

2014
Semiannual Report
For the six-month period ended September 30, 2013

TONAMI HOLDINGS CO., LTD.



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Forward-Looking Statements

This report includes forward-looking statements that represent Tonami Group's assumptions and expectations in light of currently available information. These statements reflect industry trends, clients' situations and other factors, and involve risks and uncertainties which may cause actual performance results to differ from those discussed in the forward-looking statements in accordance with changes in the business environment.

A MESSAGE FROM THE PRESIDENT

I welcome this opportunity to report to our shareholders on the operating environment and business results for the six-month period ended September 30, 2013.

During the first six-month period, the Japanese economy appeared to be on a modest recovery track. There were signs of improvement in certain aspects of personal consumption as well as in the export environment, in line with the weakening of the yen and the rise of stock prices resulting from the Japanese government's economic policies and the Bank of Japan's quantitative easing.

In the distribution industry, despite an expected increase in domestic freight volumes reflecting an upward trend of consumption-related freight and last-minute demand before the upcoming consumption tax increase, the business environment remained challenging as export- and import-related demand remained lackluster and competition among companies intensified.

In these circumstances, the Tonami Holdings Group strove to secure stable revenues from truck transport and freight forwarding and to expand related business, including third-party logistics (3PL), the Group's priority. As a result, operating revenues amounted to

UNAUDITED CONSOLIDATED FINANCIAL HIGHLIGHTS

TONAMI HOLDINGS CO., LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Six months ended September 30, 2013	Six months ended September 30, 2012	Six months ended September 30, 2013
For the period:			
Operating revenues	¥ 58,427	¥ 56,848	\$ 597,719
Logistics	53,937	52,597	551,785
Information processing	1,376	1,105	14,078
Sales	2,760	2,752	28,235
Others	354	394	3,621
Operating income	1,282	1,269	13,117
Net income	790	856	8,083
Total comprehensive income	946	587	9,676
Per share (yen and U.S. dollars) (Note 2)			
Net income, basic	¥ 8.71	¥ 9.43	\$ 0.0891
Net income, diluted (Note 3).....	—	—	—
Cash dividends	2.00	2.00	0.0205
	September 30, 2013	March 31, 2013	September 30, 2013
At period-end:			
Total assets	¥116,414	¥117,189	\$1,190,936
Total net assets	48,313	47,643	494,250

Notes: 1. U.S. dollar amounts presented in the unaudited financial statements are included solely for convenience and should not be construed as representations that Japanese yen amounts have been or could in the future be converted into U.S. dollars. The rate of ¥97.75 = U.S.\$1, prevailing on September 30, 2013, has been used for the translation into U.S. dollar amounts in the unaudited financial statements.

2. The computation of net income per share of common stock is based on the weighted average number of shares outstanding (which represents the number of issued shares less treasury stock.) during each period.

3. Diluted net income per share is not presented for the six months ended September 30, 2013 and 2012, since there were no potentially dilutive securities.

¥58,427 million, an increase of 2.8% or ¥1,579 million compared with the same period of the previous year.

With regard to profits, we promoted the structural reform of our business in accordance with the Three-year Medium-term Business Plan launched in April 2012 and expanded the scope of the business in an effort to absorb negative factors such as increased operational costs. As a result, operating income increased 1.1% or ¥13 million to ¥1,282 million.

Net income amounted to ¥790 million, which was 7.7% or ¥65 million lower than the figure for the same period of the previous year partly because the Group recorded a gain on disposal/sales of property and equipment in the same period of the previous year.

We intend to pay annual dividends of ¥4 per share for the fiscal year ending March 31, 2014, and paid an interim dividend of ¥2 per share.

Results by Segment

In the logistics-related operations, the Group strove to expand business with existing customers and cultivate new ones at its new facilities for truck transport, freight forwarding, and 3PL services. As a result, operating revenues from the logistics-related business increased 2.5% or ¥1,340 million compared with the same period of the previous year to ¥53,937 million. Although there were concerns about an increase in the cost burden, such as subcontractor fees, in addition to fuel costs that remained high, segment income

increased 0.3% or ¥3 million to ¥982 million owing to improved profitability of the key 3PL services and the progress with restructuring of the mainstay truck transport and freight forwarding operations, including cost reductions through enhanced operational efficiency.

Operating revenues from the information processing business amounted to ¥1,376 million, an increase of 24.6% or ¥271 million compared with the same period of the previous year, partly due to expansion of the scope of business of new and existing customers. Segment income was ¥92 million, an increase of 31.7% or ¥22 million.

Operating revenues from the sales business, which includes merchandising, consignment sales, and a non-life insurance agency, amounted to ¥2,759 million, edging up 0.3% or ¥8 million compared with the same period of the previous year. Segment income increased 16.3% or ¥20 million to ¥144 million.

Operating revenues from other businesses, which include automobile repair and direct mail service, amounted to ¥353 million, a decrease of 10.4% or ¥41 million compared with the same period of the previous year. Segment income decreased 20.0% or ¥11 million to ¥46 million.

Full-Year Outlook

The Japanese economy is on a recovery track. Nevertheless, prospects remain unclear in view of the persisting international tensions in East Asia, an increase in the burden due to the upcoming

consumption tax increase, and unstable currency exchange rates.

The business environment for the distribution industry is likely to remain challenging in view of an increase in fuel prices and the downward trend of production-related freight volumes in line with the shift of production sites from Japan to overseas.

In these circumstances, in the second year of the Three-year Medium-term Business Plan, the Group is working to achieve steady progress with the structural reform of its business, a key theme of the plan.

We will continue making a concerted effort to raise business performance so as to meet the expectations of our shareholders. In all our endeavors, we will be grateful for your continued support.

December 2013

A handwritten signature in black ink, reading "K. Watanuki". The signature is written in a cursive, flowing style.

Katsusuke Watanuki
President and Representative Director

UNAUDITED CONSOLIDATED BALANCE SHEETS
TONAMI HOLDINGS CO., LTD. AND CONSOLIDATED SUBSIDIARIES

September 30, 2013 and March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	September 30, 2013	March 31, 2013	September 30, 2013
ASSETS			
Current assets:			
Cash and time deposits	¥ 9,554	¥ 9,701	\$ 97,740
Trade receivables:			
Notes and accounts	18,924	20,191	193,597
Less: allowance for doubtful accounts	(53)	(65)	(541)
Inventories (Note 2)	904	546	9,252
Deferred tax assets	459	527	4,695
Other current assets	2,689	2,635	27,511
Total current assets	32,478	33,538	332,254
Property and equipment:			
Land	41,112	41,085	420,582
Buildings and structures	21,382	21,684	218,744
Machinery and vehicles	2,106	2,130	21,549
Construction in progress	—	72	—
Other	7,312	6,882	74,807
Total property and equipment	71,913	71,856	735,682
Investments and other assets:			
Investments in securities	6,844	6,551	70,017
Goodwill	24	19	243
Other	5,155	5,224	52,740
Total investments and other assets	12,023	11,795	123,000
Total assets	¥116,414	¥117,189	\$1,190,936

The accompanying Notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	September 30, 2013	March 31, 2013	September 30, 2013
LIABILITIES			
Current liabilities:			
Short-term bank loans	¥ 14,265	¥ 10,390	\$ 145,934
Current portion of long-term debt	3,531	3,104	36,127
Current portion of bonds with stock acquisition rights	—	3,000	—
Trade notes and accounts payable	10,105	11,341	103,373
Income taxes payable	502	607	5,138
Other current liabilities	7,431	7,835	76,023
Total current liabilities	35,835	36,279	366,595
Long-term liabilities:			
Long-term debt, less current portion	8,473	9,480	86,685
Deferred tax liability	509	317	5,205
Deferred tax liabilities from revaluation reserve for land	4,694	4,694	48,021
Employees' severance and retirement benefits	12,519	12,817	128,077
Retirement benefits for directors and corporate auditors	101	117	1,035
Negative goodwill	115	153	1,176
Other long-term liabilities	5,854	5,685	59,891
Total long-term liabilities	32,266	33,266	330,090
Total liabilities	68,101	69,546	696,685
NET ASSETS			
Shareholders' equity:			
Common stock:			
Authorised: 299,200,000 shares at September 30, 2013			
299,200,000 shares at March 31, 2013			
Issued: 97,610,118 shares at September 30, 2013			
97,610,118 shares at March 31, 2013			
	14,183	14,183	145,091
Capital surplus	11,682	11,682	119,511
Retained earnings	17,034	16,516	174,266
Treasury stock, at cost: 6,860,763 shares at September 30, 2013 and			
6,857,237 shares at March 31, 2013	(2,019)	(2,018)	(20,654)
Total shareholders' equity	40,880	40,363	418,214
Accumulated other comprehensive income:			
Unrealized gain on securities	997	846	10,204
Revaluation reserve for land	6,326	6,326	64,717
Total accumulated other comprehensive income	7,324	7,172	74,921
Minority interest:			
Minority interest	109	107	1,116
Total net assets	48,313	47,643	494,250
Total liabilities and net assets	¥116,414	¥117,189	\$1,190,936

**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
TONAMI HOLDINGS CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Operating revenues:			
Operating revenues	¥58,427	¥56,848	\$597,719
	58,427	56,848	597,719
Operating costs and selling, general and administrative expenses:			
Operating cost	53,950	52,529	551,914
Selling, general and administrative expenses	3,195	3,050	32,689
	57,145	55,579	584,603
Operating income	1,282	1,269	13,117
Other income and expenses:			
Interest and dividend income	157	165	1,608
Equity in earnings of affiliates	33	30	342
Gain on disposal/sales of property and equipment, net	36	207	367
Interest expenses	(208)	(238)	(2,125)
Other, net	108	148	1,106
	127	312	1,298
Income before income taxes and minority interests	1,409	1,581	14,415
Income taxes:			
Current	438	411	4,479
Income taxes for prior periods	—	113	—
Deferred	176	190	1,805
	614	714	6,284
Income before minority interests	795	867	8,131
Minority interests	5	11	48
Net income	¥ 790	¥ 856	\$ 8,083
Minority interests	5	11	48
Net income before minority interests	795	867	8,131
Other comprehensive income (loss)			
Valuation difference on other securities	151	(279)	1,540
Share of other comprehensive income of associates accounted for using equity method	0	(1)	5
Total other comprehensive income (loss)	151	(280)	1,546
Total comprehensive income	946	587	9,676
Total comprehensive income attributable to:			
Owners of the parent	941	577	9,627
Minority interests	5	10	49

The accompanying Notes are an integral part of these statements.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
TONAMI HOLDINGS CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the six months ended September 30, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 1,409	¥ 1,581	\$ 14,415
Depreciation and amortization	2,149	2,029	21,987
Gain on disposal/sales of property and equipment	(36)	(207)	(367)
Loss on devaluation of investments in securities	1	10	13
Loss on devaluation of golf club memberships	18	1	187
Amortization of goodwill	(29)	13	(300)
Equity in earnings of unconsolidated subsidiaries and affiliates	(33)	(30)	(342)
Increase in allowance for doubtful accounts	113	16	1,153
Decrease in employees' severance and retirement benefits	(298)	(639)	(3,050)
Decrease in directors' and corporate auditors' retirement benefits	(16)	(35)	(166)
Increase in accrued bonuses to employees	27	32	277
Interest and dividend income	(157)	(165)	(1,608)
Interest expenses	208	238	2,125
Decrease in trade receivables	1,315	1,049	13,449
Increase in inventories	(358)	(359)	(3,662)
Decrease in accounts payable	(1,281)	(1,230)	(13,108)
Increase (decrease) in accrued consumption taxes	(84)	169	(859)
Other, net	314	(571)	3,208
Subtotal	3,260	1,902	33,351
Interest and dividends received	157	165	1,608
Interest paid	(251)	(275)	(2,563)
Income taxes paid	(653)	(385)	(6,679)
Net cash provided by operating activities	2,514	1,407	25,718
Cash flows from investing activities:			
Purchase of time deposits	(22)	(22)	(225)
Proceeds from redemption of time deposits	28	22	286
Purchase of property and equipment	(1,517)	(1,453)	(15,518)
Proceeds from sales of property and equipment	142	573	1,449
Purchase of investments in securities	(41)	(37)	(425)
Proceeds from sales of investments in securities	—	1	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	7	—	69
Investments in loans receivable	(208)	(118)	(2,133)
Proceeds from collection of loans receivable	148	226	1,512
Other, net	52	(15)	533
Net cash used in investing activities	(1,413)	(823)	(14,451)
Cash flows from financing activities:			
Net increase in short-term loans payable	3,875	988	39,642
Proceeds from long-term debt	2,000	65	20,460
Repayment of long-term debt	(2,580)	(645)	(26,393)
Redemption of bonds	(3,000)	—	(30,691)
Repayments of lease obligations	(1,262)	(1,013)	(12,906)
Purchase of treasury stock	(1)	(1)	(8)
Dividends paid	(272)	(182)	(2,786)
Dividends paid to minority interests	(3)	(2)	(34)
Net cash used in financing activities	(1,243)	(790)	(12,715)
Net decrease in cash and cash equivalents	(142)	(206)	(1,448)
Cash and cash equivalents at beginning of period	9,646	8,591	98,676
Cash and cash equivalents at end of period (Note 3)	¥ 9,504	¥ 8,385	\$ 97,229

The accompanying Notes are an integral part of these statements.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
TONAMI HOLDINGS CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of presenting financial statements

The accompanying unaudited consolidated financial statements have been prepared based on the accounts maintained by Tonami Holdings Co., Ltd. (the "Company") and consolidated subsidiaries in accordance with accounting principles generally accepted in Japan, which differ in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these unaudited consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥97.75 to U.S.\$1, the approximate rate of exchange at September 30, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Inventories

Inventories as at September 30, 2013 consisted of merchandise of ¥464 million (\$4,750 thousand), raw materials and supplies of ¥224 million (\$2,292 thousand), and work in process of ¥216 million (\$2,210 thousand).

3. Cash flow statements

Reconciliation of cash and time deposits shown in the unaudited consolidated balance sheets and cash and cash equivalents shown in the unaudited consolidated statements of cash flows as at September 30, 2013 and 2012 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30, 2013	Six months ended September 30, 2012	Six months ended September 30, 2013
Cash and time deposits	¥9,554	¥8,430	\$97,740
Time deposits with maturities exceeding three months	(50)	(45)	(512)
Cash and cash equivalents	¥9,504	¥8,385	\$97,229

4. Per share data

Net income per share

	Yen		U.S. dollars
	Six months ended September 30, 2013	Six months ended September 30, 2012	Six months ended September 30, 2013
Net income per share:			
Basic	¥8.71	¥9.43	\$0.0891
Diluted	—	—	—
Cash dividends	2.00	2.00	0.0205

Basis for the calculation of basic and diluted net income per share for the years ended September 30, 2013 and 2012 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30, 2013	Six months ended September 30, 2012	Six months ended September 30, 2013
Net income per share:			
Net income	¥790	¥856	\$8,083
Net income not available to shareholders of common stock	—	—	—
Net income available to shareholders of common stock	790	856	8,083
Weighted-average number of shares of common stock outstanding (shares)	90,752,009	90,762,020	

Diluted net income per share for the six months ended September 30, 2013 and 2012 is not presented since there were no outstanding potentially dilutive securities for the period.

5. Subsequent event

At a meeting held on November 8, 2013, the board of directors of the Company resolved the following interim cash dividends:—

	Millions of yen	Thousands of U.S. dollars
Dividends (¥2.00 per share)	¥181	\$1,857

6. Segment information

Information on operating revenues and income by reportable segment

(a) For the six months ended September 30, 2012

	Millions of yen						Adjustment *2	Consolidated *3
	Reportable segment				Others *1	Total		
	Logistics	Information processing	Sales	Subtotal				
Operating revenues:								
Revenues from outside customers	¥52,597	¥1,105	¥2,752	¥56,454	¥394	¥56,848	¥ —	¥56,848
Intersegment revenues or transfers	13	132	2,402	2,547	398	2,945	(2,945)	—
Total	52,610	1,237	5,154	59,001	792	59,793	(2,945)	56,848
Segment income	¥ 981	¥ 70	¥ 124	¥ 1,175	¥ 5	¥ 1,232	¥ 37	¥ 1,269

(b) For the six months ended September 30, 2013

	Millions of yen						Adjustment *2	Consolidated *3
	Reportable segment				Others *1	Total		
	Logistics	Information processing	Sales	Subtotal				
Operating revenues:								
Revenues from outside customers	¥53,937	¥1,376	¥2,760	¥58,073	¥354	¥58,427	¥ —	¥58,427
Intersegment revenues or transfers	11	148	2,451	2,611	388	2,999	(2,999)	—
Total	53,948	1,524	5,211	60,684	742	61,426	(2,999)	58,427
Segment income	¥ 983	¥ 92	¥ 144	¥ 1,219	¥ 46	¥ 1,265	¥ 17	¥ 1,282

	Thousands of U.S. dollars						Adjustment *2	Consolidated *3
	Reportable segment				Others *1	Total		
	Logistics	Information processing	Sales	Subtotal				
Operating revenues:								
Revenues from outside customers	\$551,785	\$14,078	\$28,235	\$594,098	\$3,621	\$597,719	\$ —	\$597,719
Intersegment revenues or transfers	116	1,515	25,079	26,710	3,969	30,679	(30,679)	—
Total	551,902	15,592	53,314	620,808	7,590	628,398	(30,679)	597,719
Segment income	\$ 10,052	\$ 942	\$ 1,476	\$ 12,470	\$ 475	\$ 12,945	\$ 172	\$ 13,117

Notes:

1. "Others" corresponds to operating segments that are not included in the reported operating segments and includes automobile repair and direct mail service.

2. Adjustments are as follows:

Adjustments of segment income

For the six months ended September 30, 2013 and 2012, adjustments of segment income amounted to ¥17 million (\$172 thousand) and ¥37 million, respectively. Adjustments include intersegment eliminations and corporate expenses not allocated to any reportable segments.

For the six months ended September 30, 2013 and 2012, the above-mentioned intersegment eliminations amounted to ¥359 million (\$3,669 thousand) and ¥356 million, respectively, and corporate expenses not allocated to any reportable segments amounted to ¥(342) million (\$(3,497) thousand) and ¥(319) million, respectively. Corporate expenses are mainly expenses of the Company's operations that do not belong to any reportable segments.

3. Segment income is adjusted to operating income in the unaudited consolidated statements of income.

CONSOLIDATED SUBSIDIARIES

Logistics

Company Name	Business Line
Tonami Transportation Co., Ltd.	Road haulage
Tonami Transportation Shinetsu Co., Ltd.	Road haulage
Tonami Transportation Chugoku Co., Ltd.	Road haulage
Kanto Tonami Transportation Co., Ltd.	Road haulage
Gosei Tonami Transportation Co., Ltd.	Road haulage
Tonami Shutoken Logistics Co., Ltd.	Road haulage
Tonami Kinki Logistics Co., Ltd.	Road haulage
Zento Transportation Co., Ltd.	Road haulage
Ishikawa Tonami Transportation Co., Ltd.	Road haulage
Ibaraki Tonami Transportation Co., Ltd.	Road haulage
Chukyo Tonami Transportation Co., Ltd.	Road haulage
Fukui Tonami Transportation Co., Ltd.	Road haulage
Niigata Tonami Transportation Co., Ltd.	Road haulage
Takefu Transportation Co., Ltd.	Road haulage
Anan Transportation Co., Ltd.	Road haulage
Tonami Global Logistics Co., Ltd.	Harbor transport service
Keishin Warehouse Co., Ltd.	Warehousing
Daiichi Warehouse Co., Ltd.	Warehousing

Non-logistics

Company Name	Business Line
Tonami Trading Co., Ltd.	Trading Company
Toyo Gomu Hokuriku Hanbai Co., Ltd.	Sale of tires
Keishin System Research Co., Ltd.	Development and sale of software
Tonami Business Service Co., Ltd.	Financial service
Tonami Staff Support Co., Ltd.	Temporary Staffing
Tonami Automobile Technology Research Institute Co., Ltd.	Automobile technology R&D
Client Focus Co., Ltd.	Development and sales of software

BOARD OF DIRECTORS AND CORPORATE AUDITORS

President and Representative Director

Katsusuke Watanuki

Managing Director

Yasuo Terabayashi

Directors

Shigeki Sakamoto

Shigeyuki Okada

Yoshimi Nagahara

Kazuo Takata

Shinichi Izumi

Mitsuharu Wadachi

Standing Corporate Auditors

Mitsuo Matsuda

Masafumi Takebe

Corporate Auditors

Shinichiro Inushima

Yohji Ishiguro

Toshio Kaido

(As of September 30, 2013)

CORPORATE DATA

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Date of Establishment

June 1943

Common Stock

¥14,183 million

Issued and Outstanding Shares

97,610,118 shares

(As of September 30, 2013)



TONAMI
TONAMI HOLDINGS CO., LTD.

URL:<http://www.tonamiholdings.co.jp/>