



Be the **Right ONE**

Three years management plan from FY 2017 to FY 2019

May 2, 2017

Toyota Tsusho Corporation.



Be the **Right ONE** **Contents**

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I . Review and specific management measures

FY2016 Review and specific management measures (Billion yen)

FY2015

Reassessed businesses and booked impairment losses against unprofitable ones

Metric	FY2014	FY2015	FY2016
Operating cash flow	+169.1	+308.3	+193.7
Free cash flow	(30.4)	+137.5	+63.3
Net interest-bearing debt	1,233.5	1,102.7	1,050.2
Net debt/equity ratio	1.1	1.2	1.1



**FY2015
FY2016**

Increasing cash-generative capacity through better working capital management

**We have built a foundation
upon which we can advance from FY2017**

Shift from 5 years plan to 3 years Management Plan



Major Management Turning Point

Analysis of mobility environment

- Auto industry undergoing once in a century structural transformation
- Technological innovations like IoT and AI are changing autos' value

We must be prepared to swiftly adapt to change by establishing specialized organizational units with our sights set on the next generation

Strategy in NEXT Mobility

- Established cross functional project units (staffed with 150 personnel in total)
- Established Next Technology Fund to swiftly respond to innovative technological changes

* See p25 of supplementary materials.

Analysis of African environment

- Economic growth has slowed due to resource price declines
- Weak economic structure based mainly on primary products
- Largely young labor forces
- Industries have high latent growth potential

We will continuously take the lead from a long-term, pan-African perspective, taking into account the external environment

Strategy in Africa

- Established Africa Division, our first regional division, and streamlined reporting lines
- Expediting utilization of local human resources
 - ✓ CFAO CEO Richard Bielle appointed deputy head of division
 - ✓ Toyotsu Kenya Chairman Dennis Awori appointed to CFAO's Board of Directors



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II . Next Mobility Strategy

Auto Industry is at Turning Point

Auto industry is shifting away from conventional production/sales; various businesses have started to become linked with autos

**Life &
Community**

**Resources &
Environment**

New urban transportation systems

- Changing urban mobility/ownership modes
- Realization of eco-driving through alleviation of traffic congestion

Materials revolution

- Emergence of new materials such as aluminum, carbon and resins

ITSs linking people, vehicles and society

- Self-driving vehicles
- Advanced safety
- Connected cars

Smart cities, smart grids

- Low-carbon society (CO2 reduction)
Proliferation of PHVs, EVs, FCVs
- Energy conservation through utilization of renewable energy
- Effective utilization of HEMSs, storage batteries

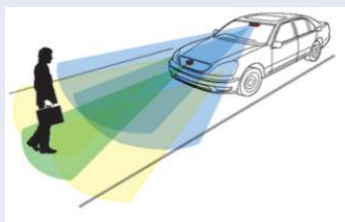
Growth in demand for conventional cars
Low-cost operations

Mobility

Businesses we are Targeting

Mobility services

- Involvement in self-driving vehicle/advanced safety technologies
- New services that promote adoption of next-generation autos



Expansion of Next Mobility business domain

Production

Sales



Production **x** Technology

Sales **x** Service



EV components

- Supply and storage of electric power from renewable sources
- Infrastructure development
- Power semiconductors
- Supply of electronic parts/components for EV/PHV/FCVs



Materials

- Businesses involved with vehicle weight reduction, electrification, new materials, recycling
- Upstream/midstream battery businesses

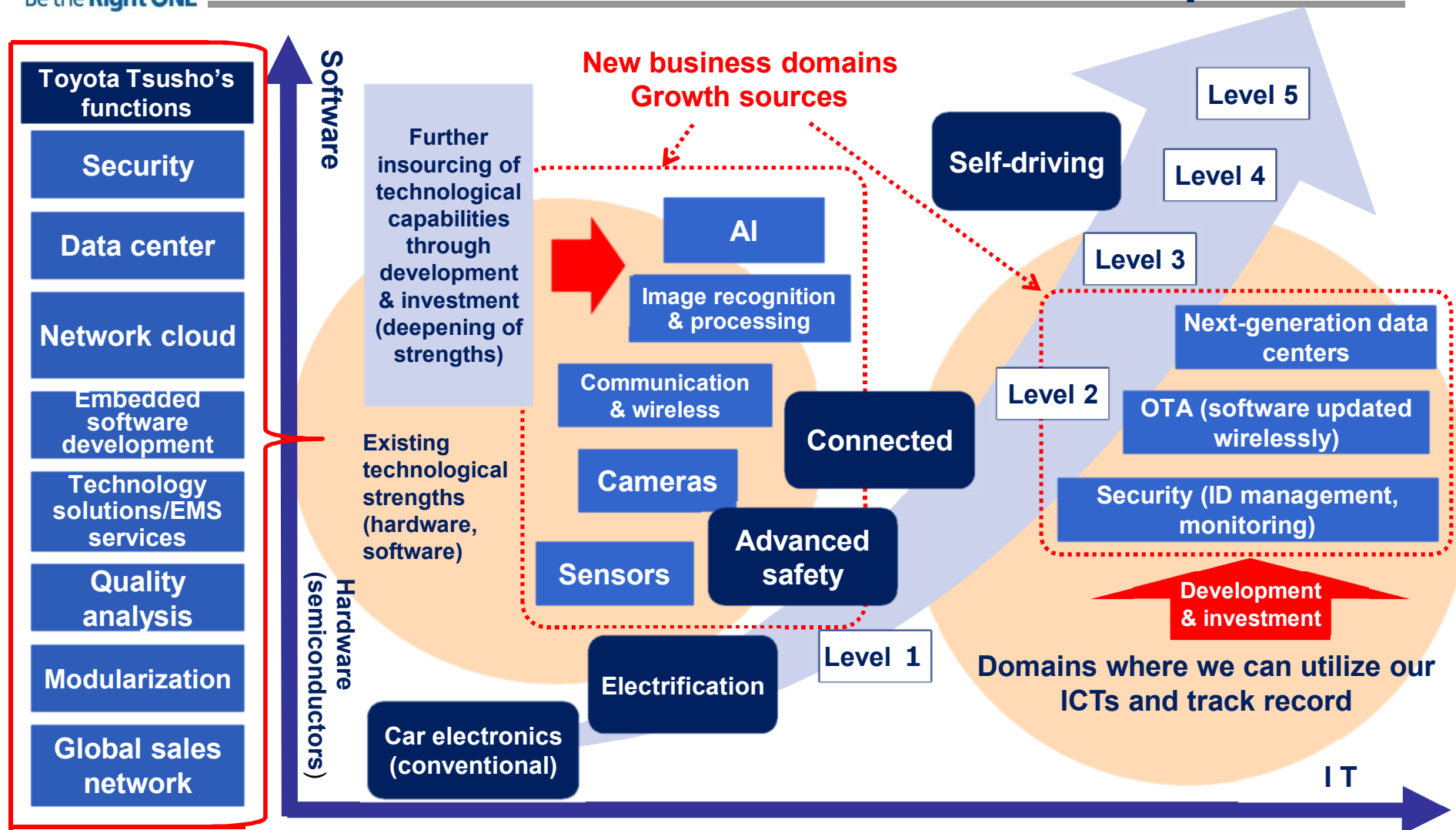
Smart factories

- Improved productivity through visibility & preventive maintenance
- Intergenerational transmission of skilled workers' skills
- Factory networks & security



Automotive electronics example on next page

Automotive Electronics Business Example



We will deepen our strengths and unfailingly capture newly emerging business opportunities



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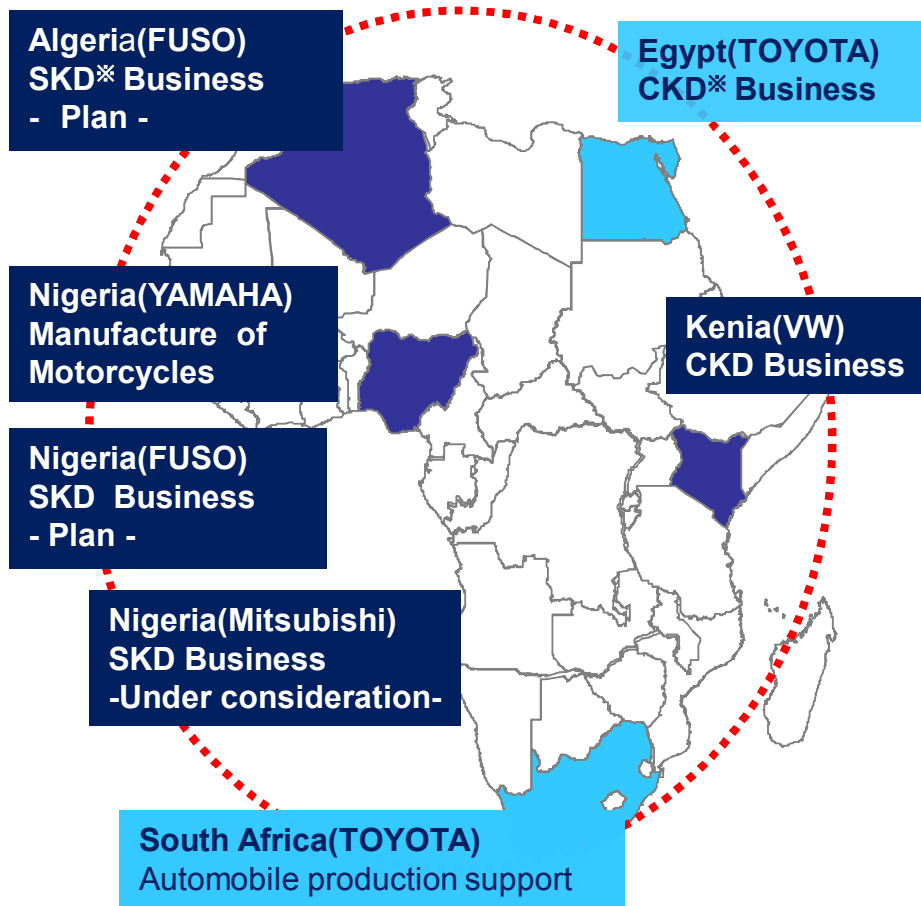
III. Strategy focused on Africa

Efforts and Future Development in Africa

(Automotive Production and Sales)

<Automobile Production and Peripheral business>

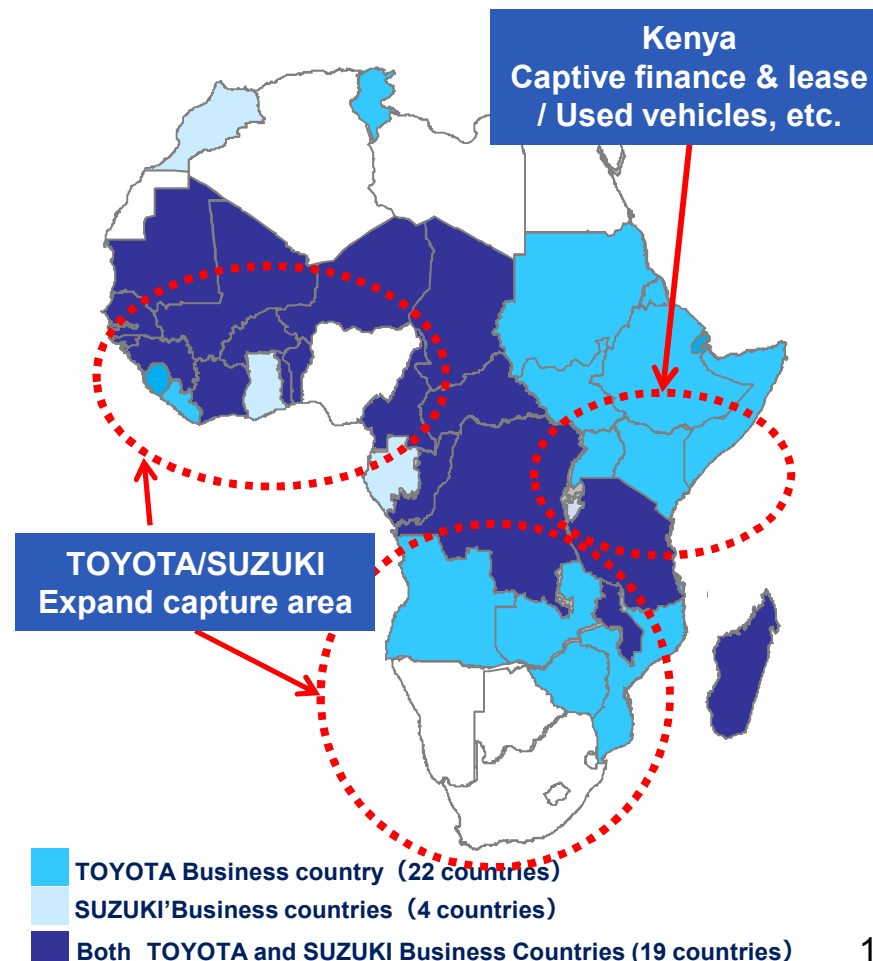
Expand to other than Toyota, and other than passenger automobile through automobile production's knowhow.



※CKD...Complete Knock-Down (All implement the steps other than the parts production)
 ※SKD...Semi Knock-Down (Relatively simple assembly)

<Automotive Sales and Peripheral business>

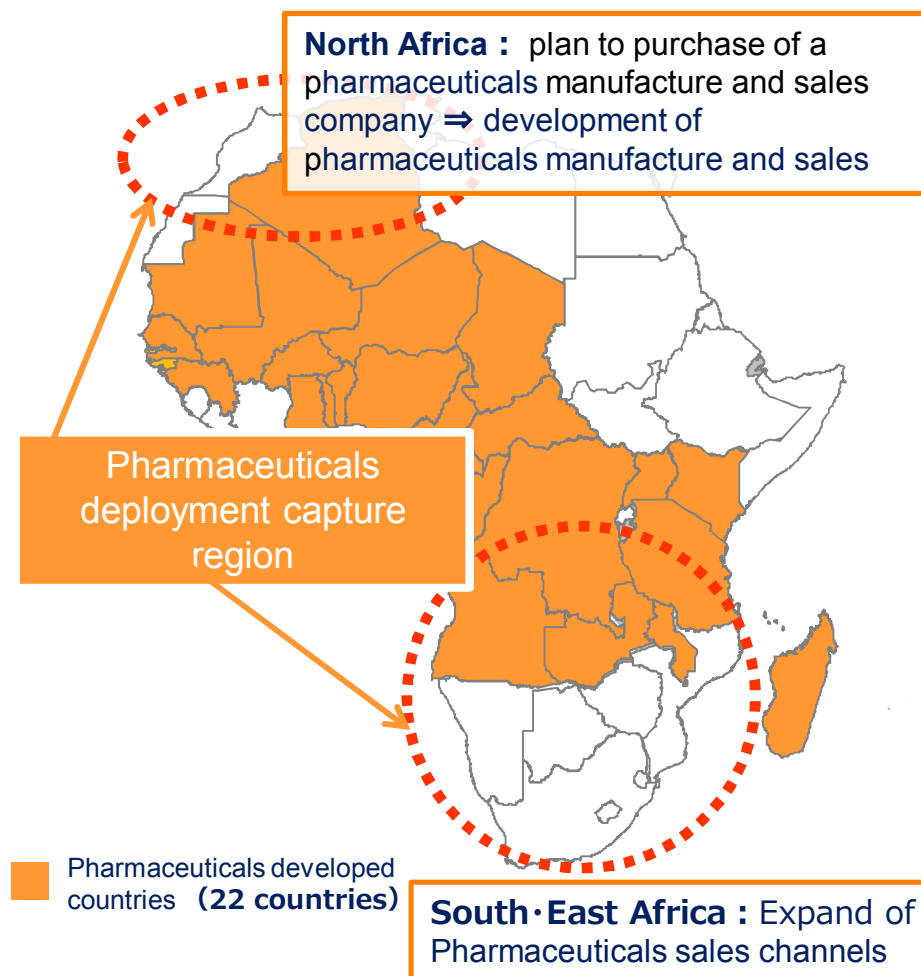
Expansion of B to C(Business to Consumer) is anticipated with a wide range of lineup from superior to inferior.



Efforts and Future Development in Africa (Other than Automotive)

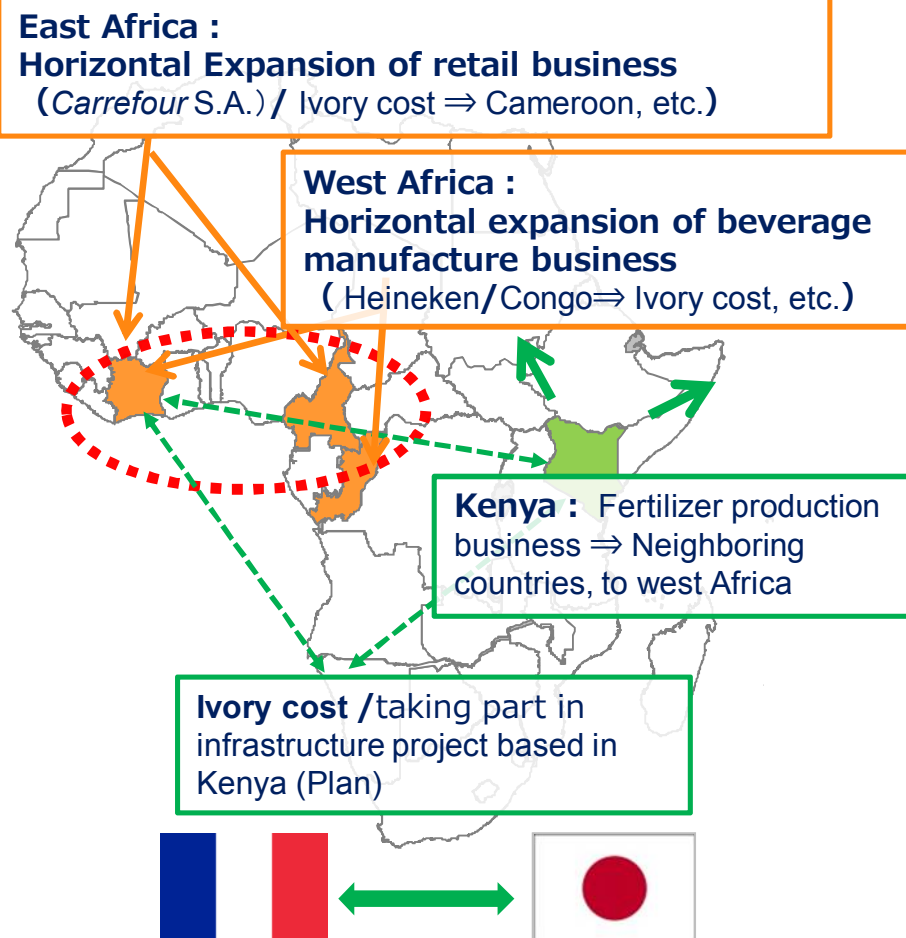
< Pharmaceutical business >

The expansion of business areas and business developing countries



<Retail / Beverage Business, etc.>

The establishment and expansion of other countries of retail businesses and new business with partners



Aiming to Establish Absolute Strengths in Africa

Full Value Chain

We will expand our business domain from production through service, mainly in auto industry

Leading Strong Brands

We will provide optimal products and services and attract brands customers seek

Operational Excellence

We will pursue high-quality management with focus on crisis management and compliance

Grow with the Society

We will create local jobs and grow together with local communities

No.1
Automotive business network in Africa
We contribute to transport infrastructure and economic growth with our leading business network that covers almost all countries

Supplying more than **5,000** medical facilities
We play an important role in African health care distributing 18,144 products from 433 manufacturers

More than **20%** of electricity in Kenya
It is generated by the geothermal power plants we installed. A stable supply of geothermal power contributes to industrial and economic growth

Agriculture employs **65%** of Kenya's workforce
Designed specifically for Kenyan entrepreneurs and soil, our new "TOMATO" fertilizer contributes to greater yields and agricultural development

With Africa, For Africa

www.toyota-tsusho.com/af
TOYOTA TSUSHO | CFAO
www.cfaogroup.com/ke

Toyota Tsusho advertisement from 6th Tokyo International Conference on African Development

Foster auto industry and develop new businesses

Our aim:

With Africa, For Africa

~Become a company that fulfills Africa's needs and seeds~



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IV. Three Years Management plan

- Quantitative targets -

3 years Management Plan's Quantitative Targets

(Billion yen)

↓ FY2016 IFRS-basis results scheduled to be released in June 2017

		JGAAP FY2015	JGAAP FY2016	IFRS FY2017 plan	IFRS FY2019 targets
PL	Profit	(43.7)	102.5	110.0	130.0
BS	Total assets	3,952.1	4,096.8	4,300.0	4,600.0
CF	Free cash flow	+137.5	+63.3	-	-
Financial metrics	ROE	-%	11%	10%	10~13%
	Net interest-bearing debt	1,102.7	1,050.2	1,080.0	1,100.0
	Net D/E ratio	1.2	1.1	-	≤ 1.0
	RA:RB	1.1 : 1	1 : 1	-	< 1.0

ROE 10~13%	Be cognizant of cost of capital and endeavor to efficiently deploy shareholders' equity
Net D/E ratio ≤ 1.0	Achieve positive free cash flow and restrain growth in interest-bearing debt (but net D/E ratio may temporarily rise above 1.0 when we undertake large investments)
RA/RB < 1.0	Maintain stable and sound financial condition by focusing on balance between equity and asset-specific risk exposures

3 years management - Stairs of net income -

(Billion yen)

<Premise condition>	FY2017 Plan	FY2019 Target
YEN/USD	105	100
YEN/EUR	115	110
Oil Prices (USD/bbl)	50	50
Global Automobile production units(10thousands units)*	9,380	9,790

※ Source from the automotive industry of the 2016 edition of the Annual Book 2019 issued by IRC



Reasons for Changes and Amount of Investment in Three Domains

(Billion yen)

Target Period : FY2018~FY2019 for two years

Mobility

Net income	+11.0
Investment	85.0

Focus areas

Automotive Sales

Automotive Production & relative business

Logistics・Value-chain

Automotive Electronics

Automotive supplies and materials

Resources & Environment

Net income	+5.0
Investment	85.0

Focus areas

Renewable energy

Lithium, Rare-Earth, etc.)and recycling

Electric Power and Energy

Grain Value-chain

Overseas Plant Infrastructure

Life & Community

Net income	+4.0
Investment	30.0

Focus areas

Africa Retails・Beverage

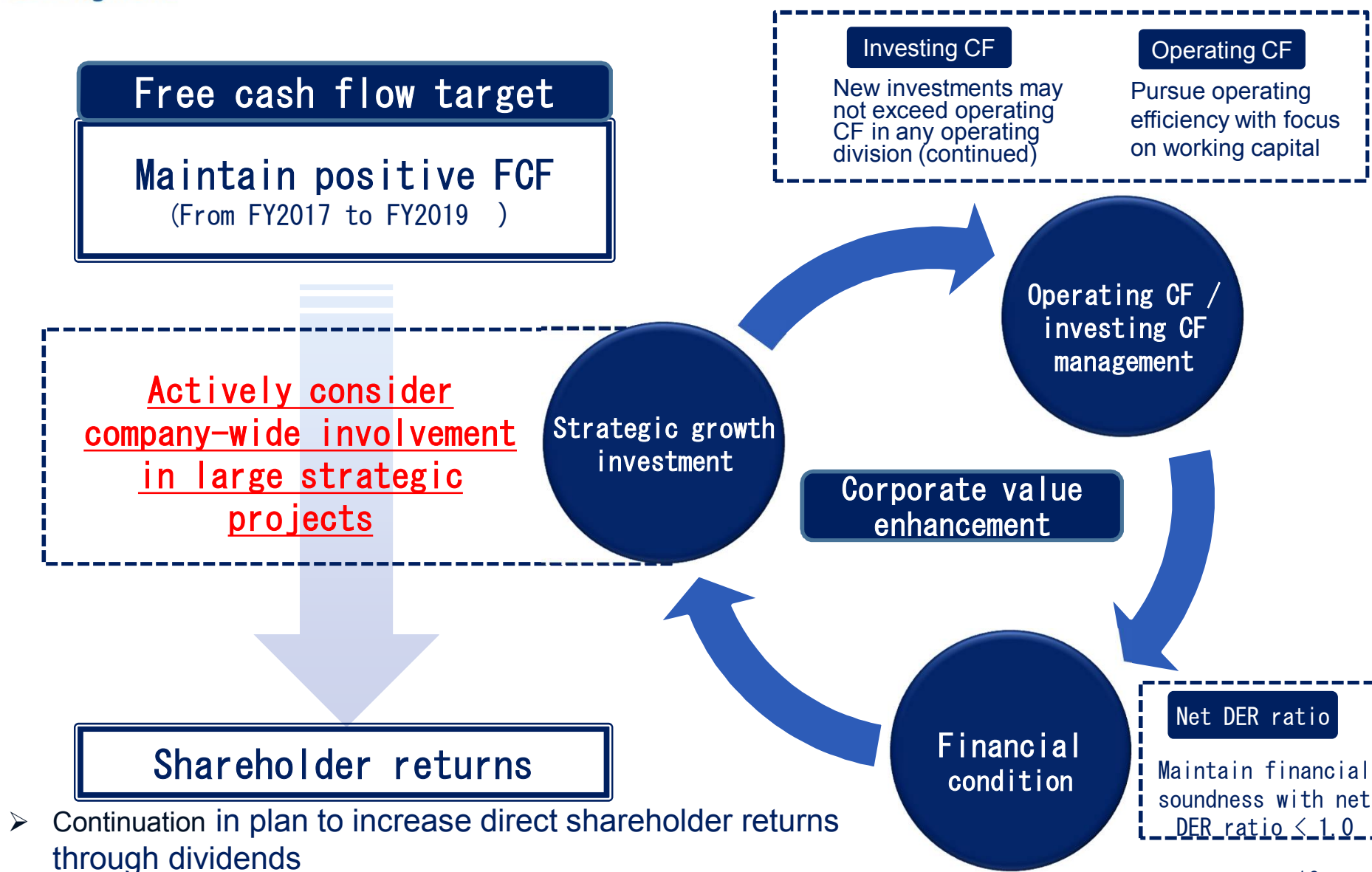
Africa Pharmaceutical・Chemical products

Cell phone , Consumer Electronics

Fertilizer, Detergent , Sanitary materials and Packaging material

Lifestyle related (Insurance, Food)

Further Enhancement of Corporate Value

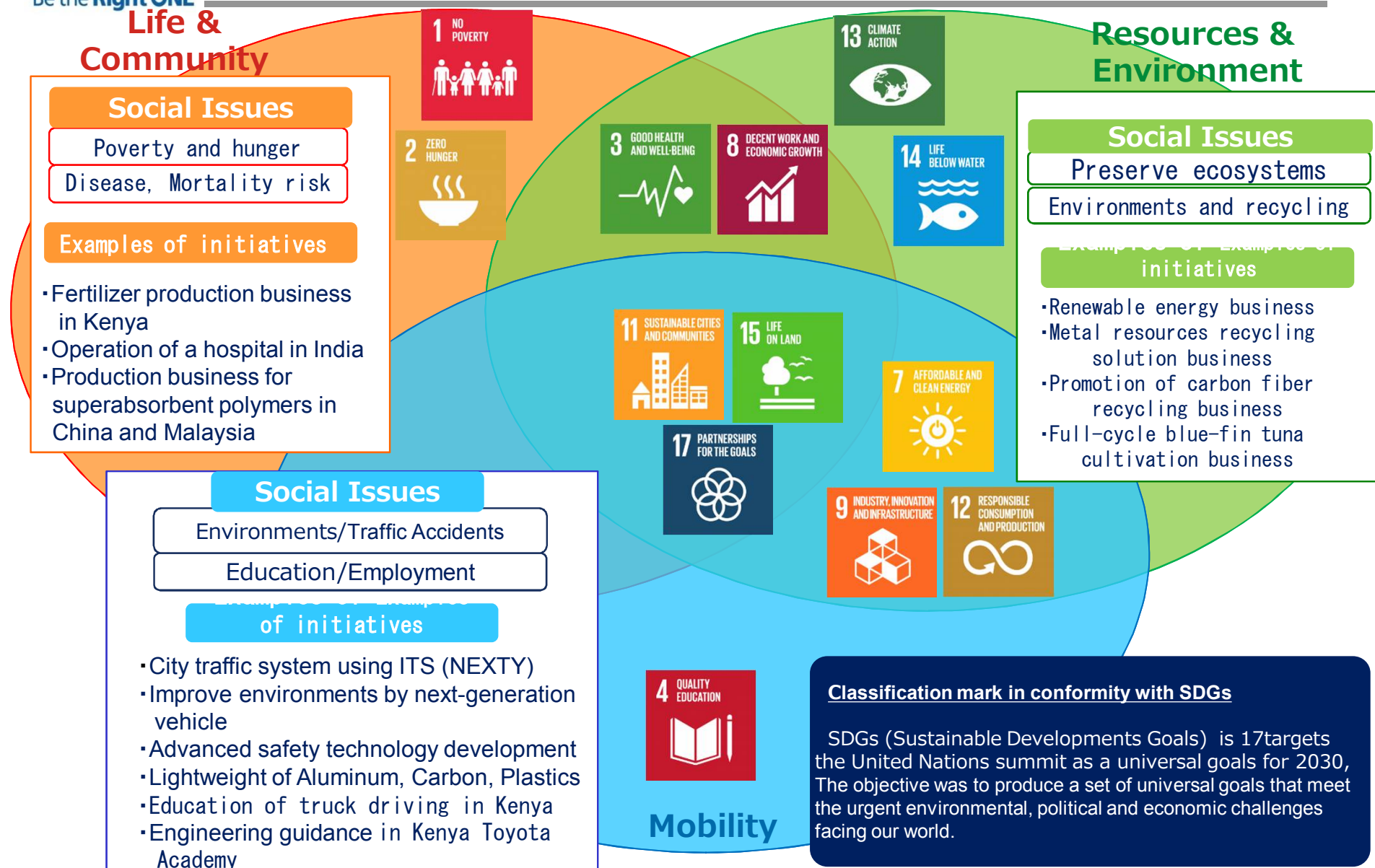




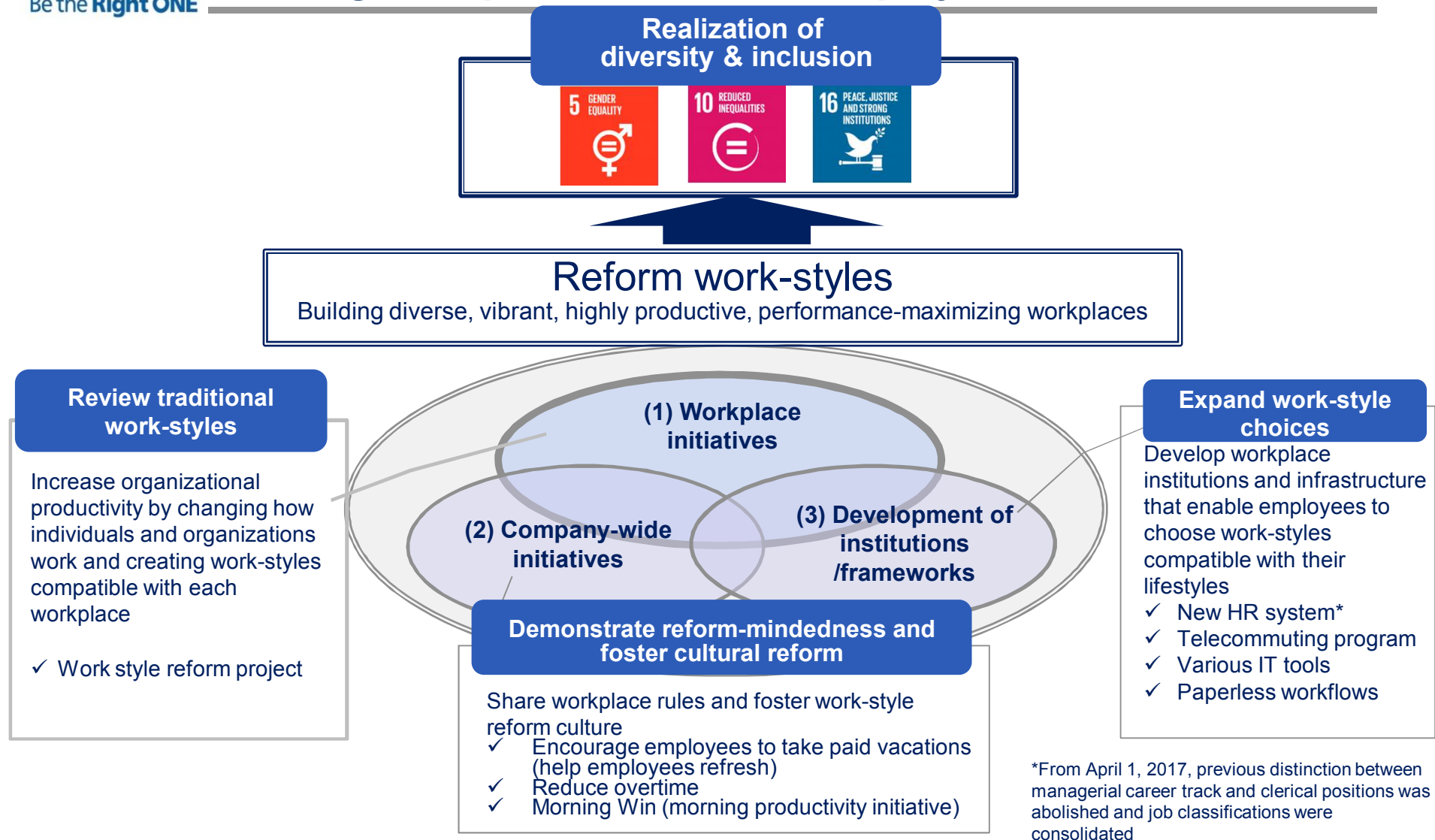
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V. ESG Policy

Approach to Social Issues through Our Business



Building Workplaces Where All Employees can Thrive



Enhancement of Governance System

**With the aim of separation of management and execution
improve board functions and its quality**

- **Directors make decisions on important management matters and monitor the execution of business**
- **The number of directors will be reduced (from 16 to 12), and the board of directors will focus on essential management deliberations**

~ Member of the board after June Ordinary General Meeting of Shareholders ~

Satoshi Ozawa
Chairman
of the Board



Jun Karube
President & CEO



Yasuhiko Yokoi
Executive
Vice President



Kuniaki Yamagiwa
Executive
Vice President



Soichiro Matsudaira
Executive
Vice President / CTO



Yuichi Oi
Executive
Vice President



Board of Directors



Yasuhiro Nagai
Managing
Executive Officer
CCO/CAO



Hiroshi Tominaga
Managing
Executive Officer
CSO/CIO



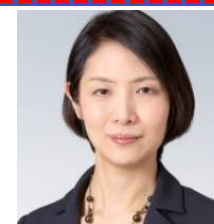
Hideyuki Iwamoto
Managing
Executive Officer
CFO



Jiro Takahashi
Outside Director



Yoriko Kawaguchi
Outside Director



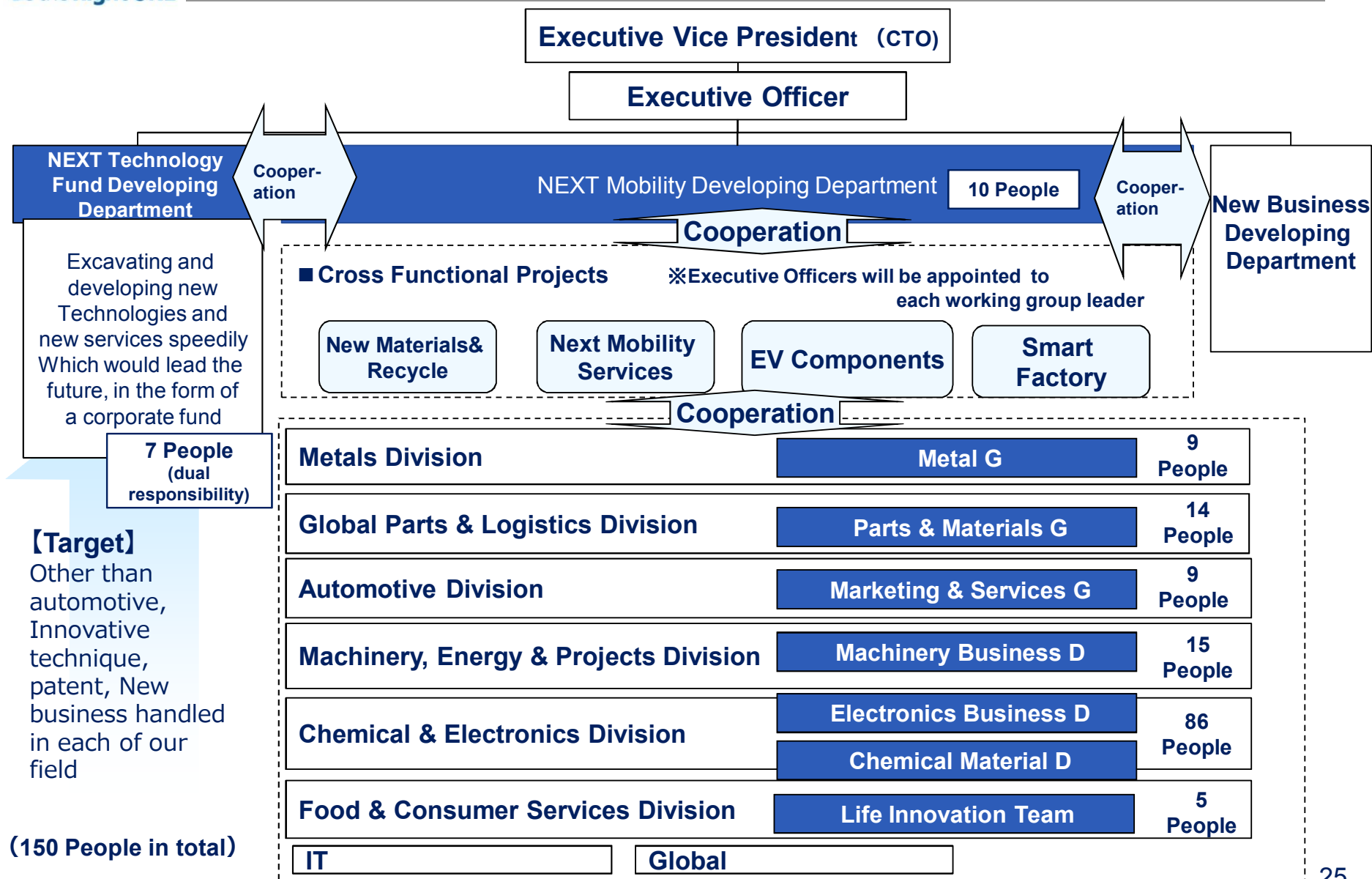
Kumi Fujisawa
Outside Director



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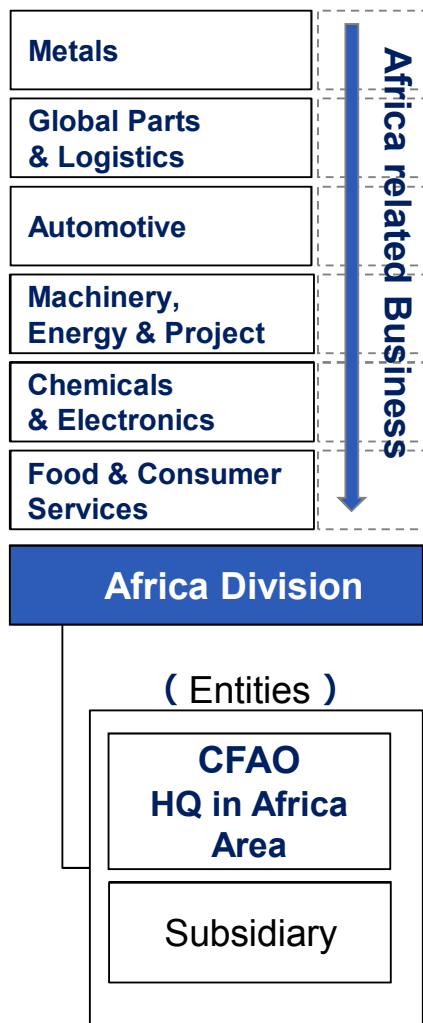
VI. Supplementary Material

Organizational structure of Next Mobility

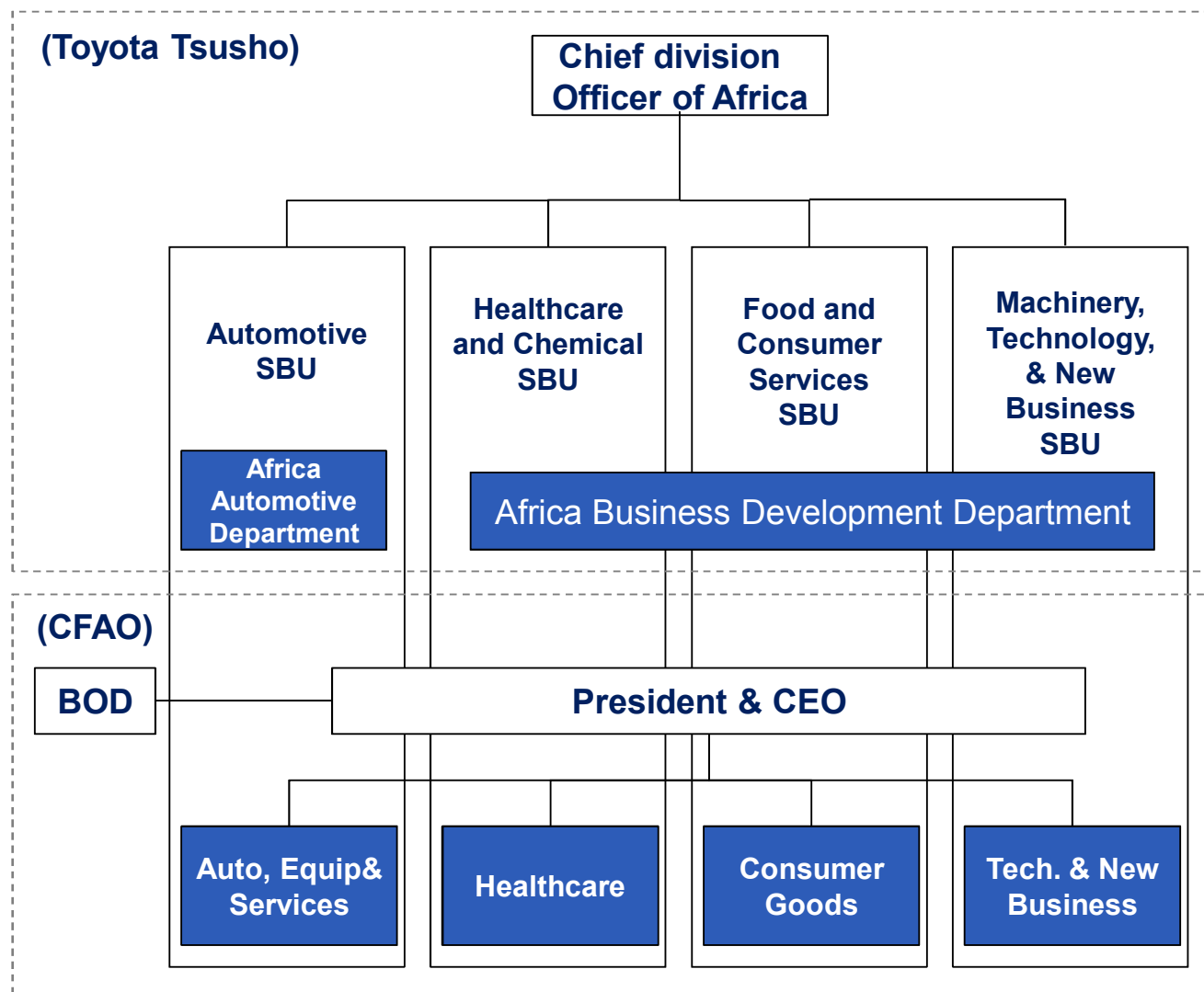


Africa division structure

Company Section Structure



Africa Division



Basic Risk Management Policy

◆ Basic risk management policy

- 1) Keep total risk within risk-bearing capacity $\text{risk assets (RA)} \leq \text{risk buffer (RB)}$
- 2) Earn returns commensurate with risk $\text{RVA}^{*1} > 0$ (after-tax ordinary income - $\text{RA} \times 10\%$)

*1:RVA (Risk Adjusted Value Added)

<FY2016> (Preliminary basis) Unit: Billion yen

RA	RB
approx. 890	approx. 910
Year-earlier RA: 850; RB: 790	



RA : RB ratio \Rightarrow 0.98 : 1
 Year-earlier value: 1.08 : 1
RVA > 0

< Reference > How RA & RB are calculated

■ **RA = risk assets \times risk weight (RW)**

RA	Corresponding assets	RW factors (overview) *RWs incorporate country risk premia that vary by NEXI category
Trade claims	Cash/deposits, trade receivables, inventory	Trade claims: default probability Inventory: market price volatility, etc.
Investment claims	Property, plant & equipment; intangible assets, investment securities, equity interests, loans, guarantee obligations	PPE/intangibles: price volatility, etc. Investment securities/equity interests: market price volatility, etc. Loans/guarantees: liquidity-adjusted default probability
Forex	Consolidated subsidiaries' equity (excluding non-controlling interests)	Currencies' volatility

■ **RB = shareholders' equity + AOCI + allowance for doubtful accounts (current) – goodwill**



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