Toyota Tsusho Corporation
IFRS Explanatory Meeting for Fiscal Year Ended March 31, 2017
Condensed Transcript of Q&A Session

Date & time: June 27, 2017 (Tuesday) 15:00–16:00
Attendee: Hideyuki Iwamoto, Member of the Board/Managing Executive Officer CFO

Could you elaborate on the impairment losses against the iodine mining rights and grain infrastructure business's goodwill?
In the grain infrastructure business, we had to book a goodwill impairment loss in light of delayed commencement of [grain] accumulation operations and deterioration in the Brazilian economic environment. We had to book an impairment loss against the iodine mining rights as a result of a decline in iodine prices in the US. Both impairment losses were due to differences between JGAAP and IFRS.

What was the reason for the 8.4 billion yen increase in recoverable deferred tax assets under IFRS relative to JGAAP?
Under JGAAP, deferred tax assets' recoverability is subject to a five-year time limit. Under IFRS, the corresponding recoverability period is longer.

How did you arrive at unlisted equity holdings' fair value? And will you revalue them annually?
We added up the value of about 500 unlisted equity holdings. We will revalue them annually, but they are mostly investments related to auto production, not resource projects. We therefore do not expect their fair value to fluctuate much, barring a major change in the auto industry.

Could you explain retained earnings' 92.8 billion yen increase under IFRS relative to JGAAP?
As of the IFRS transition date, we reset the currency translation adjustment account to zero by reclassifying its previous balance to retained earnings pursuant to an exemption provision. The amount was around 120.0 billion yen. The credit to retained earnings was offset by an equivalent debit to other components of equity.

What was the amount of the CFAO goodwill impairment loss? Did you do the impairment testing on a company-wide or segment-by-segment basis?
We booked the goodwill impairment loss against the automotive business on the IFRS transition date. Its amount was in the tens of billions of yen. We tested for impairment on a segment-by-segment basis.

What is the goodwill balance of CFAO as of March 31, 2017? Did you decrease the automotive related goodwill down to zero?
The goodwill balance of CFAO is about 66.5 billion yen, the automotive related goodwill is roughly 30.0 billion yen.

CFAO's earnings are down some 40% from their peak. When you tested for goodwill impairment, what did you assume about recovery in cash flow?
We do not expect cash flow to recover much. The impairment loss was due mainly to a discount rate revision.

Could you elaborate on the 25.0 billion yen goodwill loss on the Consolidated Financial Position slide?
Under IFRS, we discontinued goodwill amortization as of April 1, 2015 (the transition date). Under JGAAP, however, we continued amortizing goodwill on a straight-line basis for two more years through March 31, 2017. Goodwill's JGAAP-basis book value at March 31, 2017, was consequently about 25.0 billion yen lower than its IFRS-basis book value. The impairment loss booked against the grain infrastructure business in the fiscal year ended March 31, 2017, wiped out about half of this 25.0 billion yen difference. The remainder is largely the net difference between the CFAO and other impairment losses and the JGAAP-basis straight-line goodwill amortization not recognized under IFRS.

Could you explain the differences in goodwill balance between JGAAP and IFRS by division?
The positive differences are due to goodwill being amortized under JGAAP but not under IFRS. The Automotive Division's difference is due to the CFAO impairment loss and discontinuation of goodwill amortization. The Food & Consumer Services Division's difference is due to the impairment loss against the grain infrastructure business and discontinuation of CFAO goodwill amortization.

In your forecast for the fiscal year ending March 31, 2018, why is financial income net of financial cost projected to increase 9.2 billion yen and share of profit/loss of investment accounted for using equity method projected to increase 5.6 billion yen from the previous fiscal year?
The improvement in net financial income is mainly securities-related. It is attributable to the accounting treatment of a former electronics subsidiary's reclassification as an equity-method investee due to partial divestment of our equity interest in the company. The improvement in investment accounted for using equity method is due to absence of the impairment loss recognized in the previous fiscal year.

You are forecasting a 14.8 billion yen increase in the Chemicals & Electronics Division's profit in the fiscal year ending March 31, 2018. Would the division's forecasted profit be down year on year if one-time items were excluded?
On an after-tax basis, non-recurrence of the previous fiscal year's impairment losses accounts for 4.0 billion yen. Gains on divestment of equity in subsidiaries account for nearly 9.0 billion yen. The remainder of almost 2.0 billion yen is mainly attributable to earnings recovery in the electronics business.

What are the factors behind the Machinery, Energy & Project Division forecasted profit growth in the fiscal year ending March 31, 2018?
The main factor is projected profit growth in the renewable energy business.

What are the factors behind the Africa Division's forecasted profit growth inclusive of year-earlier functional currency impact?
Last fiscal year, profits dipped in response to imposition of a luxury tax in Kenya. In the current fiscal year, we anticipate recovery in automotive demand in Angola and elsewhere in East Africa. Algeria and Nigeria, by contrast, still seem to be lagging behind other African regions in terms of demand recovery.