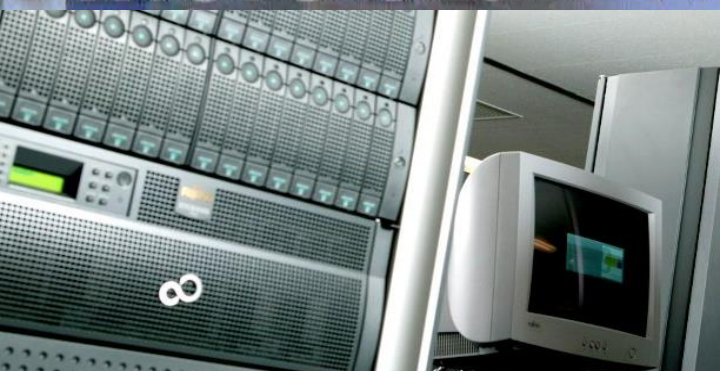


TONAMI

More than Transportation



2016



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I . To Our Shareholders and Investors

The scale of corporate logistics is valued at approximately ¥20 trillion in Japan but it is said to become a huge market of approximately ¥42 trillion when the potential market is included.

Changes have been observed in the global activities of Japanese companies against the backdrop of factors such as the slowdown in the global economy and appreciation of the yen. Japanese logistics companies continue to make efforts aimed at undertaking overseas operations in fast-growing Asia and other countries while pursuing reorganization of the industry through alliances and M&As.

In the Japanese market, amid a decreasing working population and a serious shortage of drivers due to an aging population combined with low birth rate, in addition to a modest recovery trend in cargo movements, there is a growing trend among companies to restructure logistics subsidiaries, conduct operation by IoT (Internet of Things), and outsource logistics operations overall for the purpose of improving management efficiency.

Under these circumstances, the Group is taking measures to improve revenue, such as strengthening business activities focused on profitability and expanding the scale of business which constitute the growth strategy of the 20th Three-year Medium-Term Business Plan, as well as working to accomplish high-quality management by further strengthening risk management and compliance.

We are strengthening the business growth strategy, expanding the scale of business by strengthening existing businesses, and progressing the differentiation strategy by further reinforcing cooperation with partner companies to achieve these measures.

In addition, we will work to maintain and improve optimal logistics services by proactively utilizing the ICT function that supports the growth strategy through a “transition to an open environment” and accurately grasping the logistics costs, the transportation environment and changes in demand, among other things.

Facing the future, we are focused intently on taking up these challenges. I ask all shareholders and investors for their continued support and understanding.

July 2016

Katsusuke Watanuki
President and Representative Director

II. Company Summary

- **Company name** Tonami Holdings Co., Ltd.
- **President** Katsusuke Watanuki
- **Address** 2-12, Showa-machi 3-chome Takaoka, Toyama- Prefecture
- **Establishment** June 1943
- **Stock exchange** Tokyo Stock Exchange 1st section since September 1984 (9070JP)
- **Capital** ¥14,182 million
- **Number of shareholders** 6,148 (as of march 31, 2016)
- **Number of employees** 6,430 (as of march 31, 2016) [Group]
- **Business description** Trucking business, Forwarding business, Warehousing business, Harbor transport business, Information processing business, Automobile repair business, Direct marketing service business and Consignment sales, General leasing, Tour business, etc.

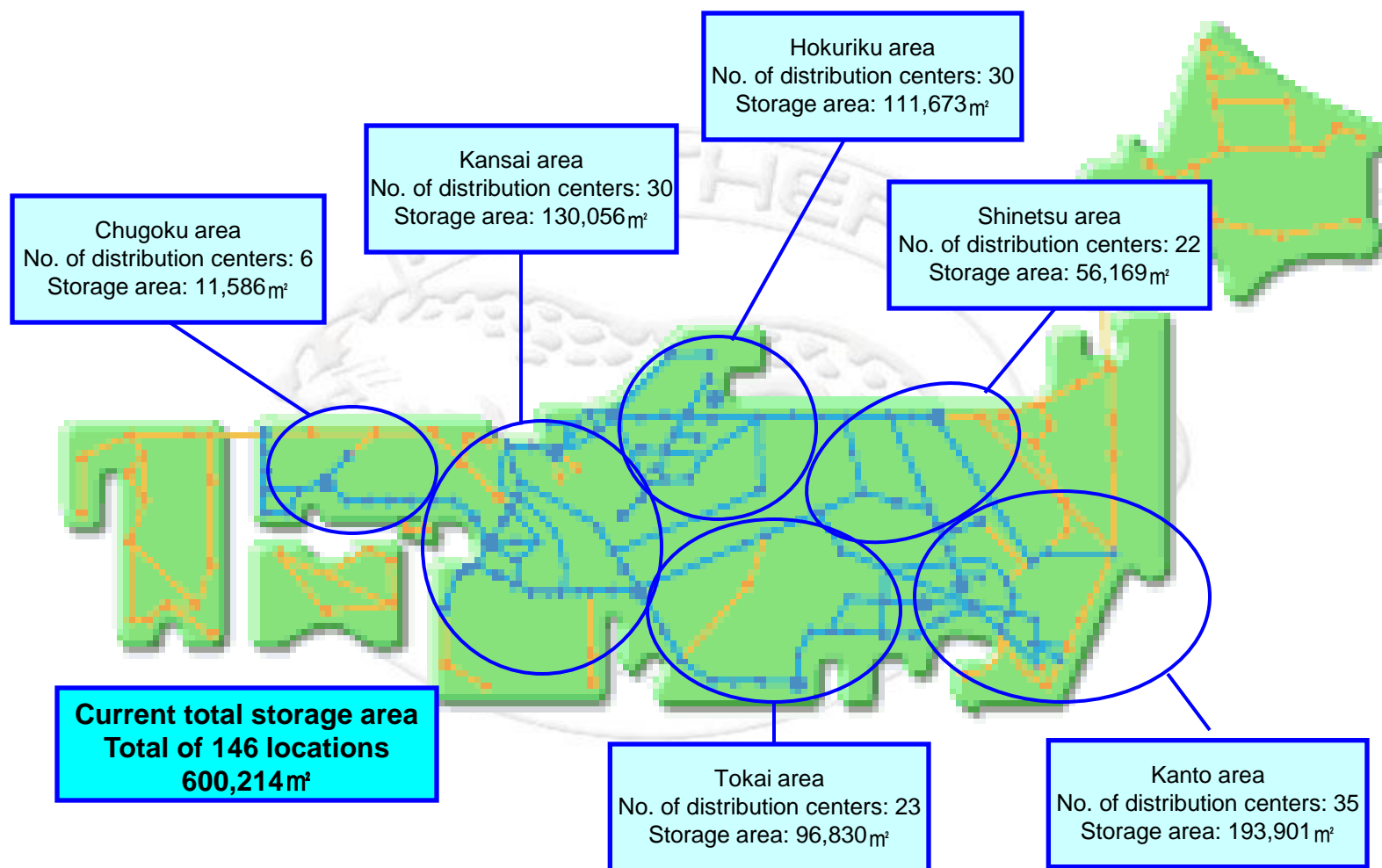
III. History

1943 June	Founded Tonami Transportation at Tonami City, Toyama Prefecture
1972 July	Commenced Tonami Total On-line System through introduction of computer
1976 November	Commenced warehousing business
1978 January	Commenced air freight delivery business
1984 September	Listed on the 1 st section of both Tokyo Stock Exchange and Osaka Securities Exchange
1996 August	Acquired Nihon Unyu Kaisha and entered into the harbor transport business
2000 August	Built new computer center (mobile terminals installed)
2000 October	Acquired ISO9002
2003 October	Acquired all the shares of Keishin Warehouse (converted to subsidiary)
2003 October	Acquired ISO14001
2005 July	Nihon Unyu Kaisha changed its trade name to Tonami Global Logistics Co., Ltd.
2007 March	Acquired certification of Information Security Management Systems (ISMS)
2007 April	Introduced a cash management system (CMS) into subsidiaries
2007 June	Concluded a “Commitment Line Agreement” with syndicated financial institutions
2007 November	Purchased all shares of ANAN-TP Co., Ltd. / Nationwide Shirobo JSE Courier (converted to subsidiary)
2008 October	Shifted from prior and existing Tonami Transportation Co., Ltd. to a pure holding company system, utilizing the company spin-off system as prescribed by the Companies Act; changed the trade name to Tonami Holdings Co., Ltd.; and transferred the business to newly formed Tonami Transportation Co., Ltd.
2010 February	Acquired stock in Daiichi Soko Co., Ltd. (converted to subsidiary)
2010 October	Spun off of the Shinetsu and Chugoku region businesses of Tonami Transportation Co., Ltd. into the regional companies, Tonami Transportation Shinetsu Co., Ltd. and Tonami Transportation Chugoku Co., Ltd.
2011 January	Founded Tonami International Logistics (Dalian) Co., Ltd., subsidiary in Dalian, China with our own capital

III. History

2011October	Thai subsidiary, Tonami Thailand Company Limited, concluded a joint venture contract with a local Thai company, MAHAPORN TORANSPORT Co., Ltd., and converted the company into a subsidiary.
2012 April	Founded an affiliate Japan Tranz Line, Inc. under a joint venture between the Company, Daiichi Freight System, Inc. and Kurume Transportation Co., Ltd.
2013 January	Thai subsidiary, Tonami Thailand Company Limited, concluded a joint venture contract with a local Thai company, H&R Forwarding Co., Ltd., and converted the company into a subsidiary.
2013 January	Tonami International Logistics (Dalian) Co., Ltd. acquired a Business License for Land Transportation from the Chinese authorities in three northeastern provinces and changed the trade name to Tonami Logistics (Dalian) Co., Ltd.
2013 April	Conducted absorption-type merger with three consolidated subsidiaries (Osaka Tonami Transportation Co., Ltd., ANAN-TP Co., Ltd., and Toyo Gomu Hokuriku Hanbai Co., Ltd.) as the surviving companies and three regional business subsidiaries (Kansai Tonami Transportation Co., Ltd., Nationwide Shirobo JSE Courier Co., Ltd., and Toyo Tire Toyama shop Co., Ltd.) as the dissolving companies. Osaka Tonami Transportation Co., Ltd. was renamed to Tonami Kinki Logistics Co., Ltd.
2013 April	Acquired stock in Client Focus Corporation (converted to subsidiary)
2014 July	Acquired stock in Ryosei Logistics Co., Ltd. (converted to subsidiary)
2015October	Conducted absorption-type merger with five consolidated subsidiaries (Gosei Tonami Transportation Co., Ltd., Fukui Tonami Transportation Co., Ltd., Chukyo Tonami Transportation Co., Ltd., Kanto Tonami Transportation Co., Ltd., Keishin System Research Co., Ltd.) as the surviving companies and five subsidiaries (Zento Transportation Co., Ltd., Takefu Transportation Co., Ltd., Daiichi Warehouse Co., Ltd., Ibaraki Tonami Transportation Co., Ltd., Client Focus Corporation) as the dissolving companies. The five surviving companies are as follows: Hokuriku Tonami Transportation Co., Ltd. (renamed from Gosei Tonami Transportation Co., Ltd.), Fukui Tonami Transportation Co., Ltd., Tonami Daiichi Warehouse Logistics Co., Ltd. (renamed from Chukyo Tonami Transportation Co., Ltd.), Kanto Tonami Transportation Co., Ltd., and KSR Co., Ltd. (renamed from Keishin System Research Co., Ltd.).
2016June	Ryosei Logistics Co., Ltd changed its trade name to Kitakantou Tonami Transportation Co., Ltd.
2016July	Acquired stock in Chuo Reizo Co., Ltd (converted to subsidiary)

IV. Tonami Holdings Group Distribution/Storage Network



Blue line: The Group's transportation route

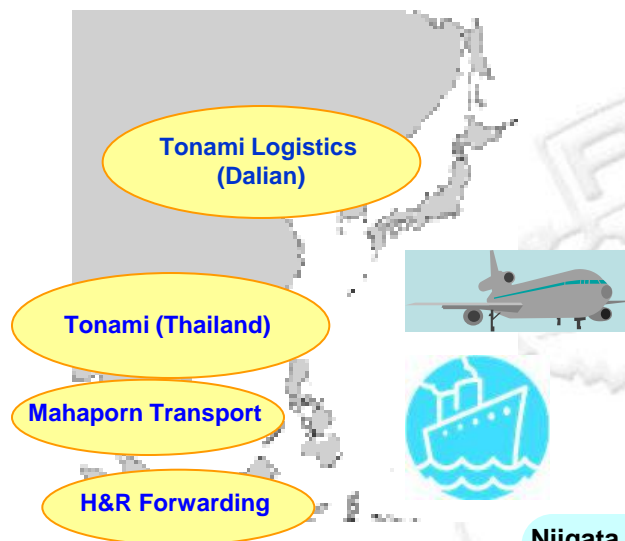
Orange line: Alliances' transportation route

The Group has developed its own transportation routes that link the Hokuriku/Kanto/Kansai/Sanyo regions.

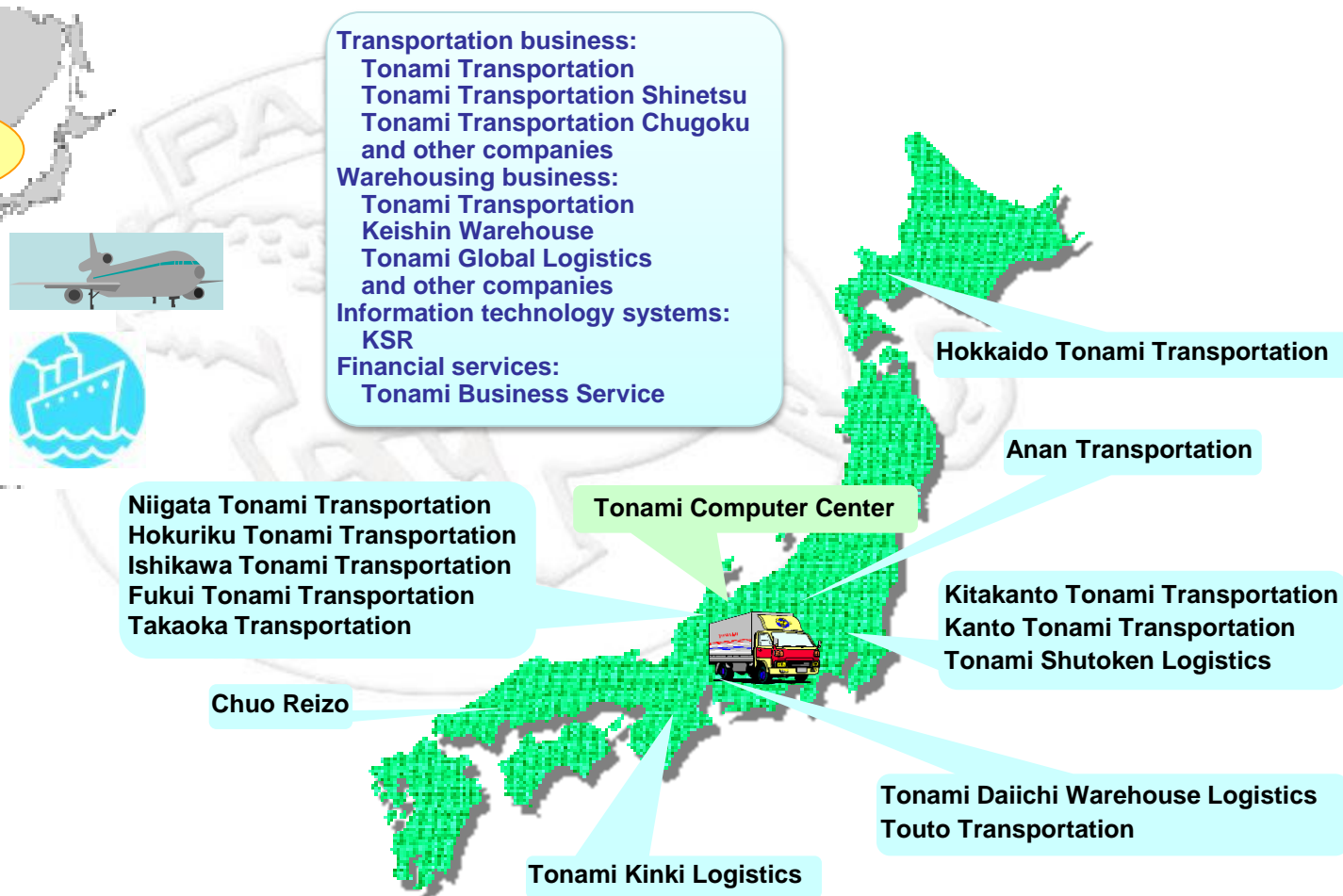
The company has also established alliances with local LTL trucking companies to create a network that allows national coverage.

V. Operating Subsidiaries and Affiliates

Group companies that support business activities in Asia



Group companies that support domestic business operations

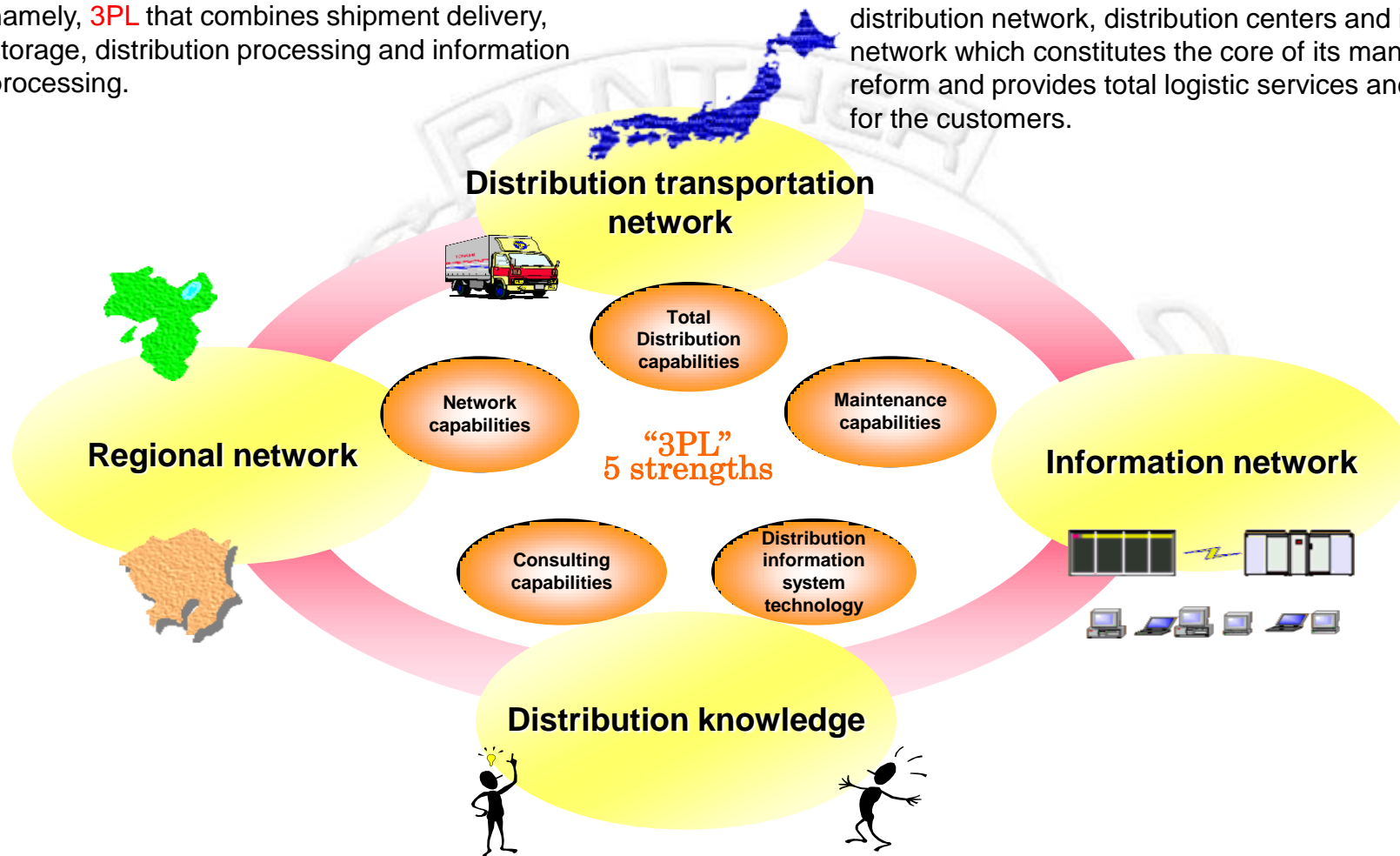


Tonami Trading, Toyo Gomu Hokuriku Hanbai, Takaoka Cable Network, Shogawa Kanko, etc.

VI. Outline of 3PL (third-party logistics)

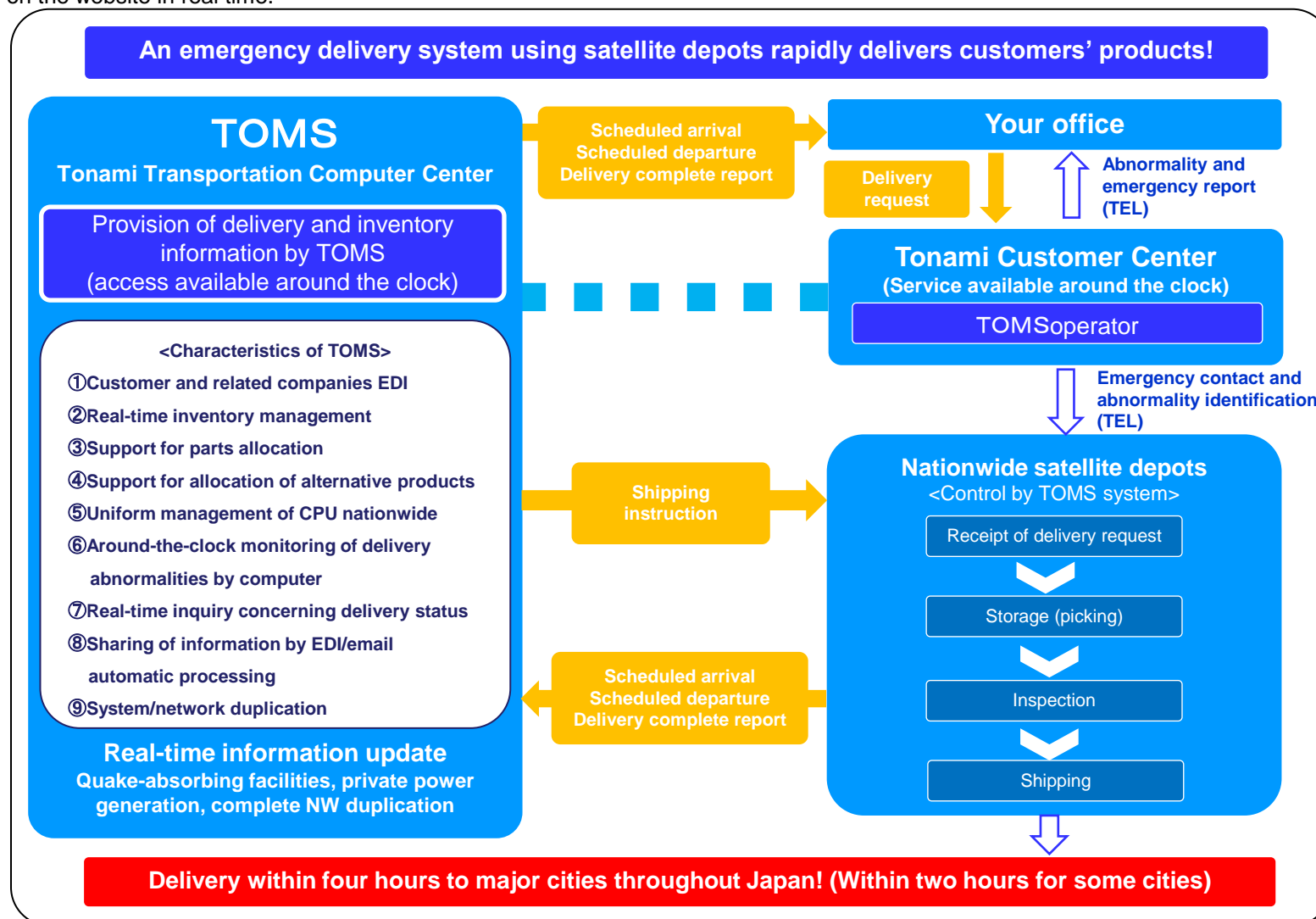
The Group offers an optimal delivery services, namely, **3PL** that combines shipment delivery, storage, distribution processing and information processing.

The Group utilizes its domestic and international distribution network, distribution centers and information network which constitutes the core of its management reform and provides total logistic services and solutions for the customers.



VII. Outline of Tonami Supply Maintenance Business (TSM)

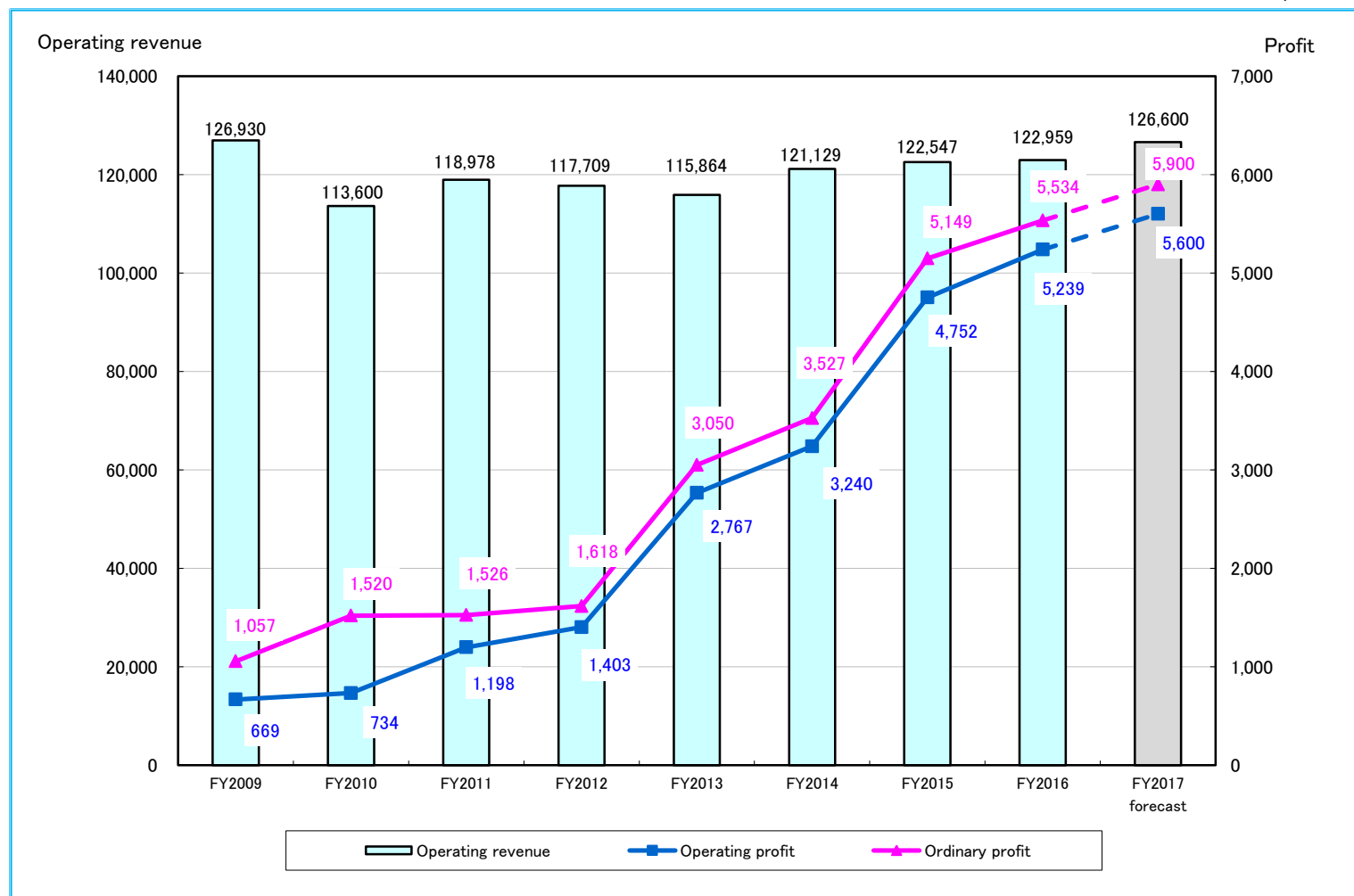
Serving as the customer's eyes and ears 24 hours a day, we monitor and supervise logistics to provide high-quality delivery. Using depots located throughout Japan and a system developed by the Company (TOMS), we provide emergency maintenance parts delivery service around the clock 365 days a year. Users can check logistics information, such as the status of delivery and inventory, on the website in real time.



VIII. Business Performance

(Trend in Consolidated Operating Revenue, Operating Profit and Ordinary Profit)

(JPY m)



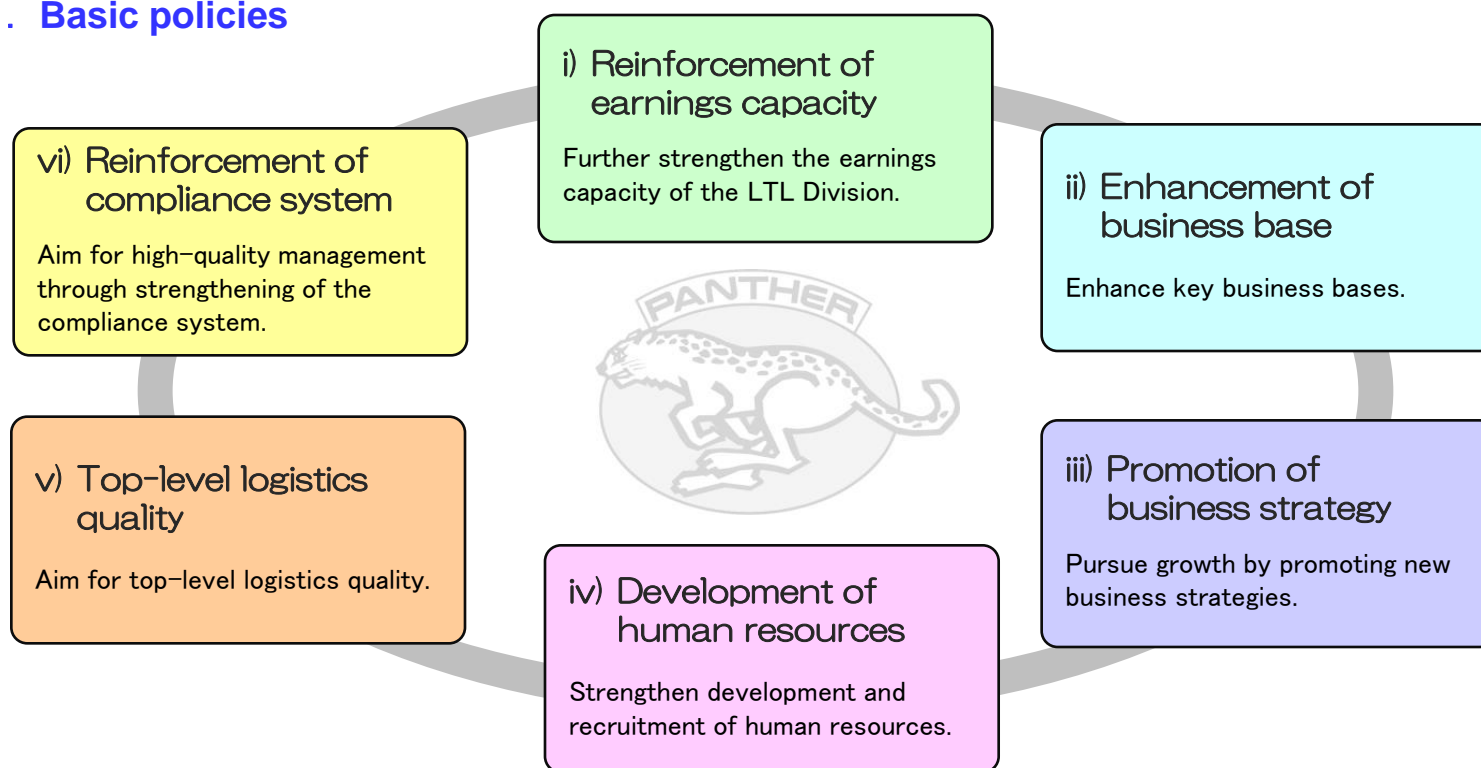
IX. The 20th Three-year Medium-Term Business Plan (April 1, 2015 - March 31, 2018)

Positioning the 20th Three-year Medium-Term Business Plan as a three-year period to implement further business expansion built on the cornerstone of structural reform, we will improve the quality and comprehensive strength of the entire Group, with the aim of establishing a new Group structure based on even higher-quality management.

We will work toward realizing high-quality management that is both “No. 1” and “the only one” in order to achieve our performance targets for the final year (FY2018).

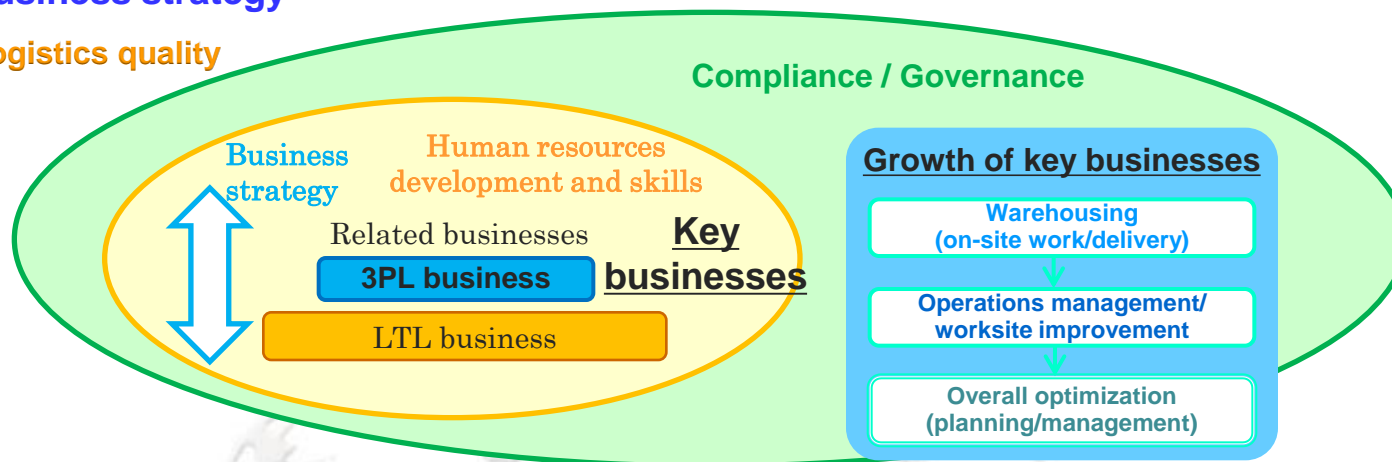
***“Leading step up 2017”
Aiming for even higher-quality management!***

I . Basic policies



II. Business strategy

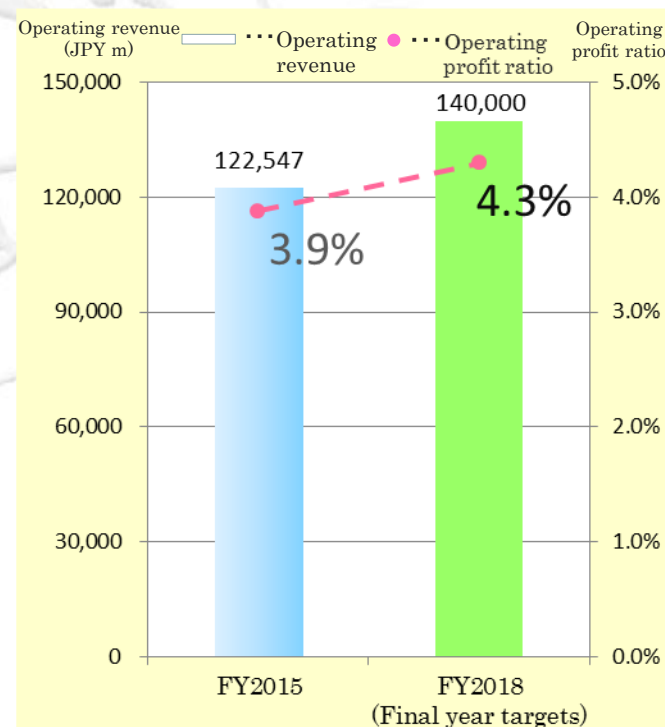
Logistics quality



III. Consolidated performance targets

	FY2015	FY2018 (Final year targets)
Operating revenue*	122,547	140,000
Logistics-related business	112,720	129,030
Information processing business	3,015	3,650
Marketing business	6,105	12,050
Others	705	1,640
Operating profit	4,752	6,000
Operating profit ratio	3.9%	4.3%
Ordinary profit	5,149	6,200
Ordinary profit ratio	4.2%	4.4%
Net income	3,238	4,400
Profit ratio	2.6%	3.1%
Return on assets (ROA)	2.7%	3.4%
Return on equity (ROE)	6.2%	7.0%
Pursue investment in growth and increase distribution to shareholders by improving capital efficiency.		

* Includes intersegment eliminations.



X. Interview with the President

Q. Please tell us about the progress of Tonami's 20th Three-year Medium-Term Business Plan.

A. Although operating revenue was weak in the first year, profitability is still high enough to achieve profit as initially planned.

For achieving the targets for the final year, we will take measures to improve revenue, such as strengthening business activities focused on profitability and expanding the scale of business which constitute the growth strategy, as well as working to accomplish high-quality management by further strengthening risk management and compliance.

Q. Please tell us about Tonami's ROE (Return on equity).

A. We are targeting ROE of 7.0% in the final year of the 20th Three-year Medium-Term Business Plan.

Through the development of a stable business base by accomplishing high-quality management, we will take initiatives to achieve capital adequacy and fair profits, and steadily improve ROE.

Q. Would you give us your ideas on M&A and business tie-ups with other companies?

A. We are working to proactively gather information on matters such as the financial, securities and consulting industries and actively promoting consideration of M&A, capital participation, and business tie-ups.

Q. Please explain the overseas strategies.

A. As for overseas business, we have local subsidiaries in Thailand and China which provide local transport services and cross-border logistics services.

In terms of subsidiaries in China, we are strengthening business development of warehousing and storage and delivery businesses at the Dalian Head Office. In addition, at the Shanghai branch, we are strengthening sales activities and improving services in Shanghai which has a large economy and a huge number of major customers by utilizing the actual forwarding license. In Thailand, we are expanding the business base and developing the business management systems of the two local subsidiaries while working to discover new investment projects and collecting information.

Going forward, while keeping an eye on the global business environment, in line with the business strategy of the 20th Three-year Medium-Term Business Plan, we will strengthen our forwarding business, focusing on our subsidiaries, to provide further logistics support in the globalizing business environment.

Q. What are Tonami's capital investment plans?

A. We keep in mind how to reinforce market competitiveness and best match costs with revenues as we deploy new facilities and update existing facilities that have become cramped or deteriorated.

As part of an effort to expand 3PL business, Tonami Transportation Co., Ltd., the core of the Group, plans to commence operation of Hiratsuka Distribution Center in June 2016 and Kansai Center in July 2016, as well as complete construction of Kiyosu Distribution Center in March 2017. We will strengthen the strategy for concentrating hubs in Tomeihan area located next to major international ports to maximize the synergy effects.

Q. What are your thoughts on the response to corporate governance code?

A. As a listed company, we have compiled important principles to achieve effective corporate governance.

We will take actions to ensure shareholders' rights, appropriately cooperate with stakeholders other than shareholders, disclose information and ensure transparency, and fulfill the responsibilities of the Board of Directors.

Q. Please give us the details of the Company's policy on returning profits to shareholders.

A. Recognizing that capital adequacy and appropriate future investment are both key elements of sustained long-term development, we regard the return of profits to shareholders as an important management issue. Our basic policy on profit distribution is to pay a performance-related dividend, with overall consideration of the trends in consolidated business results and the business conditions within which the Group is operating, while ensuring the maintenance of the financial health of the Company and the availability of internal reserves necessary to strengthen the management platform of the Company and develop its business operations.

Q. How is Tonami reinforcing its financial basis?

A. Aiming to reduce interest-bearing debt and increase its capital, the Group will strive to improve its corporate value through further expansion of profits by strengthening its business base and management with an emphasis on cash flow.

* Reference 1 Main Logistic Centers

Tonami Holdings Group takes full advantage of its 146 distribution centers that spread out across Honshu from the Kanto, Shinetsu to Chugoku area. The network that is extended throughout Japan and abroad links distribution centers and routes efficiently.

Major distribution centers by area include the following:



**Sagami Distribution Center
(Kanagawa)**

**Distribution storage area:
15,400m²**



**Kuki Distribution Center
(Saitama)**

**Distribution storage area:
9,100m²**



**Kosugi Distribution Center
(Toyama)**

**Distribution storage area:
16,400m²**



**Kawasaki Distribution Center
(Kanagawa)**

**Distribution storage area:
14,500m²**



**Toyama Distribution Center
(Toyama)**

**Distribution storage area:
7,700m²**



**Minami-Osaka Distribution
Center (Osaka)**

**Distribution storage area:
10,200m²**

* Reference 2 Winner of the FY2016 Excellent Green Logistics Partnership Commendation Program and Award of Director-General for Logistics

The Ministry of Land, Infrastructure, Transport and Tourism, jointly with the Ministry of Economy, Trade and Industry and related industrial organizations, promotes green logistics based on partnerships between shippers and logistics business operators and give an award to particularly outstanding initiatives.

As an excellent supplier for FY2016, Tonami Transportation Co., Ltd., the core of the Group, was singled out for the award in joint business.

At the ceremony held at Nikkei Building (Tokyo) on December 15, 2015, President Watanuki of Tonami Transportation Co., Ltd., President Mutoh of Daiichi Freight System, Inc., and President Futamata of Kurume Transportation Co., Ltd. were each given a certificate of commendation by Director-General Hao for Logistics of the Ministry of Land, Infrastructure, Transport and Tourism.



From left are President Mutoh of Daiichi Freight System, Inc., Director-General Hao for Logistics, President Watanuki of Tonami Transportation Co., Ltd., and President Futamata of Kurume Transportation Co., Ltd.

Award category	Award of Director-General for Logistics (Chief of Bureau level)
Winner	Tonami Transportation Co., Ltd. Daiichi Freight System, Inc. Kurume Transportation Co., Ltd.
Title	Efficient operation of transportation business through “joint transportation on main lines,” “sharing of facilities,” “joint operation of pickup and delivery,” and “standardization of IT systems” and reduction of environmental impact through CO2 reduction
Reason for award	As a result of comprehensively promoting “development of a common platform for operation and systems, etc.,” “joint transportation on main lines” and a “model shift” in a routine task through the establishment of Japan Tranz Line, Inc., a joint venture between three LTL business companies (Tonami Transportation, Daiichi Freight System, Kurume Transportation), this initiative was highly rated as an example contributing to the improvement of transportation efficiency and labor productivity and reduction of environmental impact by reducing CO2. In addition, there are high hopes for the spillover effects of this initiative into the industry in the future.

* Reference 3 Tonami Transportation established three new logistics locations

Tonami Transportation Co., Ltd., the core of the Group, plans to start operation of three new logistics locations in order to further expand 3PL business as a key business.

With logistics needs expected to expand due to the basic agreement of TPP reached last year and 2020 Olympic Games in Tokyo, among other things, we will further enhance services by streamlining business operations in the future, improving productivity and strengthening IT functions in order to fully demonstrate our knowhow of 3PL business, and respond to the diversifying needs of customers.

Hiratsuka Distribution Center

[Commenced operation in June 2016]

As part of an effort to expand 3PL business by strengthening the logistics location in the Kanagawa area, we opened a new location. Located in the backyard of the metropolitan area, the center is also suitable for a centralized logistics location from western Japan. The Metropolitan Inter-City Expressway (Ken-O Expressway) also runs close to the center, which is only 3.7km from Samukawaminami IC, approximately 8km from Atsugiminami IC that will open in FY2017. In addition, the whole section of the Ken-O Expressway up to Gotenba IC will open in FY2019, making the center more convenient as the transport hub.

- Address: 6-15, Shin-machi, Hiratsuka-shi, Kanagawa Prefecture
- Area: 14,676.10m² (4,439.52 tsubo)
- Total floor area: 29,191.32m² (8,830.37 tsubo)
- Building structure: Steel structure, four stories above the ground
- Starting date of service: June 2016
- Owner: LaSalle Investment Management

(Photo of exterior)



Kansai Center

[Commenced operation in July 2016]

Newly established because Nishiyodogawa Distribution Center (2-9-133, Nakajima, Nishiyodogawa-ku, Osaka) currently under operation has become cramped, and moved into *D Project SC Nishiyodogawa III nearby. Following new establishment of Hiratsuka Distribution Center as a measure to strengthen the strategy for concentrating hubs in Tomeihan area located next to major international ports, we will maximize the synergy effects by newly establishing Kansai Center.

*Logistics facility with a total area of 77,000m² to be provided by Daiwa House Industry Co., Ltd. to Nishiyodogawa-ku

- Address: 2-13-33, Nakajima, Nishiyodogawa-ku, Osaka
- Total floor area: 22,330 m² (6,757 tsubo)
- Building structure: Steel structure, four stories above the ground
- Starting date of service: July 2016 (1, 2F)

(Photo of exterior)



Kiyosu Distribution Center (tentative name)

[Scheduled to start operation in March 2017]

As part of an effort to effectively utilize existing facilities owned by the Company through redevelopment as well as to strengthen 3PL business in the area, we will work to expand the operating warehouse by starting operation as a distribution transportation center in the Tokai area with some functions that enable temperature to adjust in a chilled temperature zone.

Since there are expectations for distribution warehouses in Kanto and south of Kansai near Kiyosu IC where Tomeihan Expressway and Nagoya Expressway intersect, we will strive to expand 3PL business to respond to diversifying customers' requirements.

- Address: 23 Haruhitatetsukuri, Kiyosu-shi, Aichi Prefecture
- Total floor area: 5,090 m² (1,539 tsubo)
- Building structure: Steel structure, two stories above the ground
- Starting date of service: March 2017

(Image)



