR

Corporate governance

Q6

Is **remuneration decided** through transparent procedures ?

The remuneration of directors takes into consideration the balance between industry levels and business performance and is determined within a total remuneration limit decided at the Shareholders' Meeting, upon discussion by the Board of Directors that includes outside directors. The allocation of remuneration is left to the discretion of President Nakayama.

The remuneration of corporate auditors takes into consideration the balance between industry levels and business performance and is determined through discussion by corporate auditors based on the amount indicated by a director within a total remuneration limit decided at the Shareholders' Meeting.

Directors' bonuses and corporate auditors' bonuses are determined within 3% of net income at the time of account closing within the annual remuneration limit, which includes executives' bonuses, in consideration of each executive's business execution status.