

# *Moving On*

## **Integrated Report 2017**

Fiscal year ended March 31, 2017

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## Editorial Policy

In the fiscal year ended March 31, 2015, Toyota Tsusho began issuing its annual Integrated Report, which provides comprehensive reports on financial information, management strategies, business results, and business, environmental, social, and governance (ESG) information with the aim of deepening the understanding of stakeholders regarding the company. When preparing this report, we referred to the International Integrated Reporting Framework Advocated by the International Integrated Reporting Council (IIRC), the Sustainability Reporting Guidelines (version 4.0) of the Global Reporting Initiative (GRI), the Environmental Reporting Guidelines (2012 Version) of the Ministry of the Environment in Japan, and the ISO 26000 Guidance on Social Responsibility. In addition to reporting on management strategies, business performance, and business activities, this Integrated Report also covers topics such as Toyota Tsusho's contributions to resolving social issues and contributions to local communities through business with the hope of increasing understanding of our efforts to achieve sustainable growth. Going forward, taking into consideration stakeholder feedback, we will review the contents of the Integrated Report and continue to enhance the report for easier reader understanding.

## CSR-related Information

For additional information on occupational safety and health, the environment, human resources, social contributions, conflict minerals, and other CSR-related topics, please refer to the CSR section on Toyota Tsusho's website.



<http://www.toyota-tsusho.com/english/csr/>

## Online Integrated Report

A digital book version and PDF version of the Integrated Report are available on Toyota Tsusho's website.



<http://www.toyota-tsusho.com/english/ir/library/integrated-report/>



# Our *Vision* for 2026

## **Cautionary Note on Forward-looking Statements**

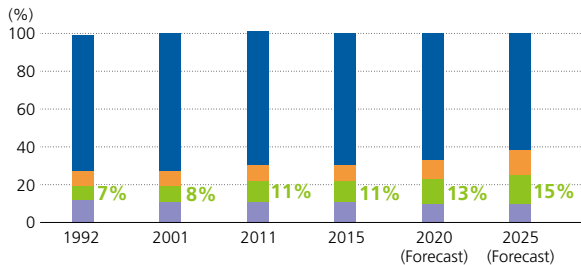
This Integrated Report contains forward-looking statements regarding Toyota Tsusho's future earnings plans, strategies, principles, and performance outlook that are not historical facts. These forward-looking statements are presented to inform readers of the views of Toyota Tsusho's management, but are not intended to be relied on when making investment and other decisions. Readers are cautioned not to place undue reliance on these forward-looking statements.

The company bears no responsibility to update these forward-looking statements based on new information, future events, or other developments. Earnings forecasts and other projections in this report were formulated and announced as of April 2017.

# Our *Vision* for **Mobility** in **2026**

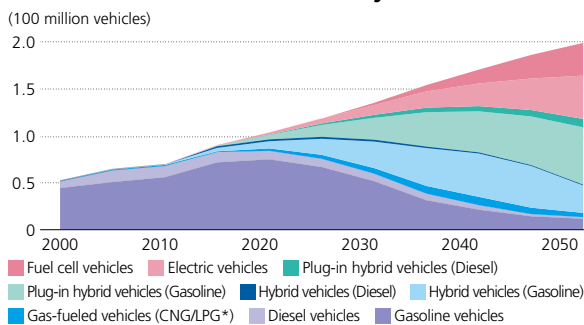
What form will the automobile industry take in 2026? Some possibilities include the rise of electric and fuel cell vehicles, the widespread use of new materials such as aluminum and carbon fiber in vehicle bodies, and advances in connected car and automated driving technologies. We believe that changes will extend to many areas and that a transformation will be made to industrial structures that are substantially different from those of today.

## Changes in the Vehicle Body Material Component Ratios (Weight Basis)



Source: Estimates by Nomura Research Institute based on materials from the Japan Automobile Manufacturers Association, Inc., BASF, and Henkel.

## Forecasts of New Vehicle Sales by Powertrain



Source: International Energy Agency

Please refer to the Feature on page 34 for information on specific current initiatives.





# Our *Vision* for **Technology** in **2026**

New technologies are becoming prominent, including developments regarding the Internet of Things (IoT) and advances in artificial intelligence (AI).

It is predicted that future technologies will generate completely new economic and social value and give rise to dynamic transformations throughout society including industry. Innovative functions and services that go beyond existing industrial barriers are expected, and changes that will have major impacts on corporate activities are accelerating.

## Expectations for Various Industrial Applications of IoT



Smart Homes



Wearables



Healthcare



Power & Environment



Smart Cities



Manufacturing

Source: World Wide Web Consortium

Please refer to the Feature on page 34 for information on specific current initiatives.





Business Strategy

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Wednesday

Friday

Technology  
Innovation  
SYSTEM

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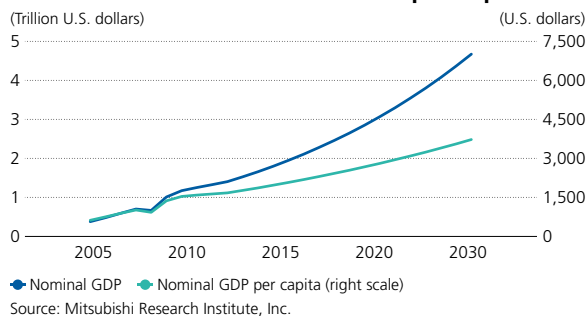
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# Our *Vision* for Africa in 2026

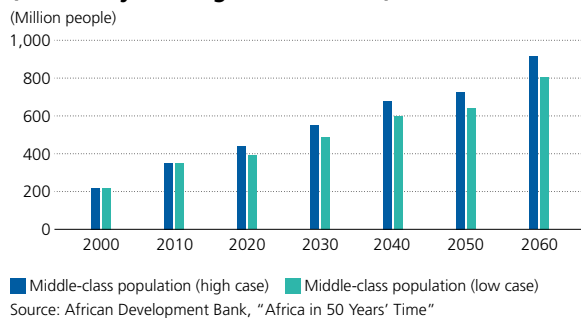
Africa's population will increase by approximately 200 million people compared to now by 2026, and the middle class is expected to grow markedly as a result of economic development.

Consumption will become more energetic and affluent lifestyles will become more familiar. It is also predicted that demand for automobiles will greatly expand as motorization progresses.

## Forecasts of Nominal GDP and GDP per Capita



## Changes in Middle-class Population (total daily earnings of U.S.\$4–20)



Please refer to Africa Division on page 66 for information on specific current initiatives.









# Ensuring that Renewed Growth Is Lasting Growth

We at Toyota Tsusho achieved record-high earnings in the first year of our newly updated Global Vision. Our profit for the year attributable to owners of the parent totaled 107.9 billion yen (\$961 million\*). That was our highest-ever total for after-tax earnings and the first time that our annual net earnings exceeded 100 billion yen (\$819 million). It was a dramatic and gratifying rebound from the deficit that we posted in the previous fiscal year. That deficit, which totaled 19.2 billion yen (\$171 million), resulted from purging our balance sheet of impaired assets. Please note that we have begun preparing our accounts as of the past fiscal year in accordance with IFRS.

\* The U.S. dollar amounts have been translated from the amounts stated in yen, solely for the convenience of readers, at the rate of ¥112.19=U.S.\$1, the approximate exchange rate prevailing on March 31, 2017, which was the final business day of financial institutions in the fiscal year ended March 31, 2017.

**Jun Karube**  
President & CEO

# The Toyota Tsusho Global Vision

## Being the Right ONE

Our updated Global Vision, adopted in May 2016, covers a 10-year span. It calls for us to position the Toyota Tsusho Group as “The Right ONE” for our customers and for all our stakeholders. Achieving that positioning will oblige us to honor our upbringing as a trading company while honoring our Toyota Group heritage.

We are a member of the Toyota Group, and we serve the group best by employing a business model that transcends the Toyota Group’s core business in the automotive sector. Our work in that sector has yielded capabilities and insights that we apply in developing business in other sectors. And our work in non-automotive sectors yields capabilities and insights that we can use to upgrade automotive products, services, and operations.

Our leadership in the Mobility domain is therefore a crucial advantage us as a diversified trading company, and vice-versa. We also benefit from other distinctive strengths, such as our presence in 53 of Africa’s 54 nations and our preeminence among Japanese trading companies in the electronics sector. Those kinds of strengths differentiate us advantageously from competitors and fortify our growth momentum in our three business domains: Mobility, Life & Community, and Resources & Environment.

## Toyotsu Core Values

Underpinning our strategy for asserting competitiveness in our business domains are the three Toyotsu (Toyota Tsusho) Core Values. Those values are Genba-focus, Collective force, and Innovator spirit.

*Genba* refers to the workplace, to the marketplace—the place where things are happening. Our focus on the *genba* is something that we have inherited as part of our Toyota Group DNA. In our trading business and in investment, our involvement encompasses more than simply placing money on the line and issuing instructions. We jump in and work up a sweat, taking part directly in managing projects and generating value. I abide by that approach in my work, periodically visiting projects to monitor their progress with my own eyes and visiting would-be partners in projects under study to get a personal feel for the prospects.

Collective force is the competitive strength that we assert by combining teamwork with individuality. Any company’s vitality is a reflection of the personality, competence, and commitment that its employees bring to their work. To foster those qualities, we accompany training with workplace supervision that gives people the chance to make and learn from mistakes. Having the opportunity to make mistakes and to find ways to get things right is an invaluable learning experience and is indispensable to personal growth. I am grateful for the way that my superiors enabled me to learn through trial and error, and I want to ensure that everyone at Toyota Tsusho enjoys similar opportunities to learn and grow.

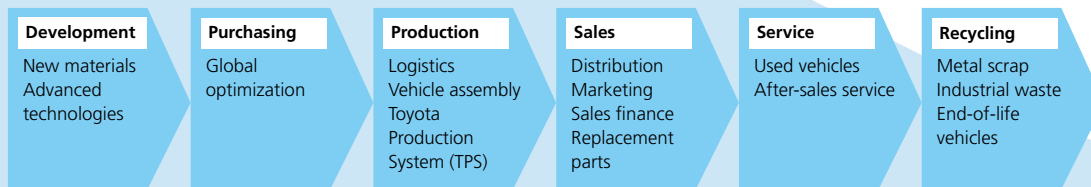
Innovator spirit is about entrepreneurship. We have several lines of business that were launched by handfuls of individuals and grew into huge operations. Two examples are our business in electronic components trading and our business in mediating Vendor-to-Vendor transactions between manufacturers of automotive components. Translating distinctive Toyota Tsusho strengths and resources into new business ventures remains a wellspring of growth momentum for our company, and we continue to encourage entrepreneurial initiatives in all our operations.

## President & CEO's Message

### New Strengths and Functions

Over the years, we have developed new functions and original value-added for serving customer needs. That has included upgrading customer support in our traditional trading business by refining our capabilities in information gathering, in logistics, and in finance. It has also included tackling hands-on projects in promising sectors, usually in cooperation with partners. We have established a presence up and down the value chain in the automotive sector and in other product sectors. And we will continue to foster value through innovative business initiatives across a growing range of markets.

### The Toyota Tsusho Value Chain in the Automotive Sector



### Social Vitality

Toyota Tsusho is a company where people are committed to enriching society through their products, services, and operations. That includes working through our business to tackle issues of broad social concern, including national-development needs. A good example is a 60 billion yen (\$53 million) order that we won in March 2017 to build electric transformer stations in the Republic of Iraq. Electric power shortages and resultant blackouts are a chronic problem in that nation, and electric utilities there are pushing ahead with the construction and upgrading of power plants. Expanding Iraq's network of transformer stations is a crucial condition for bringing the increased power capacity online.

In other examples of addressing national-development needs and other social concerns through business, we have built a fertilizer plant in the Republic of Kenya and a hospital in India. Such initiatives signal an increasingly proactive approach to fulfilling our corporate social responsibility. Our attention in that realm long centered on the fundamental responsibility for minimizing environmental impact, for respecting basic human rights, and for ensuring ethical corporate behavior in our ongoing business. Now, we are taking the initiative in identifying business opportunities in devising solutions for social needs.

For more information: page 30 [>](#)

# The Mid-term Business Plan



## Earnings Momentum

Our impressive turnaround in profitability in the past fiscal year is a tribute to determined, hard work by our people. They strengthened the fundamental profitability of our operations across the board. They maximized efficiency in allocating expenditures. And they identified ways to avoid wasteful expenditures. Those and other efforts, along with transforming a 19.2 billion yen (\$171 million) deficit into 107.9 billion yen (\$961 million) net profit, generated 32.2 billion yen (\$295 million) in free cash flow. And we continue to reinforce our foundation for profitable growth by focusing attention on cash flow and financial position in every sector. While continuing to fuel our growth with investment in promising projects, we will abide by a policy of funding that investment with internally generated cash flow.

## Planning and Governance

We have switched our corporate-planning framework to a mid-term, three-year horizon, from the former, longer-term perspective of five years. The new planning framework, launched in the present fiscal year, is to improve our responsiveness to recent changes in the business environment and to bring a greater sense of immediacy to the targets. It retains the “rolling” format of our five-year plans, meaning that we update the plans annually to accommodate changing circumstances. Our initial, three-year targets for the fiscal year to March 2020 are profit for the year attributable to owners of the parent of 130.0 billion yen (\$1,158 million) and net return on equity (ROE) of 10% to 13%.

### Mid-term Business Plan (under IFRS)

		(Billion yen)			
		16/3	17/3	18/3 Plan	20/3 Target
Profit and loss	Profit (loss) for the year attributable to owners of the parent	(19.2)	107.9	110.0	130.0
Financial position	Total assets	4,053.3	4,212.0	4,300.0	4,600.0
Cash flows	Free cash flow	157.6	32.2	–	–
Financial indicators	Return on equity (ROE) (%)	–	10.8	10	10–13
	Net interest-bearing debt	1,121.6	1,101.9	1,080.0	1,100.0
	Net debt-equity ratio (Net DER) (times)	1.2	1.0	No more than 1.0	
	Risk assets / Risk buffer	-	0.9	Less than 1.0	

In regard to governance, we have made four important changes as of April 2017: two in connection with the allocation of executive responsibility and two in connection with organization. One change in allocating executive responsibility has been to redefine the roles of the members of our Board of Directors and our Executive Officers. That change has sharpened the distinction between the directors’ responsibility for corporate oversight and the executive officers’ responsibility for operational management.

The second change in allocating executive responsibility has been to establish the positions of Chief Technology Officer, Chief Strategy Officer, Chief Information Officer, Chief Financial Officer, Chief Compliance Officer, and Chief Administrative Officer. All of the individuals who have assumed those titles are executives who have been largely

## President & CEO's Message

responsible for the functions cited, but highlighting their responsibilities and authority has reinforced the basis for speeding decision making and for asserting the specialized competence that we require.

One of the organizational changes that we have made, detailed below, has been to establish a division based on geography. Our business operations have traditionally centered on sales divisions organized by product and service categories, such as automotive, metals, etc. Our newest sales division, the Africa Division, maximizes our competitiveness in its region by fostering synergies across all our product and service groups.

The other organizational change we have made, also detailed below, is a twofold initiative. We have established the NEXT Mobility Development Department to anticipate and address emerging opportunities in the Mobility domain, and we have established the NEXT Technology Fund to nurture promising technologies and services in all sectors.

### Africa

Consolidating all of our African business in a single geographical division localizes authority for developing strategic initiatives and, as I have noted, fosters synergies across product and service groups. We will make the most of the new division by tapping the extensive experience and capabilities of our subsidiary CFAO in Africa. CFAO has been a valuable strategic partner since we acquired a majority equity holding in that company in 2012. The integration of CFAO into our organization has proceeded smoothly, and we increased our holding to 100% ownership in December 2016.

To strengthen our interchange with CFAO at the senior-management level, we have welcomed the chairman of CFAO's board of directors, Richard Bielle, onto our executive team. Richard serves as a Toyota Tsusho Senior Managing Executive Officer and as the Deputy Chief Division Officer of our Africa Division while continuing to lead CFAO.

Africa presents immense promise for rapid growth as a market for automobiles and for other products and services. It also presents immense opportunities for us to fulfill our commitment to contributing to enriching society through nation building. That is a long-term commitment, as demonstrated by the Toyota Kenya Academy. We built that academy to propagate skills in vehicle maintenance and in other functions crucial to the automobile industry, and we have worked with the Japan International Cooperation Agency to develop training programs there for repairing construction equipment and agricultural machinery.

Translating our African initiatives into tangible contributions to our bottom line will take 10 or even 20 years, but we will continue working with our host communities in the spirit of "With Africa, For Africa" over the long term.

For more information: page 66 [▶](#)



## Next-generation Mobility

A sea change is under way in the Mobility domain. The basic functionality of personal vehicles is changing profoundly as connected cars multiply, as autonomous driving becomes feasible, and as new modes of urban transport take shape. Also undergoing profound change is the composition of vehicles, as in the progressive replacement of steel with weight-saving aluminum and carbon fiber. Transforming the industry's competitive landscape, meanwhile, is the influx of new competitors from the information technology sector and from other sectors.

To spearhead our response to the change under way in the Mobility domain, we launched the Next Mobility initiative in April 2017. We have allocated 10 full-time personnel to the NEXT Mobility Development Department, newly established to coordinate that initiative. And we have set up four Next Mobility working groups—alternative materials, next-generation services, electric vehicle components, and smart factories—that comprise 150 specially assigned employees from all of our pertinent sales divisions.

Underpinning our competitiveness in the Mobility domain are compelling strengths in electronics. We consolidated those strengths in April 2017 by launching NEXTY Electronics Corporation through the merger of two subsidiaries active in electronic components trading. NEXTY Electronics is Japan's largest trading company that specializes in electronic components. It has extensive business in automotive electronics, and it is moving aggressively to win a large share of the emerging market for components for autonomous driving systems.

The Next Mobility initiative and NEXTY Electronics are central to our mounting emphasis on honing our competitiveness through advanced technology. Overseeing that emphasis is our newly named Chief Technology Officer, Soichiro Matsudaira. He has steered our growth in the electronics sector as the Chief Division Officer of our Chemicals & Electronics Division and also serves on our senior management team as an Executive Vice President.

Another initiative that we are undertaking to sharpen our technological edge is the NEXT Technology Fund. We established that fund and a department to operate it under the Chief Technology Officer in April 2017. This initiative provides for identifying and providing fast-track approval for ventures to develop promising technologies and services in any sector. That can include acquiring enterprises that mesh with our strategy and corporate culture, as well as nurturing internal resources.

For more information: [page 34](#) 

## Diversity and Inclusion

Lasting growth for Toyota Tsusho as a global enterprise will hinge on our capacity for anticipating needs accurately in each nation, and that capacity will hinge on the diversity of our human resources. The principle of diversity and inclusion therefore occupies an important position in my management stance.

Diversity and inclusion mean more than merely providing opportunities to employees regardless of nationality, gender, or age. It also means promoting vigorous interchange among people of different perspectives and securing through that interchange new ideas, new products, and new services.

We drew proactively on our diversity in preparing our updated Global Vision. That document is the product of work by a taskforce that comprised members from several nations. We have enriched our senior-management team, meanwhile, by welcoming aboard CFAO's chairman, the Frenchman Richard Bielle.

Promoting diversity and inclusion entails new challenges in regard to ensuring compliance with rigorous standards of corporate ethics. I am taking the lead in encouraging employee initiative in the realm of corporate governance, including ethical compliance.

For more information: [page 36](#) 

## President & CEO's Message

### Outlook for the Present Fiscal Year

Our projections call for further growth in earnings in the present fiscal year. We project a 1.9% increase in profit for the year attributable to owners of the parent, to 110.0 billion yen (\$980 million), on a 2.2% decline in gross profit, to 567.0 billion yen (\$505 million). And we will continue striving to reward our shareholders through robust dividend policy. That policy provides for maintaining a minimum payout ratio of 25% of net income before amortization of goodwill; for providing shareholders with stable, continuing returns; and for raising the overall level of our dividend per share.

We will continue to abide by a long-term perspective in pursuing step-by-step progress in expanding our business, in strengthening our financial position, and in bolstering our fiscal performance. That progress will unfold in conformance with our Mid-term Business Plan and with the recognition that everything we do needs to begin with ensuring safety and with ensuring compliance with rigorous standards of corporate ethics.

I thank our shareholders and all our stakeholders for understanding our stance and strategy in steering Toyota Tsusho toward lasting growth. In that spirit of gratitude, I look forward to fulfilling your highest expectations of our company over the long term.

President & CEO





# How We Got Here *and* How We Get There

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Human Resource Strategy for Achieving the Toyota Tsusho Global Vision

# Our Philosophy

We in the Toyota Tsusho Group deliver to nations around the world a diverse range of products and services essential for building prosperous and comfortable societies. We are guided by a four-tier philosophy that enables us to successfully meet the challenges of each new age.

## Corporate Philosophy

Living and prospering together with people, society, and the planet, we aim to be a value-generating corporation that contributes to the creation of prosperous societies.

## Behavioral Guidelines

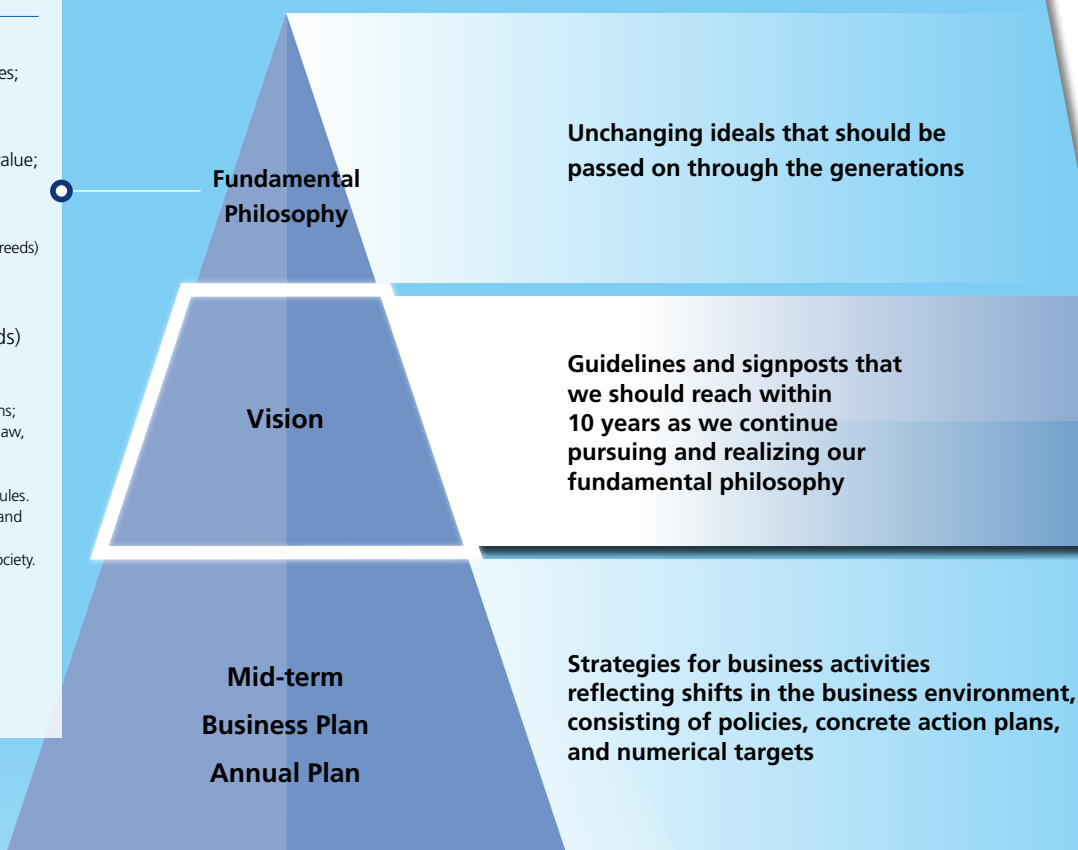
As a good corporate citizen,

- We will strive for open and fair corporate activities;
- We will be socially responsible and strive for conservation of the environment;
- We will be creative and strive to provide added value;
- We will respect people and strive to create an engaging workplace.

We established the Global Code of Conduct & Ethics (10 creeds) on July 1, 2016 to more-explicitly express our Behavioral Guidelines.

## Global Code of Conduct & Ethics (10 Creeds)

1. We are committed to "ANZEN" to create a safe and healthy work environment.
2. We will comply with all applicable laws and regulations; including anti-corruption, anti-trust and competition law, and trade laws and regulations.
3. We are committed to accurate financial reporting.
4. We are accountable for compliance with all company rules.
5. We will act with integrity, honesty and transparency, and protect and develop trust among all stakeholders.
6. We will contribute to the sustainable development of society.
7. We will promote and pursue environmentally friendly corporate activities.
8. We will add value through innovation and "Kaizen" (continuous improvement).
9. We will respect human rights.
10. We will embrace diversity and inclusion within our company and society.



**"Shokon"**  
(A passion for business)

**"Genchi, Genbutsu, Genjitsu"**  
(On site, hands on, in touch)

**"Team Power"**  
(Teamwork)

## The Toyota Tsusho Group Way (Toyotsu Group Way)

Bedrock principles that all Toyota Tsusho Group employees share and the values that are embodied in their actions to realize our fundamental philosophy and achieve our vision

The Toyota Tsusho Global Vision was announced in May 2016 to serve as a milestone in guiding our corporate group's business over the next 10 years.

### Ideal Image

For the next 10 years, the Toyota Tsusho Group will evoke our ideal as



# Be the Right ONE

#### The Right ONE for you

In response to our stakeholders' needs (the *Genba*), we will strive to provide optimal safety, service, quality, and reliability.

#### The Right ONE for us

Maximizing our individual capabilities, global networks, and diversity, we will unite and strive to bring out the most in our comprehensive strengths.

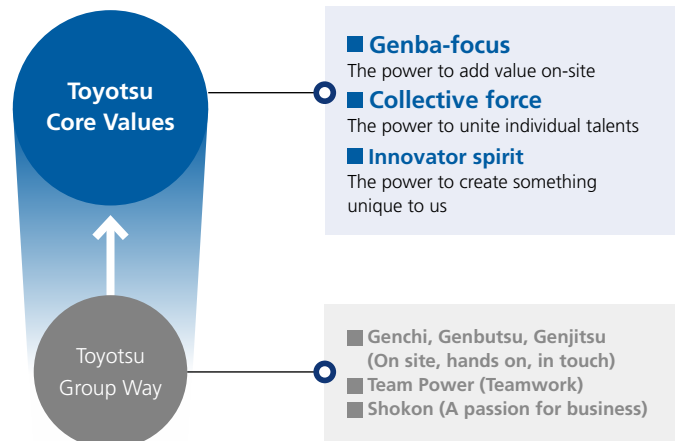
#### The Right ONE for future

We will fully apply our unique insights and capabilities as we strive to lead the way for a sustainable society and for the future.

## Global Vision

### ► Toyotsu Core Values

The Toyotsu Core Values are the corporate strengths we will use over the next 10 years to put the Toyotsu Group Way into practice and ensure the achievement of our Global Vision.



### ► Toyotsu Core Values to Achieve Growth

Using the Toyotsu Core Values, we will focus our efforts on three core business domains.

#### Organic Growth

- We will expand our business using our own current resources.

#### New Challenges

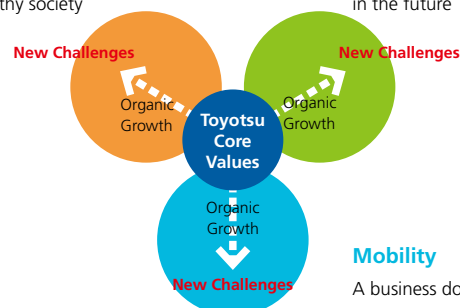
- In business domains in which we can apply our expertise and for each region we will expand our business with full **Genba focus**.
- We will develop new business based on innovative technologies, services, and products made possible by full use of our **Collective force** and **Innovator spirit**.

#### Life & Community

A business domain that contributes to the realization of a comfortable and healthy society

#### Resources & Environment

A business domain that contributes to the realization of a sustainable society in the future



#### Mobility

A business domain that contributes to the realization of a highly convenient society in the future

# Our History

Toyota Tsusho has long developed its business with functions tailored to customers' needs and with original added value by leveraging its general trading and project management company functions, such as information collection, and the logistics and financial functions necessary to import/export and broker domestic business transactions. We are also engaged in the development and investment business, working with partners all over the world to accelerate investment in fields in which future growth is expected.

## Main Events in the 2000s

**2000**

**Merger with Kasho Company, Ltd.**

Expansion of the product range



**2006**

**Merger with Tomen Corporation**

Investing in non-automotive businesses by utilizing our automotive expertise



Profit (loss) for the year attributable to owners of the parent (Billion yen)

1948

1990

2000

## Establishment – 1970s

### Developing as the Toyota Group's trading company

Toyoda Kinyu Kaisha, Toyota Tsusho's predecessor, was established in 1936 to provide sales financing for Toyota vehicles. After World War II, holding companies became prohibited by the second *zaibatsu* designation, which led to the dissolution of Toyoda Kinyu Kaisha (then known as Toyoda Sangyo Kaisha). However, the trading division of this company was transferred to Nisshin Tsusho Kaisha Ltd., a successor to Toyoda Sangyo that was established in 1948. Nisshin Tsusho would later evolve to become today's Toyota Tsusho Corporation, which continued to grow, largely by exporting finished automobiles, as a general trading company and as a member of the Toyota Group and eventually came to be listed on both the Nagoya Stock Exchange and the Tokyo Stock Exchange.

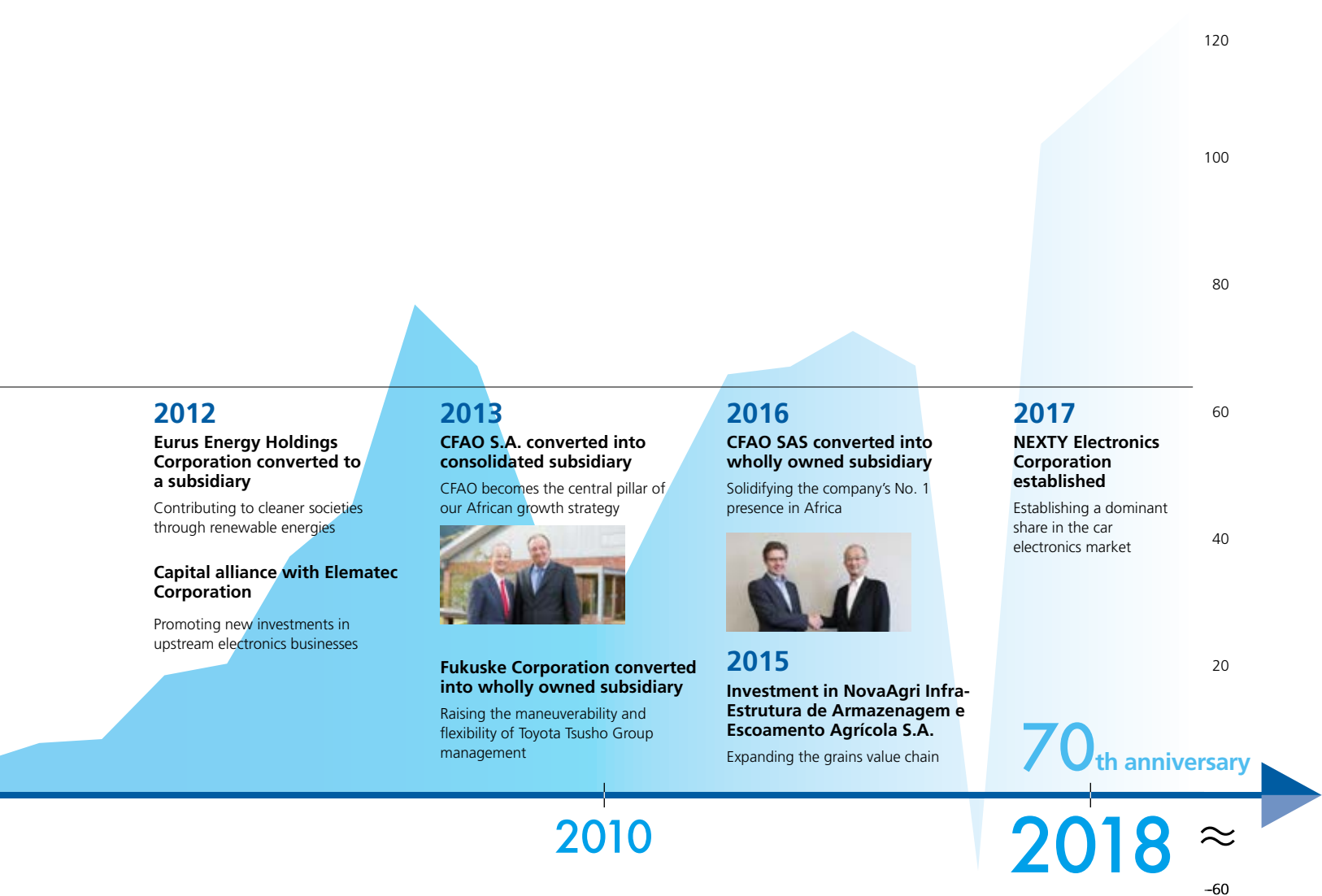


## 1980s – 1990s

### Stepping up overseas forays as Toyota globalizes

During this period, the Toyota Group companies began moving beyond simply exporting automobiles, and actually started conducting production in various countries overseas. To respond to the globalization of the Toyota Group, Toyota Tsusho accelerated its own overseas expansion, establishing a series of dealers and other bases overseas and commencing production of Toyota vehicles in the Islamic Republic of Pakistan. However, the company's efforts were not limited to the automotive sector. For example, it formed a business alliance with Kasho Company, Ltd., in 1999.





## 2012

### Eurus Energy Holdings Corporation converted to a subsidiary

Contributing to cleaner societies through renewable energies

### Capital alliance with Elematec Corporation

Promoting new investments in upstream electronics businesses

## 2013

### CFAO S.A. converted into consolidated subsidiary

CFAO becomes the central pillar of our African growth strategy



### Fukuske Corporation converted into wholly owned subsidiary

Raising the maneuverability and flexibility of Toyota Tsusho Group management

## 2016

### CFAO SAS converted into wholly owned subsidiary

Solidifying the company's No. 1 presence in Africa



## 2015

### Investment in NovaAgri Infra-Estrutura de Armazenagem e Escoamento Agrícola S.A.

Expanding the grains value chain

## 2017

### NEXTY Electronics Corporation established

Establishing a dominant share in the car electronics market

70<sup>th</sup> anniversary

2018

## 2000s

### Merging and forming tie-ups to expand value chains outside of the automotive sector

In 2000, Toyota Tsusho entered into a capital and operational tie-up with Tomen Corporation and then merged with Kasho Company, Ltd. In 2006, it merged with Tomen, which had a broad customer base and diverse business ventures, giving birth to the present Toyota Tsusho. This move positioned the company to commence its full-fledged advance beyond the automotive sector into fields such as infrastructure, chemicals, and foods, and its value chains were greatly expanded as a result.



## 2010s

### Aiming to become a value-generating corporation that addresses social and environmental issues using its automotive-sector foundations

In 2012, Toyota Tsusho began accelerating investments into new business fields by entering a capital alliance with French trading company CFAO, which trades in automobiles and pharmaceuticals primarily in Africa. In 2016, CFAO became a wholly owned subsidiary of Toyota Tsusho. This is a critical decade for the Toyota Tsusho Group as it exerts its strengths in new business fields to ensure sustainable growth. The group is focusing new investments into renewable energies, African businesses, and other areas where both social needs are high and growth potential is great, along with next-generation mobility and new technology development.

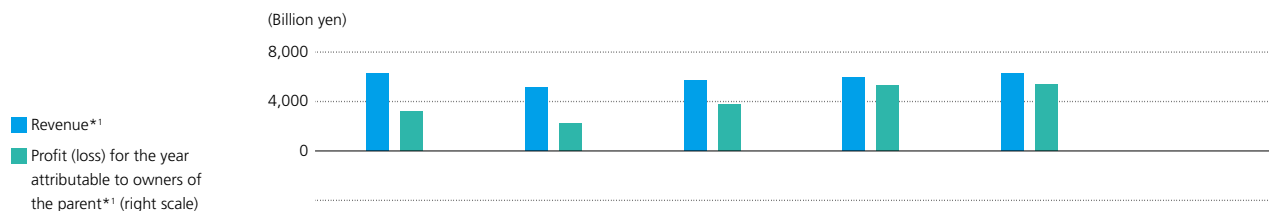


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## How We Got Here

# Financial Summary

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries  
As of and for the years ended March 31



	Japanese GAAP				
	2009/3	2010/3	2011/3	2012/3	2013/3
<b>Results of Operations:</b>					
Revenue* <sup>1</sup>	¥6,286,996	¥5,102,261	¥5,743,649	¥5,916,759	¥6,304,354
Gross profit	326,679	280,790	330,730	343,999	403,888
Selling, general and administrative expenses	235,661	225,199	245,432	251,596	288,013
Operating profit* <sup>1</sup>	91,017	55,591	85,297	92,403	115,875
Share of profit (loss) of investments accounted for using the equity method	6,610	7,364	13,636	15,396	17,646
Profit (loss) for the year attributable to owners of the parent* <sup>1</sup>	40,224	27,339	47,169	66,205	67,432
<b>Financial Position at Year-end:</b>					
Total assets	¥2,130,089	¥2,274,547	¥2,436,248	¥2,837,428	¥3,592,368
Total equity* <sup>1</sup>	586,996	650,215	667,378	751,747	920,043
Net interest-bearing debt	573,920	563,066	581,366	672,137	998,626
<b>Cash Flows:</b>					
Net cash provided by operating activities	¥ 123,760	¥ 100,217	¥ 79,884	¥ 63,782	¥ 124,156
Net cash used in investing activities	(54,827)	(73,090)	(74,046)	(58,771)	(323,389)
Net cash provided by (used in) financing activities	4,614	(107,623)	77,751	97,358	223,374
Cash and cash equivalents at the end of year	242,530	170,714	252,747	354,755	391,352
<b>Per Share:</b>					
Earnings per share attributable to owners of the parent* <sup>1</sup> :					
Basic earnings (losses) per share	¥114.73	¥78.08	¥134.78	¥189.34	¥192.58
Diluted earnings (losses) per share* <sup>2</sup>	114.72	–	–	–	192.42
Cash dividends for the year	26.00	16.00	28.00	42.00	44.00
Dividend payout ratio	22.7%	20.5%	20.8%	22.2%	22.8%
<b>Financial Measures:</b>					
Return on equity (ROE)	7.2%	4.9%	8.0%	10.7%	9.6%
Ratio of equity attributable to owners of the parent	24.9%	25.7%	24.4%	22.6%	21.2%
Net debt-equity ratio (Net DER) (times)	1.08	0.96	0.98	1.04	1.31

### Common Stock:

Number of shares outstanding at year-end	354,056	354,056	354,056	354,056	354,056
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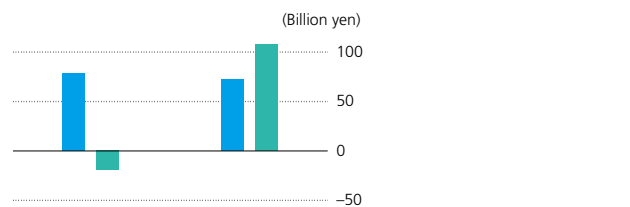
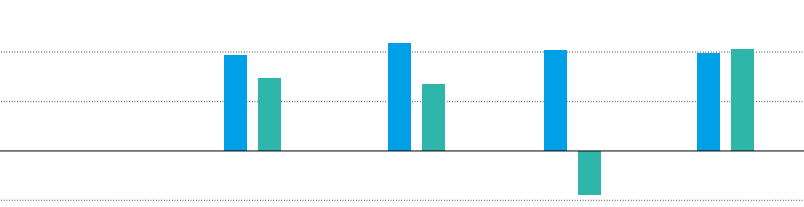
1. Starting from the fiscal year ended March 31, 2017, the company prepares its consolidated financial statements based on the International Financial Reporting Standards (IFRS), rather than the Japanese GAAP.

2. For the convenience of the readers, consolidated financial statements in Japanese yen for the fiscal years ending March 31, 2016 and 2017 are based on both Japanese standards (Japanese GAAP) and IFRS standards.

3. The U.S. dollar amounts have been translated from the amounts stated in yen, solely for the convenience of the readers, at the rate of ¥112.19 = U.S.\$1, the approximate exchange rate prevailing on March 31, 2017, which was the final business day of financial institutions in the fiscal year ended March 31, 2017.

\*1 All items within the above table represent IFRS categories. The IFRS categories under the Japanese GAAP are as follows: revenue corresponds to net sales; operating profit corresponds to operating income; profit (loss) for the year attributable to owners of the parent corresponds to profit (loss) attributable to owners of the parent; total equity corresponds to total net assets; earnings (losses) per share correspond to profit (loss) per share; and ratio of equity attributable to owners of the parent corresponds to shareholders' equity ratio.

\*2 Figures for diluted earning (loss) per share for the fiscal years ended March 31, 2010, 2011, and 2012 are not presented as there were no latent shares with a dilution effect. The figure for diluted earning (loss) per share for the fiscal year ended March 31, 2016 is not presented as the company posted a net loss per share, although there were latent shares.



Millions of Yen			
2014/3	2015/3	2016/3	2017/3
¥7,743,237	¥8,663,460	¥8,170,237	<b>¥7,919,663</b>
582,498	634,572	616,042	<b>578,887</b>
421,177	465,115	475,742	<b>432,231</b>
161,321	169,456	140,299	<b>146,656</b>
13,783	4,060	(5,676)	<b>10,254</b>
73,034	67,571	(43,714)	<b>102,597</b>
¥4,072,728	¥4,533,693	¥3,952,100	<b>¥4,096,843</b>
1,156,080	1,304,483	1,055,777	<b>1,151,969</b>
1,088,974	1,233,559	1,102,786	<b>1,050,229</b>
¥ 133,937	¥ 169,100	¥ 308,338	<b>¥ 193,769</b>
(135,587)	(199,512)	(170,839)	<b>(130,428)</b>
5,356	108,247	(225,202)	<b>(28,343)</b>
412,032	499,157	399,191	<b>430,517</b>
¥208.01	¥192.23	¥(124.26)	<b>¥291.56</b>
207.82	192.10	–	<b>291.56</b>
50.00	56.00	62.00	<b>70.00</b>
24.0%	29.1%	–	<b>24.0%</b>
8.4%	6.4%	(4.3)%	<b>11.0%</b>
23.9%	24.8%	22.5%	<b>24.0%</b>
1.12	1.10	1.24	<b>1.07</b>
Thousands of shares			
354,056	354,056	354,056	<b>354,056</b>

Millions of Yen		Thousands of U.S. Dollars
IFRS	2017/3	2017/3
2016/3	2017/3	2017/3
¥6,246,103	<b>¥5,797,362</b>	<b>\$51,674,498</b>
612,539	<b>570,872</b>	<b>5,088,439</b>
438,422	<b>411,235</b>	<b>3,665,522</b>
82,988	<b>133,669</b>	<b>1,191,452</b>
(3,397)	<b>10,476</b>	<b>93,377</b>
(19,280)	<b>107,903</b>	<b>961,788</b>
¥4,053,391	<b>¥4,212,064</b>	<b>\$37,544,023</b>
1,115,984	<b>1,223,513</b>	<b>10,905,722</b>
1,121,619	<b>1,101,974</b>	<b>9,822,396</b>
¥ 320,330	<b>¥ 159,770</b>	<b>\$ 1,424,101</b>
(162,777)	<b>(127,525)</b>	<b>1,136,687</b>
(245,634)	<b>5,656</b>	<b>50,414</b>
392,247	<b>426,208</b>	<b>3,798,983</b>
¥(54.80)	<b>¥306.64</b>	<b>\$2.73</b>
(54.80)	<b>306.63</b>	<b>2.73</b>
62.00	<b>70.00</b>	<b>0.62</b>
–	<b>22.8%</b>	<b>–</b>
(1.8)%	<b>10.8%</b>	<b>–</b>
23.4%	<b>24.9%</b>	<b>–</b>
1.18	<b>1.04</b>	<b>–</b>
Thousands of shares		
354,056	<b>354,056</b>	<b>–</b>

### Main differences between IFRS and Japanese GAAP (Fiscal year ended March 31, 2017)

#### Presentation of revenue

Under Japanese GAAP the total amount of transactions in which the group acts as principal and the total amount of transactions in which the group acts as agent are both presented as revenue, whereas under IFRS, when the group acts as agent, the net value of those transactions are presented as revenue. For this reason, IFRS-based earnings and costs for the fiscal year ended March 31, 2017, are both 2,104,613 million yen lower than Japanese GAAP-based figures.

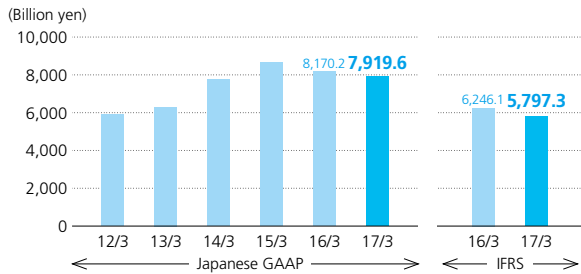
#### Goodwill amortization

Under Japanese GAAP goodwill is amortized over a set period of time, whereas under IFRS, goodwill is not amortized. For this reason, the amount of goodwill amortization (SG&A expenses) for the fiscal year ended March 31, 2017, is 20,328 million yen lower than Japanese GAAP-based figures.

## How We Got Here

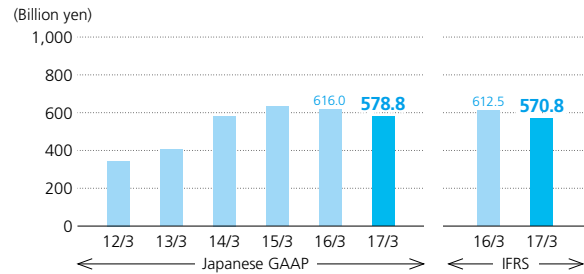
# Financial and Non-financial Highlights

### Revenue

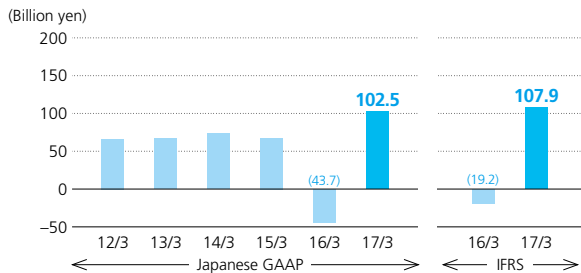


Corresponds to net sales under Japanese standards (Japanese GAAP).

### Gross Profit

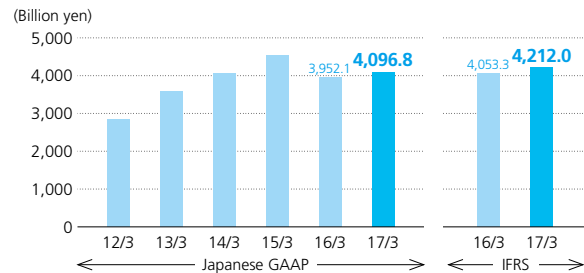


### Profit (Loss) for the Year Attributable to Owners of the Parent

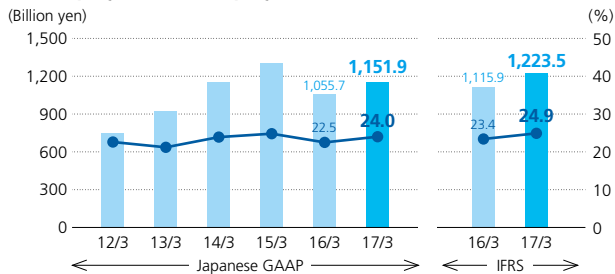


Corresponds to profit (loss) attributable to owners of the parent under Japanese standards (Japanese GAAP).

### Total Assets

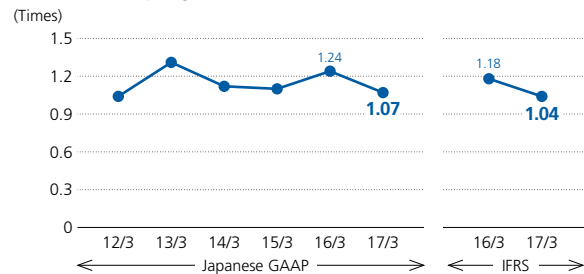


### Total Equity / Ratio of Equity Attributable to Owners of the Parent

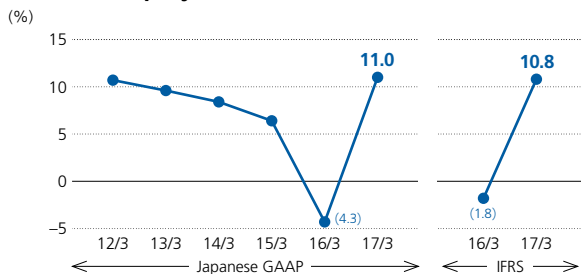


■ Total equity ● Ratio of equity attributable to owners of the parent (right scale)  
Corresponds to total net assets under Japanese standards (Japanese GAAP), and ratio of equity attributable to owners of the parent corresponds to shareholders' equity ratio.

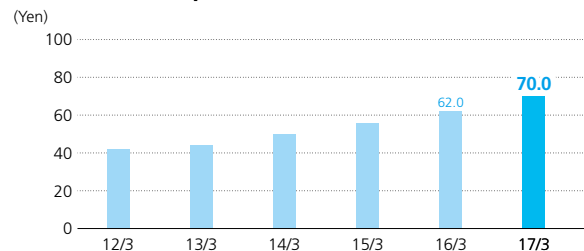
### Net Debt-equity Ratio (Net DER)



### Return of Equity (ROE)

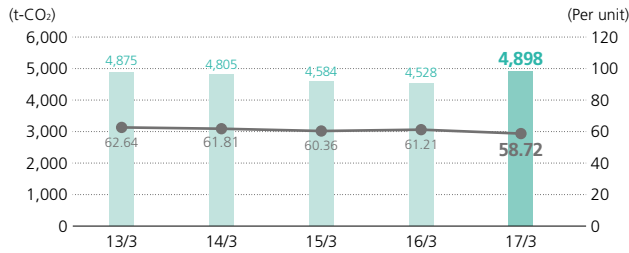


### Cash Dividends per Share



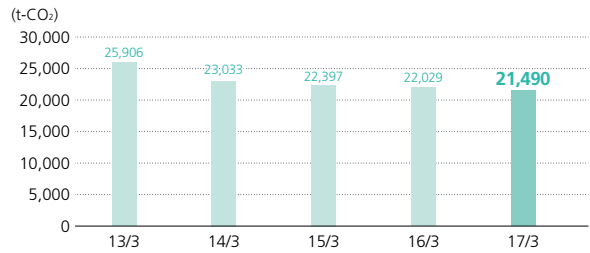


### Office CO<sub>2</sub> Emissions



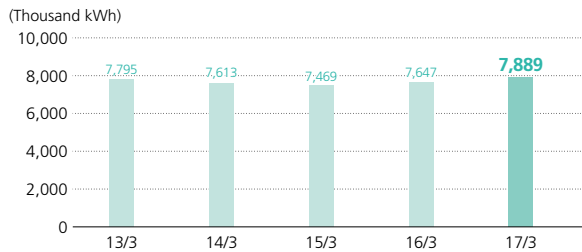
Scope of calculation: Toyota Tsusho Corporation  
Conversion factors: Based on the Energy Conservation Act

### CO<sub>2</sub> Emissions during Transport



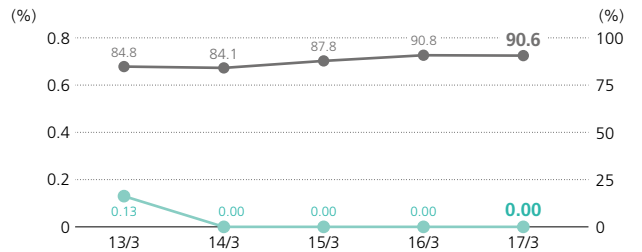
Scope of calculation: Toyota Tsusho Corporation and Toyota Steel Center Co., Ltd.  
Conversion factors: Based on the Energy Conservation Act

### Office Electric Power Consumption



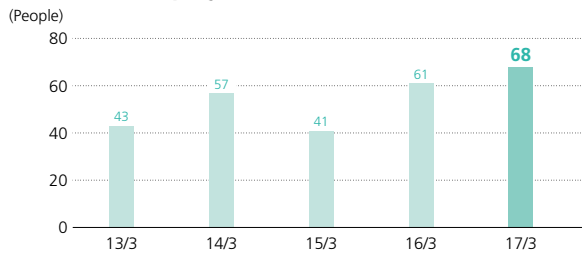
Scope of calculation: Toyota Tsusho Corporation

### Landfill Waste Ratio / Recycling Ratio



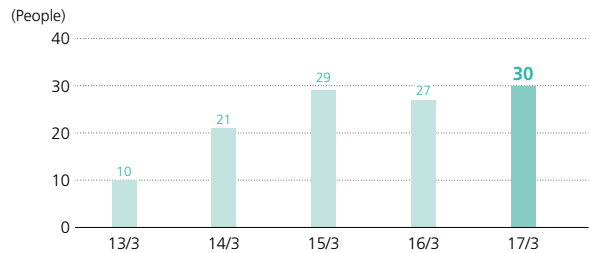
◆ Landfill waste ratio ● Recycling ratio (right scale)  
Facilities covered: Nagoya and Tokyo head offices

### Number of Employees who Took Childcare Leave



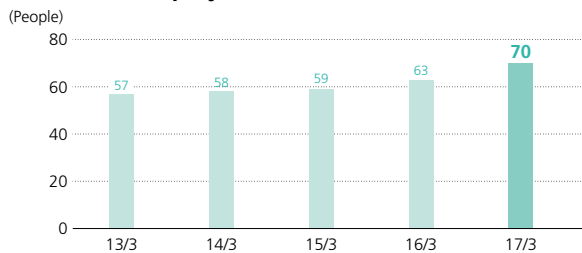
Scope of calculation: Toyota Tsusho Corporation

### Number of Rehired Retired Workers



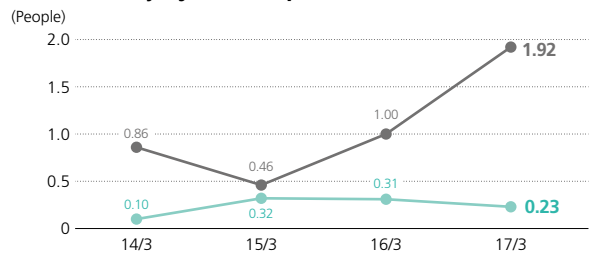
Scope of calculation: Toyota Tsusho Corporation

### Number of Employees with Disabilities



Scope of calculation: Toyota Tsusho Corporation, Toyotsu Office Service Corporation, and Toyotsu Human Resource Corporation

### Lost Time Injury Rate (Japan / Overseas)



◆ Japan ● Overseas

Lost time injury rate: An index showing the frequency of work-related accidents. The calculation is based on the number of work accident-related casualties per 1 million working hours.

Average national lost time injury rate for Japan in fiscal 2016: 1.63 (Ministry of Health, Labor and Welfare data)

# Business Model

To Be a Value-creating  
to the Building of

**Life & Community**  
Business domain that  
contributes to the realization of  
a comfortable and  
healthy society

Creating  
new value

Addressing social issues and needs

### Partner strategy

Toyota Tsusho is building core competence by expanding its business collaboration with powerful partners in various fields, starting with collaboration within the Toyota Group built up over many years of efforts in our Mobility domain.

### Regional strategy

We will strengthen advancement of our inter-regional synergy, based on cross-regional strategic significance, in newly emerging regions, centered on regional management of our five regions: Asia & Oceania, Europe, North & Central America, East Asia, and Africa.

### Value chain

We will offer our unique added value in each of the processes of development, procurement, production, and sales, in all fields in which we are engaged, in an effort to maximize the quality of each product and service.

### Business synergy

Through large-scale M&As, such as those with Kasho Company, Ltd., Tomen Corporation, and French trading company CFAO, we will exercise our respective strengths to build a diverse business foundation and a wide customer base.

### Important management resources

#### General trading company functions

In addition to our general trading company functions of information gathering, logistics, and finance, we are adopting a development investment-style business to offer our own unique added value.

#### Partnerships

In addition to the Toyota Group, we are building powerful partnerships in a range of fields through M&As.

#### Global network

Our business extends globally, with a network of more than 1,000 group companies spread throughout over 120 countries and regions around the world.

# Corporation that Contributes Prosperous Societies

## Toyota Tsusho's Value Creation Process

As a value-creating company that contributes to the building of a prosperous society, we aim to address social issues and needs and are constructing a business model that maintains a balance between growth, efficiency, and soundness while using management resources to create new value.

With the strengths we have accumulated in our Mobility domain, we will seek further growth in our Life & Community and the Resources & Environment domains. In addition, we will expand initiatives in regions and fields where we can use our knowledge as we strive for sustainable growth.

### Resources & Environment

Business domain that contributes to the realization of a sustainable society in the future

### Toyotsu Core Values

Maintaining the balance between growth, efficiency, and soundness while utilizing management resources

### Mobility

Business domain that contributes to the realization of a highly convenient society in the future

Addressing social issues and needs

**Invest in fields in which we can fully apply our strengths**  
 Although our business base and our strength is automobile-related business, we will not rely solely on this. Instead, we will also invest in fields that have the potential to become future business pillars in which we can use our strengths, aiming to realize our vision.

**Strict operation of investment cycle**  
 We hold regular companywide meetings to verify the strategic value of new investments, their priority for the company as a whole, and business feasibility. We have also introduced a business monitoring system and are striving to tighten rules on restructuring or exit for existing investments.

**Financial strategy**  
 We will prioritize a high ROE, which correlates closely with shareholders' equity, net DER, which is an indicator of financial stability, and cash flow, which indicates movement of funds, aiming for stable growth while maintaining sound finances, in order to maintain a sturdy financial condition that balances revenue and funds.

**Risk management**  
 We measure risk assets, representing the aggregate of risk on a consolidated basis, aiming to strike a balance with our risk buffer, which is the maximum permissible level of risk. We also monitor profitability corresponding to risk, whereby we monitor both realization of a healthy financial condition and profitability.

**Genba strength**  
 With our *Kaizen* (continuous improvement) based on the Toyota Production System (TPS), we are undertaking comprehensive *Kaizen* activities in our logistics, production, and administrative operations.

**Global human resources**  
 We are promoting the hiring and development of personnel who can most effectively respond to the changing business environment and diversifying customer needs.

**Financial capital**  
 We maintain a strong financial base that can produce a stable cash flow and that will enable active investment for sustainable growth.

**Governance**  
 We actively promote reinforcement of efficiency, transparency in management, and compliance. We work to achieve a sound financial condition.

# Management Strategy

We are reinforcing the company's earnings foundations by making use of our strengths to carry out our Mid-term Business Plan.

## Hiroshi Tominaga

Member of Board,  
Managing Executive Officer  
Chief Strategy Officer (CSO)  
Chief Information Officer (CIO)



## Concept of the Mid-term Business Plan

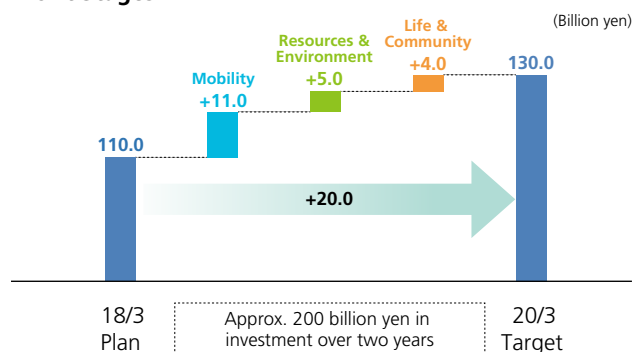
The company's business environment, particularly with respect to mobility, is undergoing significant changes. In order to adapt to and rapidly incorporate these changes, in April 2017 the company adopted a Mid-term Business Plan that reduces the plan period from the hitherto five years to three years. By doing so, we are striving to create a highly precise plan that strongly reflects reality. Even so, we will conduct rolling reviews on an annual basis to continuously reflect the recent major changes in the business environment.

Specific provisions of the current Mid-term Business Plan include reinforcing our earnings foundation centered on the Toyotsu Core Values and investing approximately 200 billion yen over the two years through the fiscal year ending March 31, 2020 in our three business domains: Mobility, Life & Community, and Resources & Environment.

Investments will be made only to the extent of cash flows from operating activities. We will rigorously select projects that make use of our strengths and conduct strict operation in accordance with quantitative criteria to increase investor returns.

Through these efforts, we will undertake challenges in new areas with a target of increasing profit for the year attributable to owners of the parent from 110 billion yen in the fiscal year ending March 31, 2018 by 20 billion yen, to 130 billion yen, in the fiscal year ending March 31, 2020.

### Profit Stages



Return on Equity (ROE) 10–13%	Endeavor to efficiently manage shareholders' equity with an awareness of capital costs
Net debt-equity ratio (Net DER) No more than 1.0 times	Restore positive cash flows and curtail the growth of interest-bearing debt (However, when major investment projects are implemented, net DER may temporarily increase to more than 1.0 times.)
Risk assets / Risk buffer Less than 1.0	Maintain a sound and stable financial position with an emphasis on the balance between total risk and shareholders' equity according to the characteristics of capital and other factors

## Factors Contributing to Increased Profit and Investment Amounts in Three Business Domains

(Billion yen)

Period: Two years, from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2020

### Mobility

Earnings	+11.0
Investment	85.0

#### Special-focus Areas

- Automobile sales
- Automobile production & peripheral business
- Logistics & value chain
- Automotive electronics
- Automobile accessories & materials

### Resources & Environment

Earnings	+5.0
Investment	85.0

#### Special-focus Areas

- Renewable energy
- Metal resources & recycling
- Electric power & energy
- Grain silos & value chain
- Overseas plants & infrastructure

### Life & Community

Earnings	+4.0
Investment	30.0

#### Special-focus Areas

- Retail business & beverages in Africa
- Pharmaceuticals & medical supplies and chemical products in Africa
- Consumer electronics
- Fertilizers, detergents, hygiene materials, and packaging
- Lifestyle-related (insurance, foodstuffs)

## Priority Areas

The automobile industry is entering a period of change with regard to industrial structures as a result of technological innovation, including the Internet of Things (IoT) and artificial intelligence (AI). To respond promptly to these changes, this fiscal year we established a specialized organization with 150 members from multiple sales divisions to address issues regarding next-generation automobiles (next mobility).

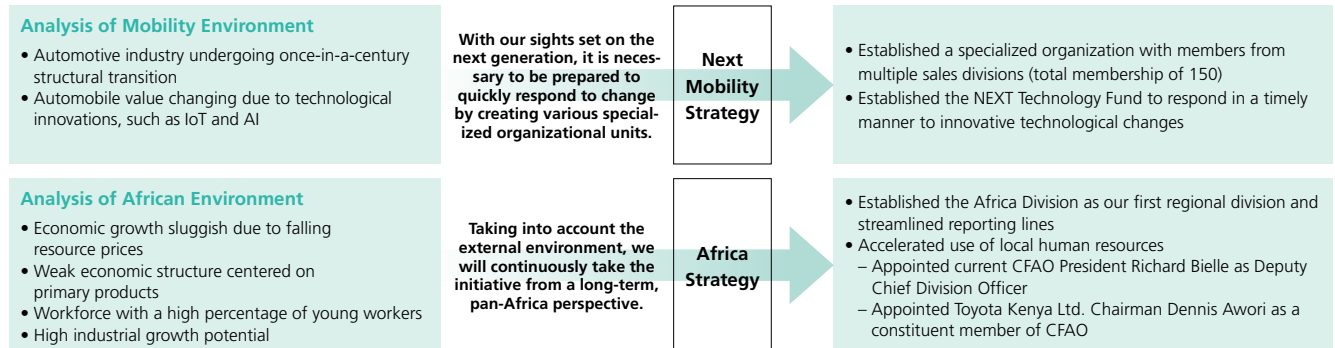
We also established an internal fund to target new technologies and services that will drive future growth, not limited to automobiles, and are supporting development of innovative technologies and new business in each of the areas in which the company is active.

We seek change as an opportunity and are taking even more measures to expand and reinforce the company's Mobility domain

while consistently taking the initiative.

With regard to our Africa business, we expect business conditions to remain difficult as a result of falling resource prices, but we still believe that there is potential for substantial growth. Going forward, we will develop consumer markets targeting the middle class and form business tie-ups with excellent partner companies to continuously develop business from a long-term perspective.

We believe that creating local employment opportunities and growing in tandem with local communities are important, and we will continue to conduct high-quality management with an emphasis on compliance. Under the slogan "With Africa, For Africa," we will foster the company's absolute strengths in Africa.



## Governance Structures

Toyota Tsusho introduced an executive officer system in 2006 for the purposes of accelerating the pace of management and reinforcing corporate governance.

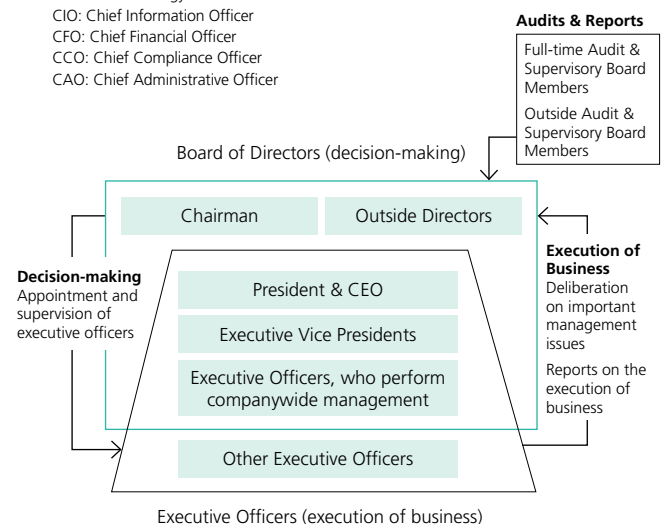
To further separate management from operations, in April 2017 Executive Officers who also serve as directors were limited to officers with companywide management responsibilities, and the soundness of management and functioning and quality of the Board of Directors were enhanced by setting the board's roles as making decisions on important management issues and monitoring the execution of business. The Board of Directors was streamlined, with the number of directors reduced from 16 to 12, the focus of the board's roles was placed on companywide management and monitoring the execution of business, and a structure that enables the board to concentrate fundamentally on deliberating on management issues was created.

In addition, governance functions, which had been concentrated in Chief Division Officer of Administrative Division, were distributed and CTO, CSO / CIO, CFO, and CCO / CAO\* positions were established as the persons with ultimate responsibility for their respective functions to facilitate the exercise of high levels of specialization and reinforce

governance functions.

By clarifying duties and responsibilities, specialization was reinforced and the pace of decision-making was increased.

\* CTO: Chief Technology Officer  
 CSO: Chief Strategy Officer  
 CIO: Chief Information Officer  
 CFO: Chief Financial Officer  
 CCO: Chief Compliance Officer  
 CAO: Chief Administrative Officer



# Financial Strategy

We are working to improve corporate value and increase our financial strength.

## Hideyuki Iwamoto

Member of the Board,  
Managing Executive Officer  
Chief Financial Officer (CFO)



## Review of Results for the Fiscal Year Ended March 31, 2017

In the consolidated financial results for the fiscal year ended March 31, 2017, gross profit fell 41.7 billion yen compared with the previous fiscal year, to 570.8 billion yen. Meanwhile, operating profit rose 50.7 billion yen, to 133.6 billion yen, and profit before income taxes increased 64.1 billion yen, to 140.8 billion yen. In addition, factors such as a fall in tax expenses due to accounting processes based on the assumption of application of the consolidated tax payment system resulted in profit for the year attributable to owners of the parent rising 127.1 billion yen (from a loss in the previous fiscal year), to 107.9 billion yen, thereby achieving a V-shaped recovery and setting a new profit record.

In comparison with the previous fiscal year, net interest-bearing debt decreased, while the net debt-equity ratio (net DER) and risk asset / risk buffer improved. Moving forward, we will advance a financial strategy that aims at bolstering our financial base and improving capital efficiency with ended-March 31, 2017 levels as the minimum. Return on equity (ROE) for this fiscal year is 10.8%,

and we hope to exercise our strength of the Toyota Core Values and steadily increase revenue in order to maintain double-digit ROE as well as increase it.

### Revenue and Earnings (IFRS)

	(Billion yen)		
	16/3	17/3	Change
Gross profit	612.5	570.8	(41.7)
Operating profit	82.9	133.6	50.7
Profit before income taxes	76.7	140.8	64.1
Profit (loss) for the year attributable to owners of the parent	(19.2)	107.9	127.1

### Financial Indicators

	(Billion yen)		
	16/3	17/3	Change
Net interest-bearing debt	1,121.6	1,101.9	(19.7)
Net debt-equity ratio (Net DER) (times)	1.2	1.0	(0.2)
Return on equity (ROE) (%)	(1.8)	10.8	12.6
Risk asset / Risk buffer	1.0	0.9	(0.1)

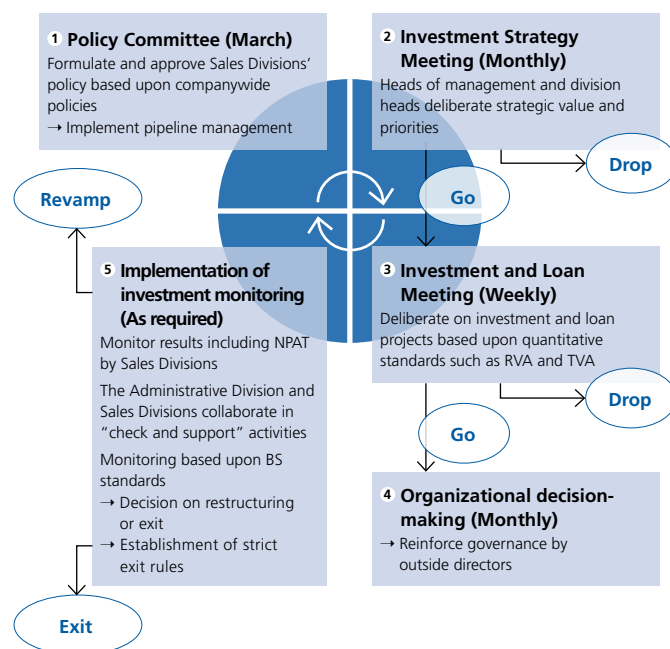
## Investment Cycle

Regarding new investment projects, major policy is decided by the Policy Committee and the Investment Strategy Meeting, while decisions on individual projects are made by the organization concerned based upon detailed feasibility study screening at the Investment and Loan Meeting. At the Investment and Loan Meeting, which I chair, we use our unique TVA (capital efficiency)<sup>\*1</sup> and RVA (risk income)<sup>\*2</sup> indicators to quantitatively verify the profitability of projects.

After investing, the Administrative Division and Sales Divisions collaborate with any projects dealing with issues to manage progress and provide support ("check and support"). In addition, Sales Divisions independently monitor the results as well as monitor against balance sheet (BS) standards. If a project falls short of quantitative standards, the Divisions assess the sustainability of the business and decide whether to exit or restructure.

\*1 An indicator that verifies that a certain revenue scale is achieved corresponding to the invested capital. It is based upon the concept of ROIC.

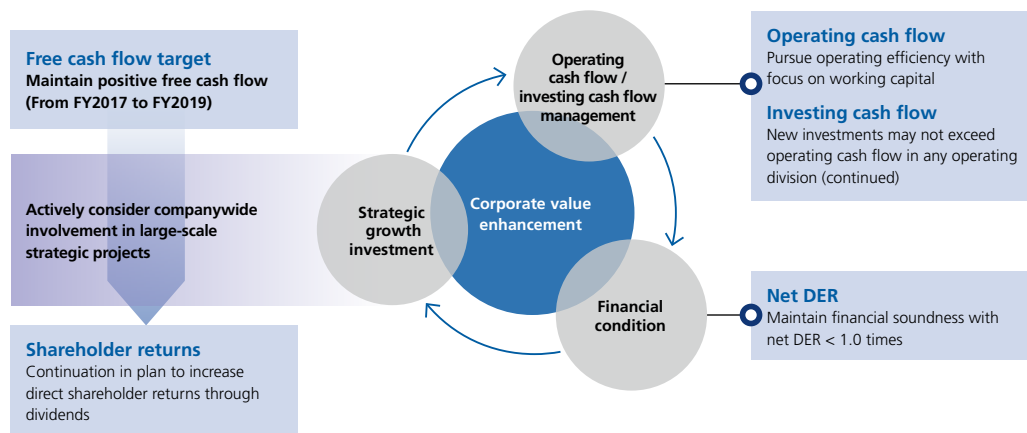
\*2 An indicator that verifies that obtained revenue is appropriate for the risk.



## Reinforcing Cash Flow Management

Toyota Tsusho advances its business with an awareness of working capital efficiency, and each Sales Division manages its operating cash flow for investment within upper limits. By doing so, we reinforce cash flow management through to the frontline with the aim of maintaining free cash flow in profit. With the cash created, we reduce interest-bearing debt and provide shareholder returns through dividends as we strive to strengthen cash flow management and establish our financial strength.

To date, Toyota Tsusho has achieved growth through regular large-scale investments such as the merger with Tomen in 2006 and the acquisition of CFAO in 2012. Moving forward, we hope to actively engage in large-scale strategic projects on a companywide basis in order to strengthen our foundation for growth. We will also continue to leverage the investment cycle with the aim of further increasing our corporate value.

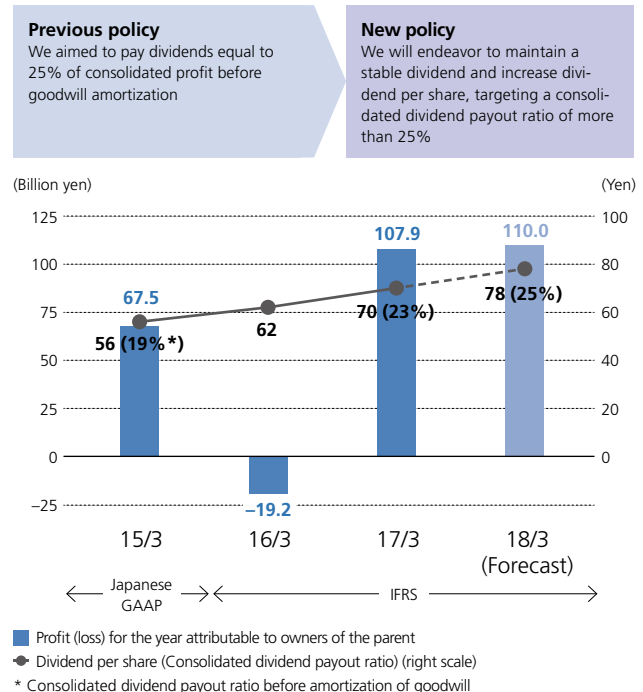


## Shareholder Returns Policy

Toyota Tsusho's policy on shareholder returns is based on the existing target of 25% of its consolidated profit before goodwill amortization in accord with its policy of providing stable, ongoing shareholder returns. We take measures for a flexible response to factors such as changes in economic conditions and investment progress. In the fiscal year ended March 31, 2017, the annual dividend value per share increased 8 yen compared with the previous fiscal year, to 70 yen.

In order to meet the dividend expectations of all our shareholders, in accordance with implementation of International Financial Reporting Standards (IFRS), we established a new dividend policy to maintain a stable dividend and increase dividend per share, targeting a consolidated dividend payout ratio of more than 25%, whereby we aim to further enhance our corporate value and increase shareholder returns. For the fiscal year ending March 31, 2018, our plan is for a consolidated dividend ratio of 25% and an annual dividend of 78 yen (8 yen increase), in order to continue providing stable returns to all of our shareholders.

### Trend in Dividend Value



# How We Get There

## CSR Strategy

### Our CSR Philosophy

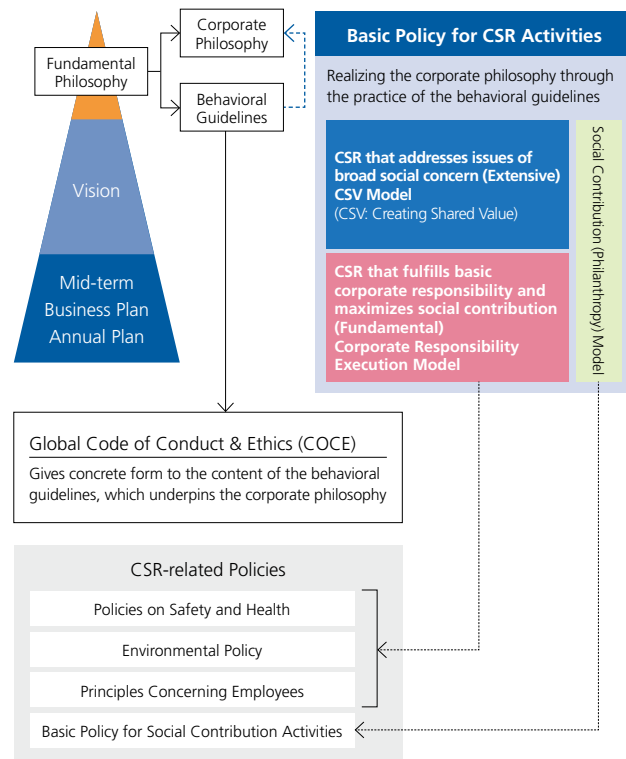
Toyota Tsusho has formulated its corporate philosophy, which describes the significance of the Toyota Tsusho Group's existence and its ideal image, and which clarifies the intention of management initiatives. Our behavioral guidelines have been established to stipulate the behavior expected of all officers and employees. The fundamental philosophy of management at Toyota Tsusho—comprised of two components—is positioned as the highest, unchanging concept, which should be handed down through all generations.

At Toyota Tsusho, we consider the realization of our corporate philosophy through the practice of the behavioral guidelines to be a basic policy of CSR activities. We believe that CSR is the determining factor of how all corporate activities should be and is, in itself, corporate management.

Furthermore, in 2016 we devised our Global Code of Conduct & Ethics (COCE), giving concrete form to the content of the behavioral guidelines, which underpins the corporate philosophy, and issued a booklet on it in 20 languages. We aim to realize our corporate philosophy and the Toyota Tsusho Global Vision by having all officers and employees of the Toyota Tsusho Group worldwide fully understand and practice the shared COCE.

**For details on our corporate philosophy, behavioral guidelines, and Global Code of Conduct & Ethics (COCE) (10 creeds), please see page 16.**

### Overall Image of CSR Activities



### CSR Committee

The CSR Committee (chaired by the president & CEO) meets once annually, in principle, as the central organization for CSR initiatives. It aims to establish the structure for promotion of our CSR activities and to monitor their progress. Furthermore, the committee shares CSR-related information, reports on both CSR that addresses social issues and CSR that fulfills basic corporate responsibility and maximizes social contribution, as well as deliberates matters, including implementation plans.

In the fiscal year ended March 31, 2017, the CSR Committee was composed of its regular members, with Outside Directors Yoriko Kawaguchi and Kumi Fujisawa and two full-time Audit & Supervisory Board members attending as observers.

#### CSR Committee Members

- President & CEO
- Executive Vice Presidents
- Sales Divisions**
  - Chief Division Officer
  - Planning department General Manager
- Administrative Division**
  - CSO / CIO, CFO, CCO / CAO
  - General Managers of related divisions
  - Officer responsible for environment and safety

#### CSR Committee Agenda for Fiscal 2016

1. Recent CSR trends and Toyota Tsusho's current situation
2. Defensive CSR: Report of activities for the fiscal year ended March 31, 2017
3. Active CSR: CSV model business report from each division
4. CSR activities map for the fiscal year ending March 31, 2018

#### Main Opinions and Advice

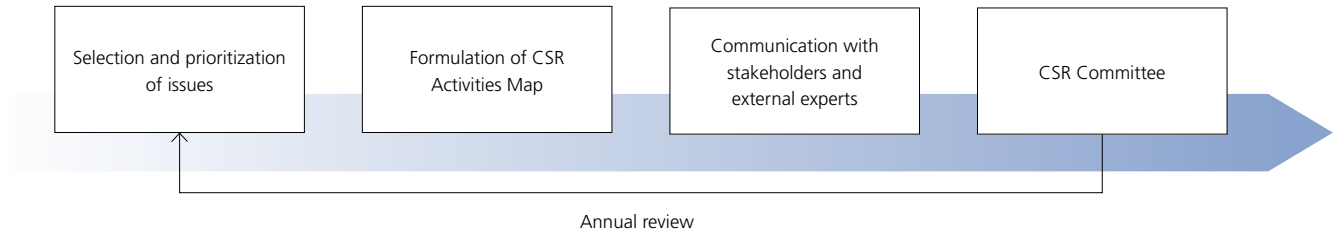
- With the launch of the Africa Division, the NEXT Mobility Development Department, and the NEXT Technology Fund Development Department in April 2017, the concept of CSV has become even more important in management strategy.
- We need to build a business based upon the United Nations Sustainable Development Goals (SDGs) to become more aware not only of customers' needs but also of the needs of society and the planet.
- Defensive CSR is also extremely important. On the other hand, proper handling of personnel strategy and abidance with laws and regulations incorporating society's needs will also lead into Active CSR.



## Important Issues in CSR

Currently, we have selected important issues in three domains of CSR initiatives based upon the Global Vision, considering stakeholder expectations and interest, and Toyota Tsusho's impact upon the economy, environment, and society. We drive sustainable

business activities centered upon these. Furthermore, we also undertake CSR activities with an awareness of our contribution to the SDGs.



### Three Domains of CSR Initiatives and Contribution toward Social Issues

Mobility	Life & Community	Resources & Environment
<p><b>Business domain that contributes to the realization of a highly convenient society in the future</b></p> <ul style="list-style-type: none"> <li>Environment and recycling</li> <li>Construction of a production and technology foundation</li> </ul>	<p><b>Business domain that contributes to the realization of a comfortable and healthy society</b></p> <ul style="list-style-type: none"> <li>Response to poverty and famine</li> <li>Response to prevention of disease and mortality risks</li> </ul>	<p><b>Business domain that contributes to the realization of a sustainable society in the future</b></p> <ul style="list-style-type: none"> <li>Ecosystem conservation</li> <li>Response to climate change</li> <li>Environment and recycling</li> </ul>

For specific case studies in each field, please refer to the CSR Activities Map on page 32. [➤](#)

## Formulation of Our CSR Activities Map

Toyota Tsusho has formulated a map that divides its fields of CSR activities into three areas: a Creating Shared Value (CSV) model for resolving social issues through a business that leverages our strengths; a Corporate Responsibility Execution (Fundamental CSR) model organized under environment, social, and governance

themes; and a Social Contribution (Philanthropy) model with the key themes of people (education), the planet (environment), and society (welfare). The CSR Committee revises the CSR Activities Map each year.

### SDGs

The Sustainable Development Goals (SDGs), comprised of 17 goals and 169 targets, were proposed in order to eliminate poverty and realize global sustainability as part of "Transforming Our World: the 2030 Agenda for Sustainable Development," which are global targets that were adopted at the United Nations Summit in September 2015. The SDGs require worldwide action, and corporations are expected to play a leading role.

CSR Activities Map

Domains in which the company should leverage its strengths

Creating Shared Value (CSV) Model

Life & Community

Business domain that contributes to the realization of a comfortable and healthy society

Representative examples

- Production of super-absorbent polymers (China and Malaysia)
- Hospital business (India)
- Pharmaceutical and medical equipment sales business (Africa)
- Beverage manufacture and sales business (Congo and Côte d'Ivoire)
- Fertilizer production business (Kenya)
- Fuel cell sales business (Japan)
- Sendai Airport operation business (Japan)
- "Karada Station" health management business (Japan)
- Nursing equipment rental business (Japan)

Toyotsu Core Values

Genba-focus

The power to add value on-site

Collective force

The power to unite individual talents

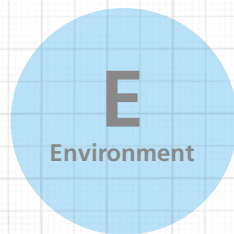
Innovator spirit

The power to create something unique to us

CSR Baseline

Domains in which the company should conduct basic activities

Corporate Responsibility Execution (Fundamental CSR) Model



- Promotion of environmental management
- Construction of a global environmental management system
- Reduction of environmental accidents



The businesses and initiatives listed below are representative examples.  
 For details on CSV model businesses, please see the Our Initiatives section under the respective Sales Divisions from Page 44 onward.  
 For details on initiatives under the Corporate Responsibility Execution model and the Social Contribution (Philanthropy) model, please see the ESG section from Page 70 onward.



### Social Contribution (Philanthropy) Model

## Resources & Environment

Business domain that contributes to the realization of a sustainable society in the future

Representative examples

- Metal resource recycling solution business (each country)
- Renewable energy business (each country)
- Management of energy-efficient container data center (Laos)
- Natural gas-fired electric power business (North America)
- Iodine development and production business (Chile)
- Geothermal power plant business (Kenya)
- Promotion of carbon fiber recycle business (Japan)
- Bluefin tuna cultivation business (Japan)

### People (education)

- Toyota Tsusho Corporation Study Abroad Scholarship system
- Plant visit for social studies by students from Japanese school in Russia



## Mobility

Business domain that contributes to the realization of a highly convenient society in the future

Representative examples

- Environmentally considerate molten aluminum business (each country)
- Technopark business (each country)
- Provision of circulation-model total service including production, new car sales, after-sales service, used cars, and recycling (each country)
- Autonomous truck driving and platooning test business (Japan and Singapore)

### The Planet (environment)

- Kamikawa no Sato's Revitalization Project



### Society (welfare)

- Support for the Wheelchair Twin Basketball Tournament
- Support for the Japan Service Dog Association
- Great East Japan Earthquake recovery support



- Global human resources system and organization of global grade system
- Diversity of human resources
- Respect for human rights
- Promotion of labor safety and health
- Supply-chain CSR management



- Reinforcement of corporate governance system
- Formulation and instilling of Global Code of Conduct & Ethics (COCE)
- Organization and operation of internal control systems
- Risk management centered on ERM Committee
- Promotion of business continuity management (BCM)
- Information security management
- Enforcement of fair competition and trade

# Accelerating Future Responses to Next-generation Vehicles and Cutting-edge Technologies

## New Initiatives to Address the Innovations of the Next Forms of Mobility

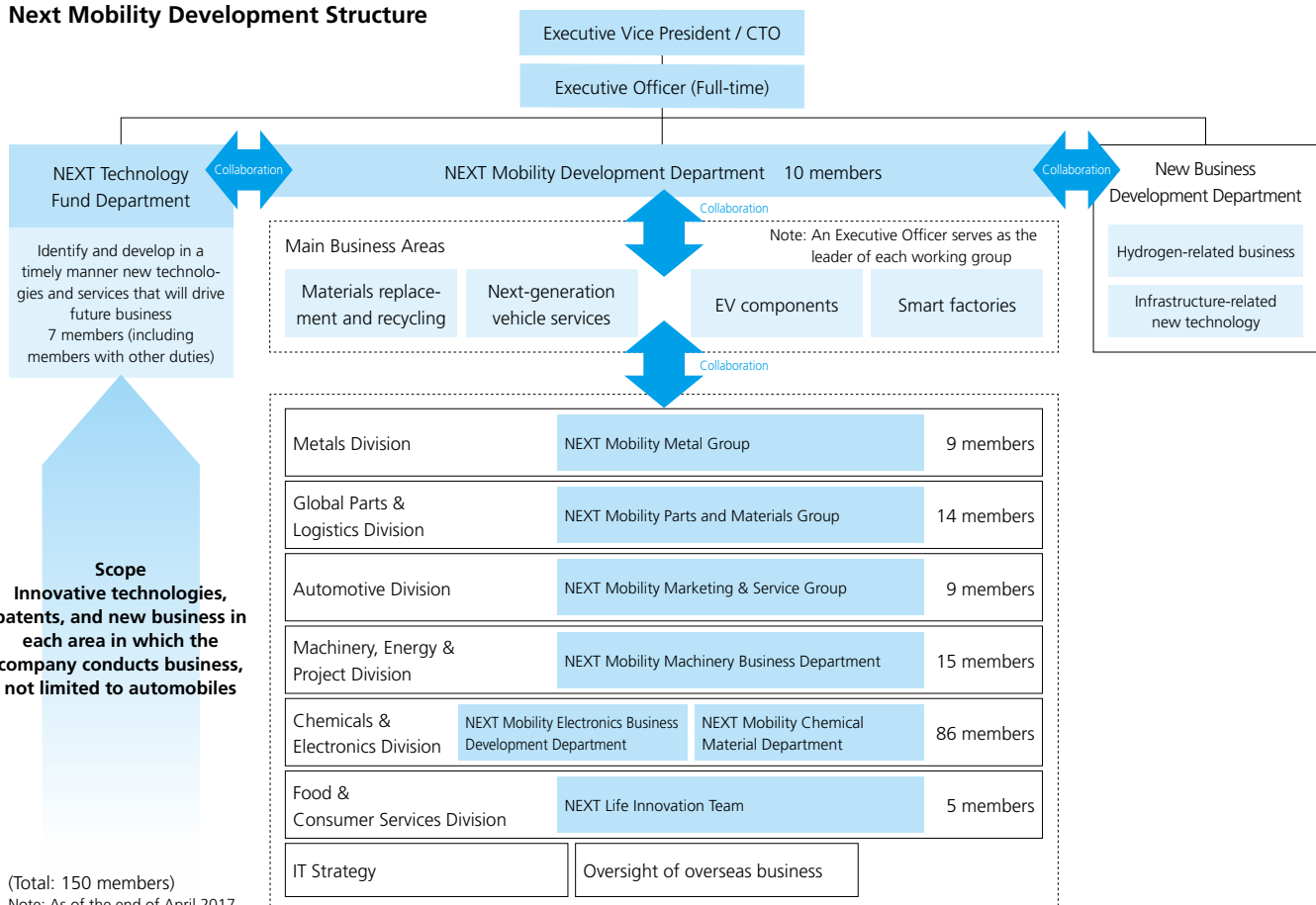
### Companywide, cross-functional specialized organization established to prepare for the transformation of the automobile industry

The automobile industry is currently undergoing a once-in-a-century period of transformation. In conjunction with technological innovations, including image recognition technology, the Internet of Things (IoT), and artificial intelligence (AI), it is possible to use sensors to acquire various data, such as information about other vehicles and on nearby road conditions, and as a result, rapid advances are being made in the practical application of advanced

safety technologies and automated driving technologies. At the same time, hybrid vehicles, plug-in hybrid vehicles (PHVs), and electric vehicles (EVs) are becoming more commonplace, and lighter materials are being used in automobile bodies with aluminum, carbon fiber, and resin starting to become prominent as replacements for steel with the aim of improving environmental performance. These major changes are all taking place at the same time, and the value and ideal of automobiles are about to enter a new era.

While these changes represent a threat to Toyota Tsusho, which has positioned the Mobility domain as a core domain, they are also

### Next Mobility Development Structure



## Toyota Tsusho will commit companywide knowledge and take on the challenges of new business to achieve the next generation of growth.

### Soichiro Matsudaira

Member of Board,  
Executive Vice President,  
Chief Technology Officer (CTO)



opportunities to definitively expand business even further than in the past. To focus on future generations and prepare for rapid responses to change, in April 2017 we reviewed organizations and established the NEXT Mobility Development Department under the authority of an Executive Vice President and the CTO as a company-wide, cross-functional specialized organization.

#### Toyota Tsusho's Next Mobility Development Structure

The NEXT Mobility Development Department will carry out companywide next mobility activities and develop and execute business relating to next-generation vehicles in areas that go beyond the products divisions. As a cross-functional project, the department will establish working groups for each activity topic, and an executive officer will serve as leader and provide guidance. The four activity topics that the department will address are materials replacement and recycling, which will cover weight reduction, new materials, and the battery materials business; next-generation vehicle services, which includes

autonomous driving in advanced safety technologies and promoting the introduction of next-generation vehicles; EV components, which covers electric power supply and storage using renewable energy, infrastructure development, and supply of electronic parts and components for EVs, PHVs, and fuel cell vehicles; and smart factories, which will seek to create a plant IoT, including higher productivity through plant visualization and predictive maintenance as well as advanced network security. The working groups will be rearranged and new groups may be formed according to the activity topics and items. In addition, specialized organizations will be established in relevant products divisions and will collaborate with the working groups to develop business. As a result of the creation of this organizational structure, the NEXT Mobility Development Department, working groups, product division specialized organizations, and other groups can collaborate to enable integrated measures and make maximum use of our business assets and knowledge as a general trading company that is active in a wide range of business fields.

## New Initiatives Regarding Cutting-edge Technological Innovations

### NEXT Technology Fund Created and NEXT Technology Fund Department Established

Toyota Tsusho established the NEXT Technology Fund in April 2017 to make more dynamic investments in innovative technologies, patents, and new services, not just in the automotive segment but in all areas where the company conducts business, so that we can respond promptly to innovative technological changes and to foster the seeds of growth that will drive the next generation of the company. The NEXT Technology Fund Department, which will perform administrative functions for the fund, was also established. An investment framework was created, and speedy investment decisions are made through deliberations by three officers, with the CTO serving as chairperson.

#### Objectives

- Invest in new technologies and new services that will drive business in the future to contribute to the identification and development of new business.
- Make decisions regarding investments with an awareness of timeliness in business areas in which markets have not yet developed.
- Foster organizational culture and develop human resources with a high degree of sensitivity to and broad perspective on technology areas.

Under a dynamic and companywide, cross-functional specialized organizational structure, Toyota Tsusho is combining its unique strengths to take on the challenges of technological innovation and new business and provide new added value.

## Dialogue Between an Outside Director & the CCO / CAO

# Human Resources Strategy to Achieve Our Global Vision

The human resources strategy is a key component that will provide impetus to the realization of Toyota Tsusho's Global Vision. Through various measures, including diversity and inclusion (D&I) and the company's global leadership program, Toyota Tsusho is conducting employee training and establishing an optimal environment, both of which make up the foundation of its management. Ms. Fujisawa, an outside director and active player in the global arena, which includes participation in United Nations' meetings, and Mr. Nagai, member of the Board, CCO (Chief Compliance Officer), and CAO (Chief Administrative Officer), met to exchange opinions on this topic.

## Current D&I Trends and Issues at Toyota Tsusho

**Nagai:** Toyota Tsusho accelerated the expansion of its overseas business operations in tandem with the globalization of the Toyota Group. Furthermore, the company has been enhancing diversity within its corporate culture and increasing the degree of nationality diversity within its ranks. This includes the 2012 acquisition of CFAO, a French trading company that operates a wide range of businesses, engaging mainly in automobile sales in Africa. Reflecting this, the company issued a diversity and inclusion (D&I) declaration in 2014 positioning it as one of its management strategies. Toyota Tsusho defines D&I as respect for and acceptance of various "differences" and the active use of these differences to optimally address a constantly changing business environment and diversifying customer needs to build up the overall competitive edge of the Toyota Tsusho Group. The company believes that D&I is an essential component for achieving its Global Vision.

**Fujisawa:** I agree. I believe that "global" means diversification. There was a time in Japan when global was interpreted to mean "Western values", but that is simply not the case. While attending a United Nations' conference, I witnessed firsthand people who speak different languages come together to discuss and decide on global rules in a multilingual environment. I genuinely believe this is what it means to be global. The true connotation of the word is people with a diverse set of values participating together in various global initiatives and the acceptance of this diversity.

**Kumi Fujisawa**  
Member of the Board



**Nagai:** We have implemented reforms to workstyles and our human resources system to promote D&I. Thus far, we have trained employees in Japan and abroad to become global personnel, and promoted active roles for women and seniors. These measures are being implemented, as they are essential for sustaining the growth of Toyota Tsusho, and not due to forecasts of a significant decline in the working-age population or owing to government requirements to revise workstyles. It is for that reason we have positioned [\[link\]](#)

these D&I measures as a part of our overall management strategy and are promoting D&I as an initiative of great importance.

**Fujisawa:** While the diversity of participants is important, the diversification of the talents of each individual employee is also important. In other words, a company needs to see to what extent it can nurture the talents of its individual employees and whether it can create an environment conducive to fostering capabilities. I believe the end result is that it contributes to a company's growth.



**Yasuhiro Nagai**

Member of the Board,  
Managing Executive Officer  
CCO / CAO

Humans have a tendency to underestimate their own abilities. So it is necessary that a company provide employees with opportunities to break out of their shell and take on challenges. I believe Toyota Tsusho laid the groundwork to promote active roles for women, including integrating job categories and reforming workstyles. I think the next issue that should be tackled is the inclusion of employees overseas. I think there are still some walls between Japanese employees posted overseas and local employees.

**Nagai:** I believe what you said is true. Japanese employees working overseas tend to only associate and work with other Japanese. It is a familiar story. Over the past few years, we have been asking Japanese employees posted overseas to refrain from holding meetings that only include Japanese employees. There was some debate as to whether the company should be giving such detailed orders. However, unless we take thorough and painstaking steps, change does not easily come.

**Fujisawa:** Employees will not get a clear grasp of what they need to do if you only convey ideas and concepts. I think an effective approach is to present specific daily actions. It would be ideal if D&I could be achieved in no time by repeatedly implementing certain actions. Creating closer relationships with local employees will change the volume and quality of information that comes in from overseas. I believe this will ultimately lower business risks and open doors to business opportunities.

**Nagai:** I think that globalized management in the truest sense is when the information you obtain can be used to gain a competitive edge by launching a business that originates outside of Japan and expanding that business worldwide. The Toyota Tsusho Group has not reached this stage yet. Local management and operational procedures are for the most part still done Japanese style. The management team strongly realizes that this must be changed. For example, directors and employees from overseas units are participating in the development of the Global Vision and Mid-term Business Plan.

**Fujisawa:** I also attended the meeting on the development of the Global Vision, and remember local employees participating from overseas providing their opinions. These local employees had a reason for choosing to work at a company that is headquartered in Japan. I felt they understand and are seeking a corporate philosophy that Japanese are starting to forget. We need to take a look at these values once more. I think that if we can share these values throughout the company, we can leverage these values as being a strength unique to a Japanese company.

## Training Global Leaders

**Nagai:** One of the key roles of a leader is to draw out an employee's capabilities. Before, companies required employees to have the ability to accurately and quickly replicate an already established business model in different regions or business domains. At present, I think that a facilitation style of leadership is required, particularly globally, to promote employee autonomy and self-reliance, and, ultimately, reforms. What do you think?

**Fujisawa:** Owing to the fast pace of changes today, there is a risk that micromanagement will not keep pace with changes in the environment. Even if a top-down approach is taken to create a corporate vision and direction, the company has to create an environment in which employees in the field can make decisions and act independently to execute strategies and tactics. For this reason, we need to push forward with the delegation of authority. It will then become the role of the global leader to manage potential risks expected to arise from the delegation of authority or decision-making. In light of this, global leaders need to commit to making sure everyone understands and shares in the corporate vision, which is a guideline to proper decision-making.

**Nagai:** Yes, you are correct. And at the same time, global leaders need to have an identity that embodies the Toyota Tsusho Group's sense of values, which is that safety and compliance are the cornerstones for all work. This is what it takes to adeptly employ diversity practices.

I believe human resources development in the field is key to sharing and instilling this sense of values. Accordingly, employees should be properly evaluated, their salary and benefits should be

based on the results of the evaluation, and then employees should be reassigned to new positions. From 2013, we began selecting candidates with a particularly high level of potential from group companies around the world. The candidates are being trained to become members of global management. People grow the most and gain experience when they are put in a position in which they must reach for higher goals. We are actively assigning employees to such positions.

However, at present, these actions are not sufficient and we will need to expand them going forward. I want to establish global standards for grades, qualifications, and evaluations to provide promising personnel worldwide opportunities for improvement. This is my next challenge.

**Fujisawa:** This will give employees in Japan and abroad the opportunity to play an active role. Naturally this will boost motivation among employees. However, with increasing diversity, it is important that performance reviews be more transparent and accountable so that each employee will feel his or her job is worthwhile. Once the number of employees with different sets of values increases, those matters that did not require much explanation for Japanese employees are likely to trigger heightened discontent if there is a lack of transparency in the performance evaluation approach and system.



Potentially able to clarify Toyota Tsusho's strengths as a Japanese company by drawing out the capabilities of overseas employees

### Kumi Fujisawa

After working at investment management companies, Ms. Fujisawa founded an investment trust evaluation company in 1996. In 2000, she participated in establishing SophiaBank, and currently serves as its representative director. She was nominated to a member of Young Global Leaders in 2017 and Global Agenda Council in 2018 by World Economic Forum. She concurrently holds posts at public offices, including as a committee member of several government ministries and director of the Japan Securities Dealers Association.



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Without strong individuality that is revered by the market, there will be no progress in D&I measures that leverage such individuality



**Nagai:** That is true. The results evaluation part of the employee performance review is easy to understand, but when it comes to evaluating an employee's capabilities, it becomes subjective and, therefore, a careful explanation is required, particularly when conducting performance reviews at overseas companies.

**Fujisawa:** First, you need to be able to verbalize what capabilities are. Next, a leader with those capabilities has to be able to demonstrate such through words and actions during daily operations. Only then will it be possible for skill assessments to function properly at group companies around the world.

## Personnel with Strong Individuality

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**Fujisawa:** It is believed that AI and robots will replace humans in many types of work. However, at the same time, roles and necessary capabilities that only humans can do are likely to be redefined. Also, as many companies will introduce AI and robots into their operations, the portion of the job that only humans can do will likely be a source for differentiation. Should this happen, a company's competitive strength will rest on how far it can enhance the capabilities and motivation of each individual employee, and whether or not a company can build an environment that can maintain such.

**Nagai:** Employee productivity is directly linked to a company's competitiveness more than ever. The main impetus for improving productivity is to have pride in your work and have a sense of self-efficacy. In other words, to have ambition and commitment. Motivation will arise from this.

**Fujisawa:** For example, in a situation in which a factory is built in an emerging market without an infrastructure, and you recruit and train local employees, the project will entail harsh challenges

coupled with hardships. However, if the start-up of a factory contributes to the country or regional community, this is no longer viewed as a harsh challenge but becomes a worthwhile challenge. There are an increasing number of companies that are creating innovations in-house by using their own business to find and implement solutions to social issues. Once a person can see that it is worthwhile to pinpoint an issue and find a solution that helps others, people voluntarily devise solutions and come up with new ideas.

**Nagai:** I think you have a very good point. By tackling your job with strong ambitions, you can contribute to society and possess strong individuality that is revered by the market. Therefore, without strong individuality, it is not possible to push forward with D&I strategies that show respect for diversity.

**Fujisawa:** The company must constantly be creating innovations to keep with the speed of changes and to address diversification. It is said that innovations arise from a chemical reaction that is triggered when several strong individuals with different attributes come together.

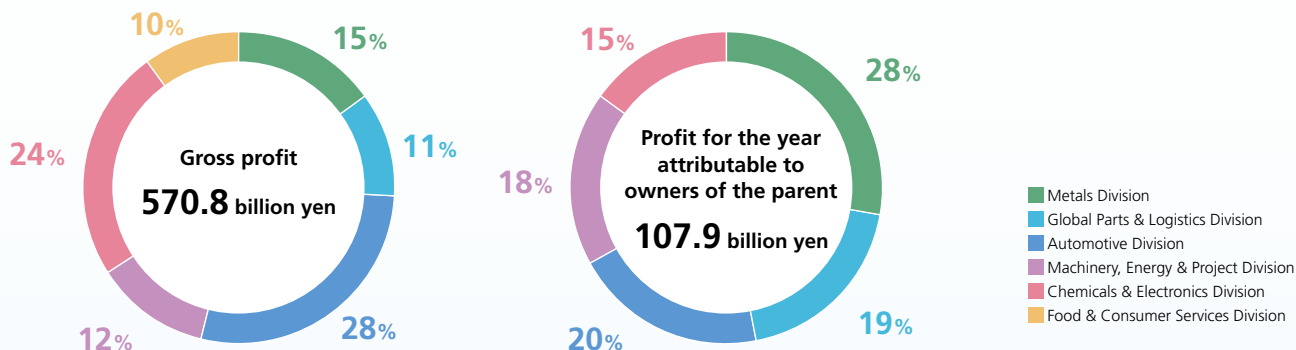
**Nagai:** That is exactly what the ultimate goal is for our D&I strategies.

It is not easy to change the companywide human resources system. Recently, we have been going through trial and error, and making changes to our system if there are benefits to be had. The chief division officers of the product divisions have been asking more frequently to implement measures on a trial basis, including workstyle reform measures. President & CEO Karube is also supporting this flexibility, so I am grateful.

**Fujisawa:** The Toyota Tsusho Group has an unwavering core business, a pillar, but its business profile is diverse. I very much would like for you to convey this to group employees around the world, to make their jobs more worthwhile, and to continue to be a company that frequently develops innovations.

# Business Strategy At a Glance

## Business Overview by Division for the Fiscal Year Ended March 31, 2017 (IFRS)



### ► Overview of Profit for the Year Attributable to Owners of the Parent (compared to the fiscal year ended March 31, 2016)

As a result of improved investment profit from the equity method, an increase in the number of automobiles produced, and other factors, profit in the Metals Division was up 13.1 billion yen (105.4%), to 25.4 billion yen. In the Global Parts & Logistics Division, profit increased 3.6 billion yen (27.7%), to 16.9 billion yen, mainly due to increased overseas handling of automotive parts. The Automotive Division reported lower profit, down 5.1 billion yen (21.5%), to 18.6 billion yen, as a result of a decrease in automobile exports and overseas automobile sales handled by Toyota Tsusho

Corporation. Profit in the Machinery, Energy & Project Division was up 64.1 billion yen, to 15.9 billion yen, primarily due to the effects of fixed asset impairment losses in the previous term. In the Chemicals & Electronics Division, profit rose 3.9 billion yen (40.2%), to 13.6 billion yen, mainly as a result of improved investment profit from the equity method. The Food & Consumer Services Division reported a loss of 7.7 billion yen, down 8.4 billion yen, mainly because of fixed asset impairment losses.

The Africa-related businesses of each product division were integrated and the Africa Division was established effective April 1, 2017.

## Business Fields

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### Metals Division

Automotive metal products	Provision of metal materials used in various aspects of automobile production, and processing and distribution of automotive steel sheets, specialty steel products, and non-ferrous metals
Metal products	Processing and distribution of metal products used outside the automotive industry, and energy and infrastructure-related metal business
Metal resources	Processing and distribution of non-ferrous metals, development of rare metal and rare earth resources, compliant collection and recycling of waste metal from factories and markets, and collection, dismantling, and processing of end-of-life vehicles

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### Global Parts & Logistics Division

Global parts	Combining of export/import and global procurement of automotive parts with mixed loading and supply-and-demand management to provide optimally integrated logistics (Vendor to Vendor)
Logistics business	Design and proposals for logistics processes based on the Toyota Production System (TPS) to meet customer needs, and provision of logistics services that are linked directly to the production activities of customers
Global parts assembly	Local tire and wheel assembly and other assembly services for automotive parts
Automotive materials and accessories	Provision of integrated services ranging from planning, development, and materials procurement to production and sales of automotive interior and exterior parts and accessories
Aftermarket auto parts	Construction of value chains for aftermarket auto parts, from development and procurement to logistics and sales

## Automotive Division

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<b>Automotive distributors</b>	Operation of an automotive distributor business on a global scale in which the distributors manage all aspects of business for the brands in their markets
<b>Automotive dealers</b>	Operation of an automotive dealer business under its distributors in which dealers provide comprehensive retail services, including after-sales services
<b>Value chains related to automotive sales</b>	Building of comprehensive automotive value chains, primarily in countries in which the division operates distributors, with value chains including spare parts supply and after-sales services, as well as small and medium-scale vehicle assembly, vehicle installation and conversion, used vehicle sales, and captive finance and lease

## Machinery, Energy & Project Division

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<b>Machinery and equipment</b>	Domestic and international trading in manufacturing and distribution equipment, parts, and tools primarily for the automotive industry, and the design, repair, and installation of machinery
<b>Energy</b>	Development and operation of electricity, natural gas, coal, and oil businesses, and trading in related products both domestically and internationally
<b>Plant and construction machinery</b>	Supply and construction of plants related to electricity, oil, water, and offshore projects, trading in construction machinery both domestically and internationally, and development and operation of related businesses

## Chemicals & Electronics Division

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<b>Automotive materials</b>	Global development of integrated functions ranging from procurement of raw materials to parts processing, sales, and logistics
<b>Chemicals</b>	Production and sales of a wide range of products, from detergent materials, hygiene materials, and packaging materials to iodine and fine chemicals
<b>Electronics &amp; multimedia</b>	Sales of electronics components incorporated into vehicles, consumer electronics, information communications equipment, and industrial equipment, development and sales of software, and global rollout of ICT services

## Food & Consumer Services Division

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<b>Grain</b>	With a leading share for grain import volumes in the Japanese market, ensuring a stable supply of grains in Japan through four grain silos
<b>Food</b>	Leveraging a global network of manufacturing and processing sites, as well as catering companies, to meet diversifying needs and supply secure and safe food, and developing advanced recycling-oriented agriculture and aquaculture industry businesses
<b>Insurance</b>	Operating property and casualty insurance and life insurance agencies in Japan and overseas that provide services ranging from consulting to policy issuing, and expanding overseas operations by establishing insurance brokerages
<b>Lifestyle</b>	Planning, procuring, and producing lifestyle items ranging from cotton, textiles, and apparel products, while planning and operating related retail businesses, and expanding such operations outside Japan. Developing medical businesses, selling and renting nursing care products, planning and producing housing materials and interior goods, and operating hotel residences

## Africa Division

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<b>Automotive</b>	Vehicle sales and after-sales services, used car sales, small- and medium-scale assembly, construction and agricultural machinery import, wholesale, and leasing
<b>Healthcare and chemical</b>	Pharmaceutical wholesaling, pharmaceutical production
<b>Consumer goods</b>	Manufacture and wholesale of consumer goods (beverages, cosmetics, etc.), retail business covering shopping center development, operation, and e-commerce, agricultural business covering fertilizer production and sales
<b>Technology and new business</b>	Automobile production support in South Africa, IT business covering system development, integration, and maintenance, energy and plant business including geothermal power generation, food processing, ICT-driven business incubation, and other new business ventures

# Business Strategy

## Metals Division

### Market Environment

The global economy continues to recover at a moderate pace, despite regional differences in growth. Markets for some metal products appear to have bottomed out as the gap narrows between supply and demand. Against such a backdrop, the automotive industry's diverse product needs are expected to expand as automakers accelerate their development of lightweight vehicles and electric vehicles.

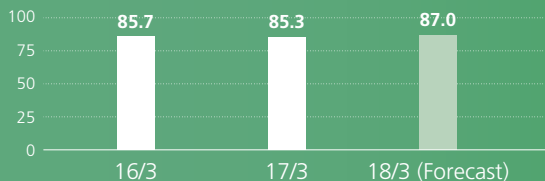
### Risks and Opportunities

In recent years, there has been opposition by some countries toward global free trade and an increased trend of countries safeguarding their own economies. Amid these circumstances, industries continue to replace conventional materials with new ones and various countries continue to strengthen environmental regulations. By anticipating changes from political, economic, social, and technological perspectives and preparing for emerging risks, the division will create new opportunities in the form of business innovation, function creation, and new market development.



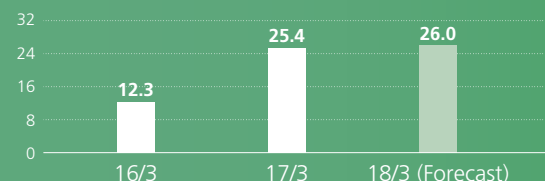
### Gross Profit

(Billion yen)



### Profit for the Year Attributable to Owners of the Parent

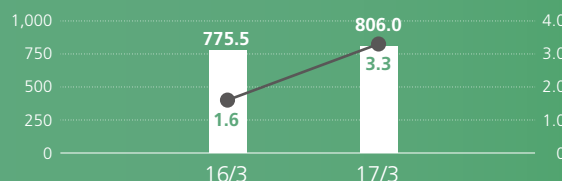
(Billion yen)



### Segment Assets / ROA

(Billion yen)

(%)



■ Segment assets ● ROA (right scale)

\* Certain businesses have been transferred to the newly established Africa Division from the fiscal year ending March 31, 2018.

\* For the convenience of readers, total assets at the fiscal year-end are presented as the denominator for ROA for the fiscal year ended March 31, 2016. In regard to ROA for the fiscal year ended March 31, 2017, the average between total assets at the beginning of the fiscal year and total assets at the fiscal year-end is presented as the denominator.

### Business Strengths

The Metals Division views steel and non-ferrous metals as products with unique properties and functions rather than simple commodities. This approach allows us to provide optimal products and logistics matching the needs of both suppliers and users. The division is comprised of multiple strategic business units (SBUs\*), all of which manage both steel and non-ferrous products. This ensures that each SBU can respond to customer needs with proposals covering multiple types of metal products.

The Automotive Metal Products SBU supplies metals used in every aspect of automobile production. With processing bases in Japan and overseas, it utilizes an IT-enabled ordering system and an efficient logistics system to flexibly deliver products in response to demand. In addition, it operates metal blanking businesses around the world to meet specific user needs.

The Metal Products SBU covers all metal product needs outside the automotive industry. It uses a broad global network of sites to serve the needs of customers in Japan as well as overseas with efficient processing and logistics functions.

The Metal Resources SBU develops, procures, and recycles metal resources to satisfy society's growing need for effective usage and proper processing of resources. It is expanding its presence in the recycling, resources development, and proper waste processing fields.



## Our Vision

**Expand our presence in the core domain of Mobility while accelerating innovation in the fields of recycling and resource development.**



### Minoru Murata

Senior Managing Executive Officer  
Chief Division Officer of Metals Division

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#### ► Medium- to Long-term Initiatives and Priority Strategies

In April 2017, the Metals Division reorganized into three businesses: automotive metal products, metal products, and metal resources. As a result, the division transformed from a group of organizations specialized in mono products into responsive organizations that offer multi-material proposals to optimally serve customer needs. This is in addition to their procurement capabilities, supported by a well-established global network, and customer-responsiveness, backed by processing and logistics functions in Japan as well as overseas. With these capabilities, the division continues to generate and offer value in both its automotive and non-automotive businesses.

In the mainstay automotive related field, the division is creating new functions and businesses to lead the development of light-weight vehicles and electric vehicles. It is also expanding sales channels outside the Toyota Group to further grow business. In its non-automotive businesses, the division is generating synergies with its automotive-related businesses. It is developing new markets and businesses in large-scale industries with strong growth potential, such as energy and infrastructure, as well as in areas in which Toyota Tsusho is strong, such as recycling and materials development.

The division continually reviews new investment opportunities as offensive strategies for its functions, business areas, and regions. The division also employs defensive strategies, strengthening its foundation by enhancing safety assurance, improving compliance, reducing costs, developing human resources, and exiting unprofitable businesses. It is also reforming workstyles and accelerating initiatives to transform business quality and services. In these ways, the division has established a well-balanced business structure by offensive and defensive strategies with the aim of achieving its medium- and long-term goals.

\* SBU: Strategic Business Unit

## Business Strategy

### Metals Division



#### Lithium Resources Mining Project in Argentine Republic

Since 2010, Toyota Tsusho has been promoting its lithium resources mining business to respond to growing demand for lithium-ion batteries as the market for hybrid vehicles and electric vehicles expands. In 2012, Toyota Tsusho acquired a 25% interest in a mining project at the Salar de Olaroz salt lake in the northwestern Argentinian province of Jujuy. Backed by loan guarantees from the Japan Oil, Gas and Metals National Corporation (JOGMEC), the project began production of lithium carbonate in December 2014 as the first lithium resources mining project by a Japanese company. As the sole sales agent of the lithium carbonate produced by the project, the division will use the company's global network to ship to customers worldwide, including Japan, in order to meet demand

both at home and around the world. Looking ahead, the division will continue to advance this business to ensure a steady supply of lithium resources.



## Our Initiatives

to Achieve  
Toyota Tsusho's Global Vision



#### New Automotive Steel Sheet Processing Plant Established in India

The automotive industry is thriving in western India. To meet growing demand for automotive steel sheet processing, TT Steel Service India Private Ltd. (Gujarat plant) was established in September 2016 in the Mandal Industrial Park in Gujarat State, India, to provide steel sheet blanking. The company is constructing a plant and expects to start mass production in the second half of fiscal 2017. The Gujarat plant will enforce production capability in addition to the head plant in Bangalore, Karnataka State, in southern India, as the second processing center in India, expanding the automotive steel sheet supply chain in the country. This expansion

of the business scope will enable Toyota Tsusho to make greater contributions to the development of India's automotive industry.

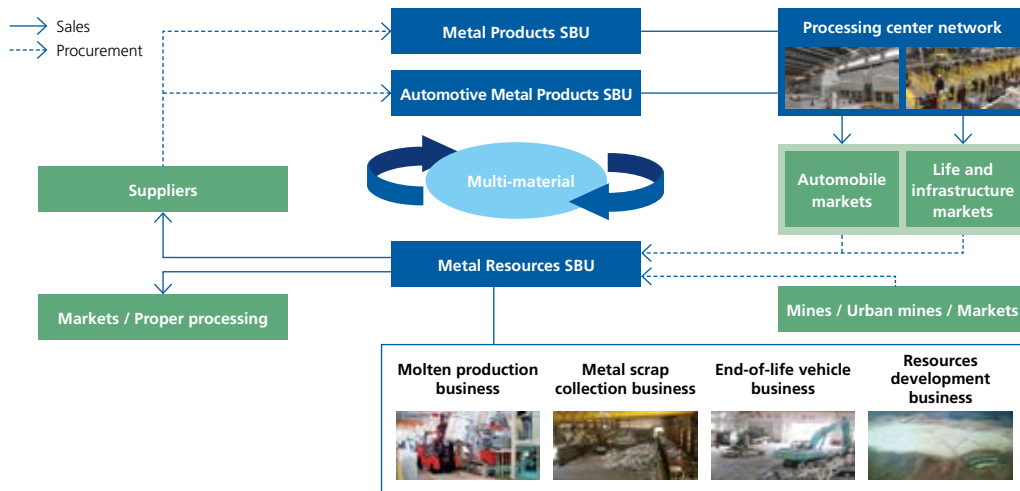


## Toyota Tsusho's Unique Value Creation Businesses

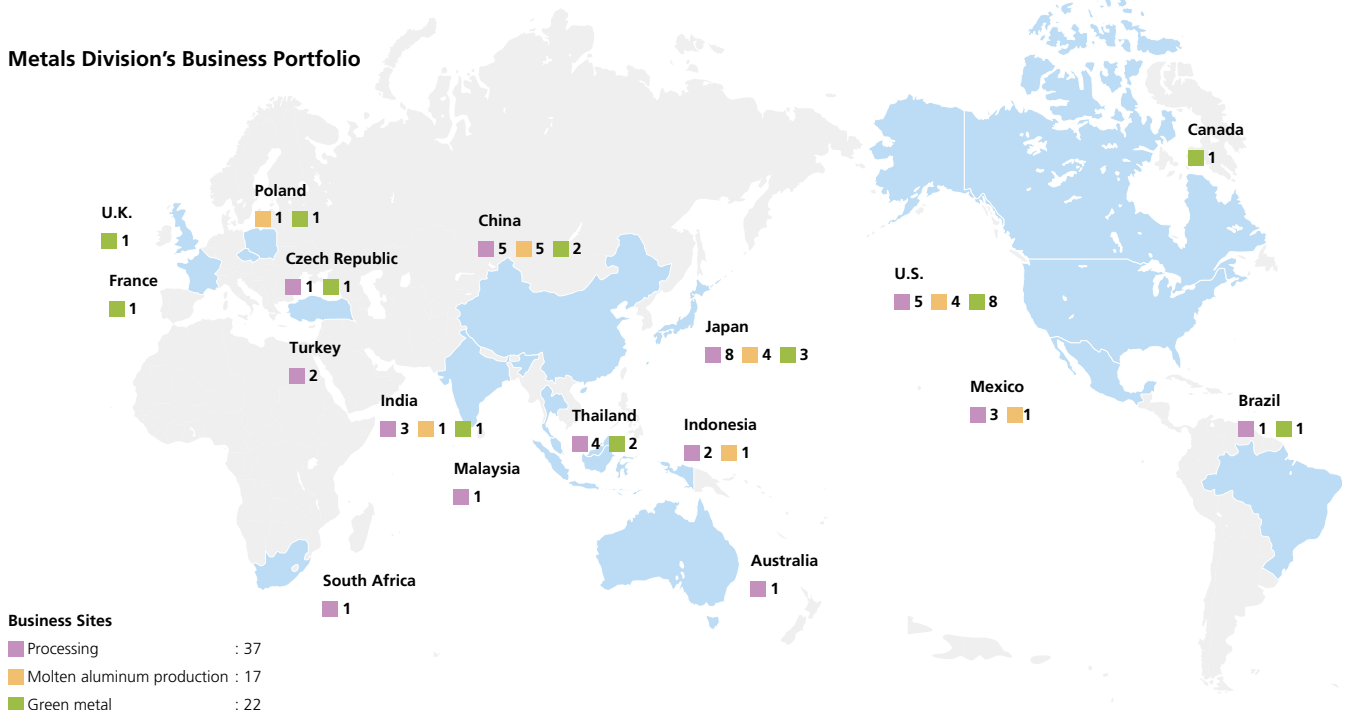
### High-quality Processing, Logistics, and Storage Services

The Metals Division's strongest feature is its highly efficient operations that coordinate with manufacturing and processing affiliates around the world. The division's steel processing centers, which play a pivotal role in Toyota Tsusho's automotive products business, share information with suppliers and users to ensure efficient processing, logistics, and storage functions tailored to the production conditions at each center. Furthermore, in the metal resources business, the division supplies molten aluminum instead of conventional ingots to

reduce overall energy costs and environmental burden. In addition to these materials supply functions, the division also operates a recycling business where it collects waste metal from production plants and end-of-life vehicles. With a focus on multi-materials, the division now has a total of 76 such highly functional business sites in 17 nations and plans to continue to expand the scope of its operations.



### Metals Division's Business Portfolio



# Global Parts & Logistics Division

## Market Environment

The expansion in production outside Japan by Japanese automobile manufacturers and the expansion of the overseas advance of the Japanese parts manufacturers that support them are expected to continue.

Furthermore, development is expected to accelerate not only for the materials, components and IT needed for the weight reduction, environmental considerations, powertrain electrification, automated driving and connectivity of next-generation mobility, but also for traffic and logistics infrastructure systems.

## Risks and Opportunities

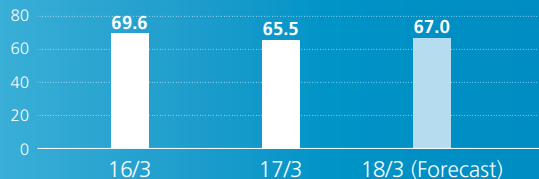
The division recognizes that significant changes are occurring in the business environment that will impact markets and manufacturing structures. Changes include transnational frameworks and agreements, along with technological innovation for next-generation mobility.

The division will use its core strengths to respond to continually changing customer needs with services of ever-increasing value.



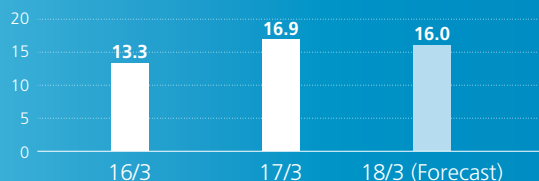
## Gross Profit

(Billion yen)



## Profit for the Year Attributable to Owners of the Parent

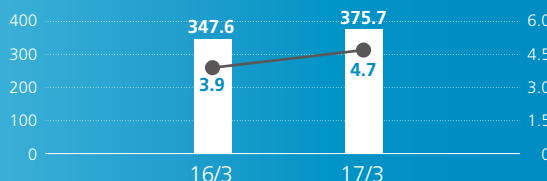
(Billion yen)



## Segment Assets / ROA

(Billion yen)

(%)



■ Segment assets ● ROA (right scale)

\* Certain businesses have been transferred to the newly established Africa Division from the fiscal year ending March 31, 2018.

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## Business Strengths

The Global Parts & Logistics Division's network spans 34 nations, with 158 sites operated by 73 overseas subsidiaries and business entities. It has approximately 14,000 members worldwide.

The division has established a global automotive parts supply chain by setting up an optimally integrated logistics system using these sites and networks.

Other operations include tire and wheel assembly and other assembly operations, as well as an interior and exterior parts and accessories business covering all aspects of operations, from planning and development through raw materials procurement and processing.

The division successfully serves the diverse needs of its customers by combining its global logistics network, supply-and-demand management functions, and unique manufacturing functions into a multifunctional service.





## Our Vision

**The Global Parts & Logistics Division uses its multifunctional capabilities, from global networks and logistics infrastructure to supply-and-demand management and assembly, in order to unleash the sales power integral to a trading company.**

### Yuichi Oi

Member of the Board, Executive Vice President  
Chief Division Officer of  
Global Parts & Logistics Division



#### ► Medium- to Long-term Initiatives and Priority Strategies

In the Toyota Tsusho core domain of Mobility, the Global Parts & Logistics Division is integrating and further developing its product planning, raw materials processing, supply-and-demand management, logistics, and assembly functions. The division also acts as the vanguard for market development in emerging nations and new markets such as Mexico, India, and the Mekong region.

One of the division's most promising businesses over the medium to long term is the technopark business, which combines overseas expansion support for automotive parts manufacturers with parts processing and subcontracting services. The technopark business will be further expanded in emerging nations and regions in which the automotive industry continues to grow. The technopark business makes it possible for manufacturers to focus on production. The division provides the infrastructure necessary for manufacturers to stably produce parts that meet the same high-quality standards as in Japan, thereby facilitating Japanese automakers' smooth expansion of production into emerging nations.

The division is also developing a module business in which it combines parts procurement, consolidated logistics, processing, and assembly functions to assemble parts into modules for delivery.

Efforts are also under way to strengthen its accessory-and-conversion business, in which the division plans and develops accessories in-house and installs them.

The division is expanding its value chain by strengthening and developing advanced technologies and materials in upstream fields. In downstream fields, the division is expanding the aftermarket auto parts business amid the global increase in car ownership.

In new fields, the division will use its expertise and strengths developed in existing businesses to create new business in fields such as aviation and to develop new business partners. Through these initiatives, the division is taking advantage of its multifunctional capabilities combining a global network, logistics infrastructure, supply-and-demand management, and assembly to collaborate with its partners and leverage its substantial sales power.

## Business Strategy

### Global Parts & Logistics Division



#### The Technopark Business Supports Japanese Manufacturers' Entry into Emerging Nations

Toyota Tsusho's technopark business in Indonesia, Thailand, and India provides not only rental factories but also a complete package of services ranging from contracted administrative and accounting functions to shuttle buses and meal services.

Recently, Toyota Tsusho established Techno Park Poi Pet Pvt. Co. Ltd. in Poipet, Cambodia, to support manufacturing expansion in the greater Mekong region under the "Thailand-Plus One" strategy. The company will offer new services, such as subcontracted auto parts processing for some pre- and post-processing steps, as well as staffing and employee training.

Toyota Tsusho intends to proactively expand the technopark business to regions with budding automobile industries and strong

growth prospects. This will enable new market entrants to focus on production, helping to boost their competitiveness.



## Our Initiatives

to Achieve  
Toyota Tsusho's Global Vision



#### Challenges in New Fields (Aviation)

Toyota Tsusho is contributing to the aviation industry's development by leveraging competencies built in its automotive business to create new value and new business models. In aircraft parts manufacturing, Toyota Tsusho is providing just-in-time material and parts supply functions to aircraft body and equipment manufacturers. Toyota Tsusho is also partnering with technologically advanced companies to manufacture aircraft parts. Recently, it launched Asahi Aero Malaysia SDN BHD in Malaysia for surface treatment of such parts. In the airport terminal management business, our company is participating in the operation of Sendai International Airport by using experience from operating the international terminal at

Wattay International Airport in Laos. Toyota Tsusho will continue to actively expand its airport operation services both in Japan and abroad in collaboration with various partners.



## Toyota Tsusho's Unique Value Creation Businesses

### Creating an Optimal Value Chain for Customers

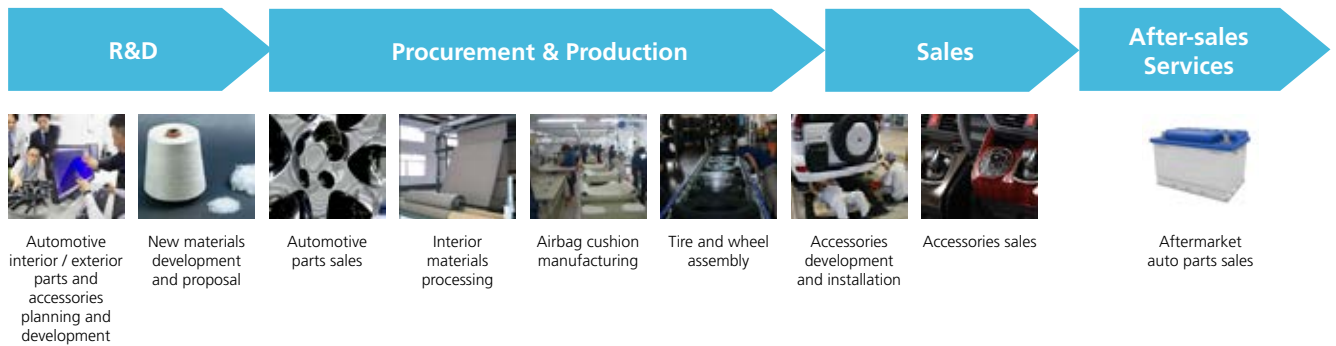
The Global Parts & Logistics Division's extensive global network of self-owned logistics sites enables it to perform mixed loading and consolidated transportation ("milk-run") and relay station logistics ("cross-dock"). Meanwhile, the superior IT capabilities of this logistics network make it possible to deliver small lots in high-frequency to multiple manufacturers and suppliers.

Combining these advantages with order-and-inventory management and other supply-and-demand management functions, the division offers parts logistics services that are responsive to customer needs and contributes to stable parts supply. At the same time, it reduces transportation costs, shortens delivery lead times, and minimizes inventories.

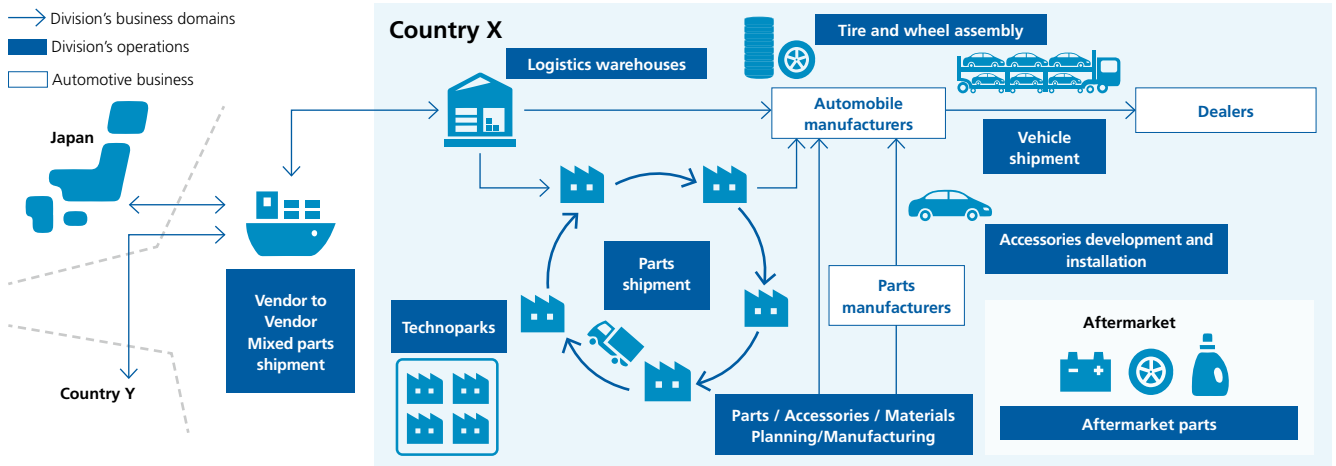
In its accessories and materials business, the division creates value throughout the product value chain, from product planning, design, and development to products supply, production preparation, and quality management.

The division has established systems to optimize manufacturers' value chains through the technopark, parts assembly, vehicle transport, and accessories-and-conversion businesses. As market needs change, the division continually creates new value by combining these various functions for customers in innovative ways.

### Automotive Value Chains Provided by the Global Parts & Logistics Division



### Business Lines of the Global Parts & Logistics Division



### Non-automotive Businesses



# Automotive Division

## Market Environment

The division's primary markets are new emerging nations, where progress in the motorization of society is expected to generate automobile demand. The automobile industry is undergoing a once-in-a-century transformation characterized by new approaches to customers and innovative technologies such as automobile digitization and automated driving. Together, these are expected to usher in the next generation of vehicles and mobility.

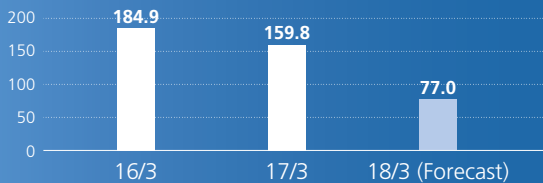
## Risks and Opportunities

The division faces various risks in new emerging markets, including fluctuating resource prices and changes in the domestic affairs of individual nations. From the medium- to long-term perspective, however, the automobile markets are expected to grow steadily amid population growth and economic development. The division is taking measures to solidify its management foundation to withstand change in the external environment. Meanwhile, the emergence of next-generation mobility is offering opportunities to develop new business fields.



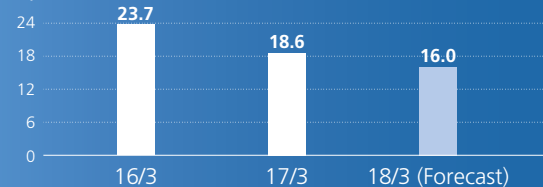
## Gross Profit

(Billion yen)



## Profit for the Year Attributable to Owners of the Parent

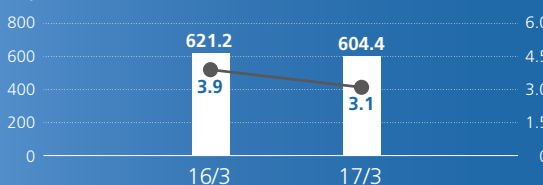
(Billion yen)



## Segment Assets / ROA

(Billion yen)

(%)



■ Segment assets ● ROA (right scale)

\* Certain businesses have been transferred to the newly established Africa Division from the fiscal year ending March 31, 2018.

\* For the convenience of readers, total assets at the fiscal year-end are presented as the denominator for ROA for the fiscal year ended March 31, 2016. In regard to ROA for the fiscal year ended March 31, 2017, the average between total assets at the beginning of the fiscal year and total assets at the fiscal year-end is presented as the denominator.

## Business Strengths

The Automotive Division exports passenger cars, commercial vehicles, trucks, buses, industrial vehicles, motorcycles, and spare parts manufactured primarily by the Toyota Group in Japan to countries around the world. The division also exports products manufactured outside Japan to other countries. The division's global network covers 142 nations, with our own business management operations in 48 nations. (Including the Africa Division, this total becomes 172 nations worldwide, with our own business management operations in 86 nations.)

The division's main markets are in new emerging nations, where the full-scale motorization of society is progressing apace. In such markets, the division is actively expanding business centering on automobile distributors.

In countries where the division already operates distributor businesses, it is promoting small- and medium- scale vehicle assembly, vehicle installation and conversion, used vehicle sales, captive finance and lease, and other businesses related to automobile sales. Through these initiatives, it establishes and expands value chains and develops unique strengths through the combination of businesses and functions.



## Our Vision

**The Automotive Division aims to become the most reliable mobility business group in the world, possessing the strategies, the expertise, and the human resources necessary to respond to the diverse range of markets seen across the globe.**



### Ichiro Kashitani

Senior Managing Executive Officer,  
Chief Division Officer of Automotive Division

The successful operation of a multifaceted automobile sales business in many countries enables the division to provide the additional functions of rapidly gathering information on political and economic trends, market trends, and consumer behavior in each country, and then provide feedback to the company on marketing strategies and planning, as well as to automobile manufacturers on product development and production plans.

#### ► **Medium- to Long-term Initiatives and Priority Strategies**

In the core automobile distributor and dealer businesses, the Automotive Division is strengthening a business structure that integrates the three elements of sales, spare parts, and after-sales services. With this structure, we thoroughly ensure peace of mind and safety for all customers, further raising customer confidence across all our products and brands.

Regional headquarters around the world ensure that our operations continually emphasize safety and the environment while working to further expand our value chain.

The division ensures strict compliance throughout its operations and contributes to local communities through job creation and human resources development. Moreover, we use our relationships

with governmental institutions to make policy proposals and support the sound development of automobile industries and nations.

The division serves as the vanguard for non-automotive business opportunities in emerging markets, using its strengths to help discover opportunities across all Toyota Tsusho business fields. In the automotive business, we are taking advantage of the emergence of new innovative technologies combining to usher in a once-in-a-century market transformation. In the midst of these revolutionary changes, we will use our strengths to create new functions and added values, while developing new business fields to ensure we can make great contributions to next-generation vehicles and a next-generation mobility world.

## Business Strategy

### Automotive Division

**Mobility**  
Contributing to the realization of a highly convenient society  
in the future

#### Entering the Japan Tire Distribution Business with Korean Brand

In November 2016, Toyota Tsusho and leading Korean tire manufacturer NEXEN TIRE Corporation established the joint venture NEXEN TIRE JAPAN INC. and began the sales of tires for automobiles and industrial vehicles in Japan. NEXEN tires are manufactured on fully automated, state-of-the-art production lines and subjected to stringent quality controls to ensure tires of exceptional quality and cost-performance. Japanese and luxury European automakers alike have adopted NEXEN as their standard tire brand, including Porsche for its Cayenne. Toyota Tsusho will use its entry into the tire distribution business to expand its aftermarket auto parts value chains in and outside Japan.



## Our Initiatives

to Achieve  
Toyota Tsusho's Global Vision

**Mobility**  
Contributing to the realization of a highly convenient society  
in the future

#### Establishing a Hino Truck Distributor in the Republic of Kazakhstan

In April 2016, Toyota Tsusho and partner Autodom LLP established Hino Motors Kazakhstan LLP as a joint-venture Hino trucks distributor and dealer. Autodom has a wide range of experience in the Republic of Kazakhstan, including involvement in Toyota vehicle dealerships, warehousing, and catering, and has the business resources to expand to truck distribution.

We will seek to expand business amid growing distribution demand in the Republic of Kazakhstan, which is advantageously situated in the center of Eurasia, and in surrounding emerging nations.

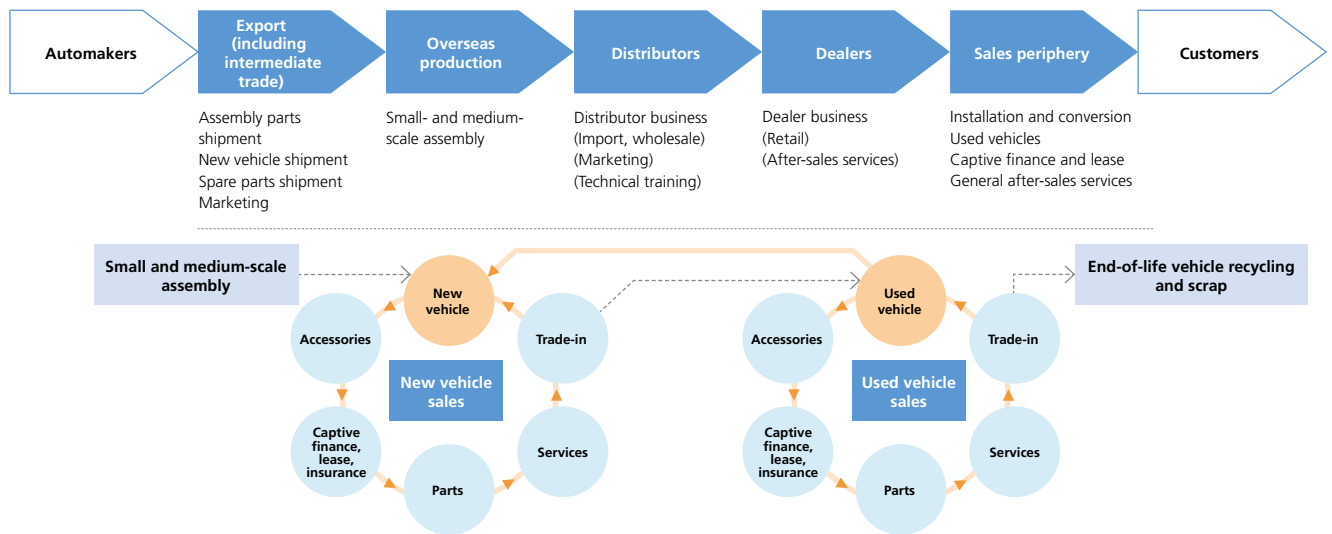


## Toyota Tsusho's Unique Value Creation Businesses

### Integrated Sales Structure and Robust Sales Value Chains

The Automotive Division relies on its automobile distribution and dealership management as its core business. Here, the division takes an integrated approach to the three operational pillars of sales, in which vehicle specifications are tailored to local needs, spare parts, and after-sales services, which are supported by technical training and staff development. At the same time, the division builds and expands automotive sales value chains by developing peripheral businesses such as

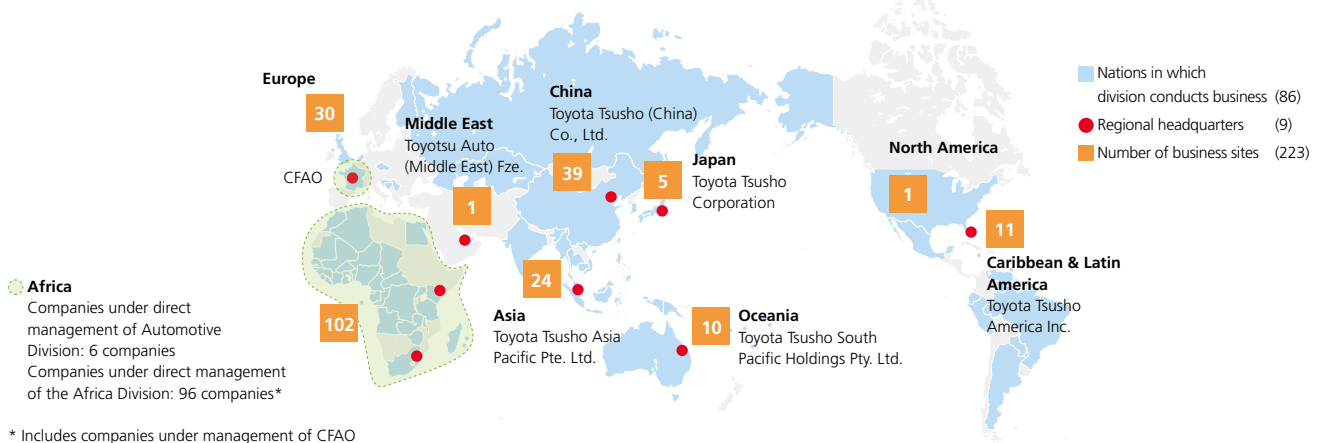
small- and medium-scale vehicle assembly, vehicle installation and conversion, used vehicle sales, and captive finance and lease. We are also actively expanding our general after-sales services and used car distribution businesses, which are open to all customers, including for vehicles sold through other channels.



### Worldwide Operations and Regional Strategies

The division is currently operating distributors, dealers, and other businesses in 48 nations (86 nations including the vehicle business in the Africa Division), mainly new emerging nations and other regions where societies are rapidly becoming motorized. We develop our operations by examining the needs of individual nations and regions as a whole, and by adopting optimal policies that meet the specific needs of each region. The regional headquarters are located in Africa, Asia,

Oceania, Latin America and the Caribbean, and other regions. From these regional headquarters, the division explores new markets and expands sales networks based on all-encompassing regional strategies. These strategies encompass product and branding strategies, including sales and marketing strategies, and strategies for strengthening necessary functions and developing new businesses in order to construct and expand automotive sales value chains.



# Machinery, Energy & Project Division

## Market Environment

Paradigm shifts are occurring across industries amid the adoption of artificial intelligence (AI) and the Internet of Things (IoT), the emergence of next-generation mobility societies, and realignment in the petroleum business. At the same time, the Paris Agreement reached at COP21 is expected to spur even greater demand for renewable energies.

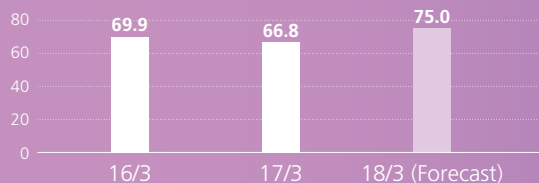
## Risks and Opportunities

Risks include the slump in crude oil and natural gas prices that has continued since the latter half of 2014, along with stagnant electricity demand in developed nations caused by energy-efficiency and management technologies. Meanwhile, the division sees opportunities in growing global demand for renewable energies and expanding markets related to next-generation mobility.



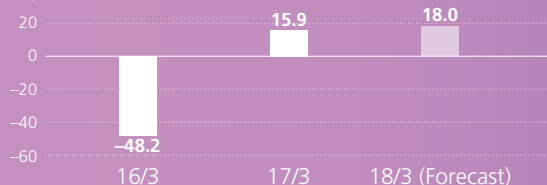
## Gross Profit

(Billion yen)



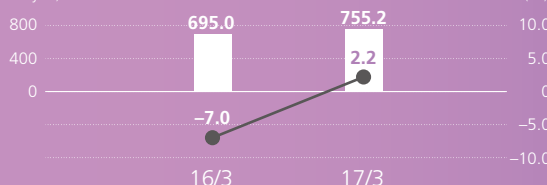
## Profit (loss) for the Year Attributable to Owners of the Parent

(Billion yen)



## Segment Assets / ROA

(Billion yen)



■ Segment assets ● ROA (right scale)

\* Certain businesses have been transferred to the newly established Africa Division from the fiscal year ending March 31, 2018.

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## Business Strengths

The Machinery, Energy & Project Division has three core businesses: machinery and equipment (primarily in the automotive industry); energy (electricity, natural gas, oil, and coal projects); and plant and construction machinery.

In its machinery and equipment business, the division provides integrated support capabilities for production equipment, mainly for the wide-ranging automotive industry.

In its non-automotive business, the division sells textile machinery, medical equipment, and other types of industrial equipment around the world.

In its energy business, the division strives to ensure stable energy supplies over the long term. We procure crude oil from the Middle East and heavy oil from Southeast Asia, and operate natural gas production businesses in Australia and North America as well as coal production businesses in Australia. In the power generation business, we develop and operate renewable power generation businesses around the world, such as wind and solar power, as well as conventional thermal power generation businesses.

In its plant and construction machinery business, the division makes business proposals and conducts fund-raising, engineering,





## Our Vision

**The Machinery, Energy & Project Division aims to achieve the No. 1 position in regions in which Toyota Tsusho has solid footing by strengthening its competitiveness across a wide range of businesses, such as machinery and equipment, energy, and plant and construction machinery.**



### Toshiro Hidaka

Senior Managing Executive Officer  
Chief Division Officer of  
Machinery, Energy & Project Division

procurement, and plant construction to contribute to the development of core infrastructure in emerging nations while promoting sales of construction machinery.

#### ► Medium- to Long-term Initiatives and Priority Strategies

The Machinery, Energy & Project Division continually copes with significant changes in the business environment, most notably automakers' capital investment trends, structural shifts in energy demand stemming from the shale gas revolution and heightened environmental consciousness, industry realignment, and geopolitical change in the Middle East. Amid such changes, the division is striving to increase the stability of its business.

In its energy business, for example, the division is establishing a stable foundation by participating in energy shipping, where it can add new value to oil and coal trading functions, as well as creating new business in the biomass fuel market. In the electric power business, the division intends to contribute to solving global environmental issues by expanding its clean energy business globally to stabilize nations' electricity supplies, mainly through renewable energy (wind, solar, geothermal, biomass, etc.). In its machinery and equipment business, it is responding to heightened interest in automation in emerging nations with robotic equipment, while

promoting smart factories by using IoT and other technologies to raise production efficiency in manufacturing operations. In this way, the division is capturing new opportunities to expand business beyond automotive production equipment. In its plant and construction machinery business, the division has a competitive footing in the Middle East, where it is contributing to emerging nations' economic development through project development and a high-quality infrastructure export strategy, while also developing new functions in traffic infrastructure and other areas.

Going forward, the division will reinforce the current earnings structure of existing businesses in fields such as machinery and equipment, energy, and plant and construction machinery. At the same time, it will apply the expertise it has accumulated in the automotive production equipment sector to energy and infrastructure projects. In this way, the division will foster collaboration among fields with a view to generating new synergies and new businesses.

## Business Strategy

### Machinery, Energy & Project Division

**Resources & Environment**  
Contributing to the realization of a sustainable society  
in the future

#### Hawaii Solar Power Generation Project (Eurus Energy Holdings)

Eurus Energy Holdings Corporation, a 60:40 joint venture between Toyota Tsusho and Tokyo Electric Power Company Holdings, Inc., began operations on January 14, 2017, at a large-scale solar power generation plant it constructed in the Waianae district of Oahu Island, Hawaii. The plant has an output of 27,600 kW (AC), making it Hawaii's largest solar plant. The electricity generated is being sold to a local power company under a 22-year agreement. The project qualified for a U.S. Investment Tax Credit program for encouraging renewable energies, under which Toyota Tsusho's U.S. subsidiary is participating as a tax investor. Hawaii's state government is eager to expand the use of renewable energies, with a plan to increase the

renewable energy ratio to 30% by 2020, 70% by 2040, and 100% by 2045. Eurus Energy Holdings will continue to expand business to support this plan.



## Our Initiatives

to Achieve  
Toyota Tsusho's Global Vision

**Resources & Environment**  
Contributing to the realization of a sustainable society  
in the future

#### Power Substation Project in the Republic of Iraq

On March 6, 2017, Toyota Tsusho won an order from the Ministry of Electricity of the Republic of Iraq to construct stationary and mobile power substations in the country. Toyota Tsusho was granted a turnkey order to design, procure, and build the substations for completion by 2021. Worth approximately 60 billion yen, this is the largest construction order contracted to a Japanese company since the end of the Iraq War. Since then, Iraq has suffered from chronic power shortages, and the substations are expected to provide power for a combined total of approximately 1.3 million households. For part of the financing, the Japan Bank for International Cooperation (JBIC) is collaborating with The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Sumitomo Mitsui Banking Corporation

to offer funding to the Ministry of Finance of Iraq. Nippon Export and Investment Insurance is to provide insurance for the portion co-financed by these two Japanese commercial banks.

Toyota Tsusho has positioned Iraq as a strategically important market, taking an active part in a wide range of projects in the electric power and other industries.



Rendered image: Stationary substation  
(Provided by Toshiba Corporation)

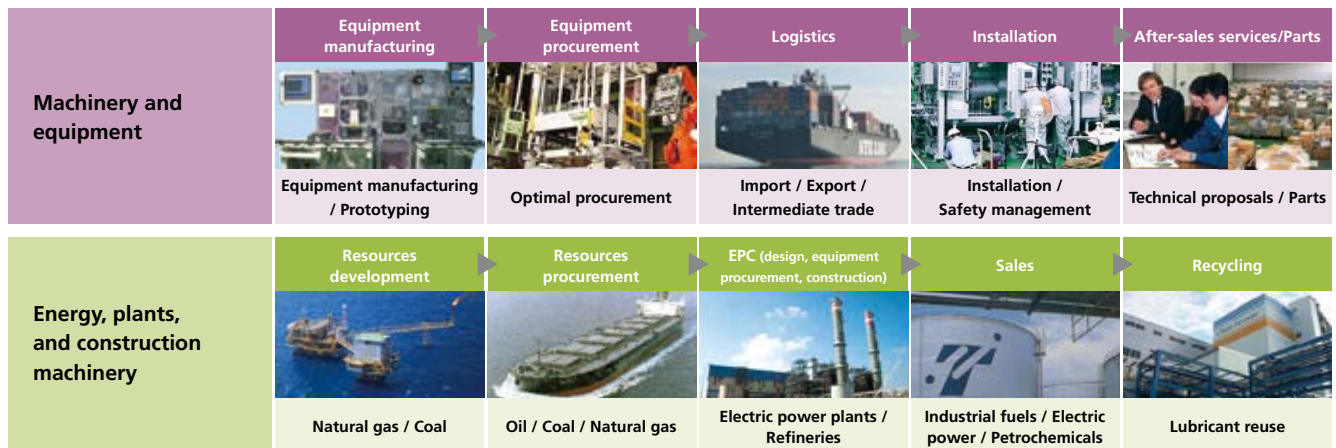


Rendered image: Mobile substation  
(Provided by Meidensha Corporation)

## Toyota Tsusho's Unique Value Creation Businesses

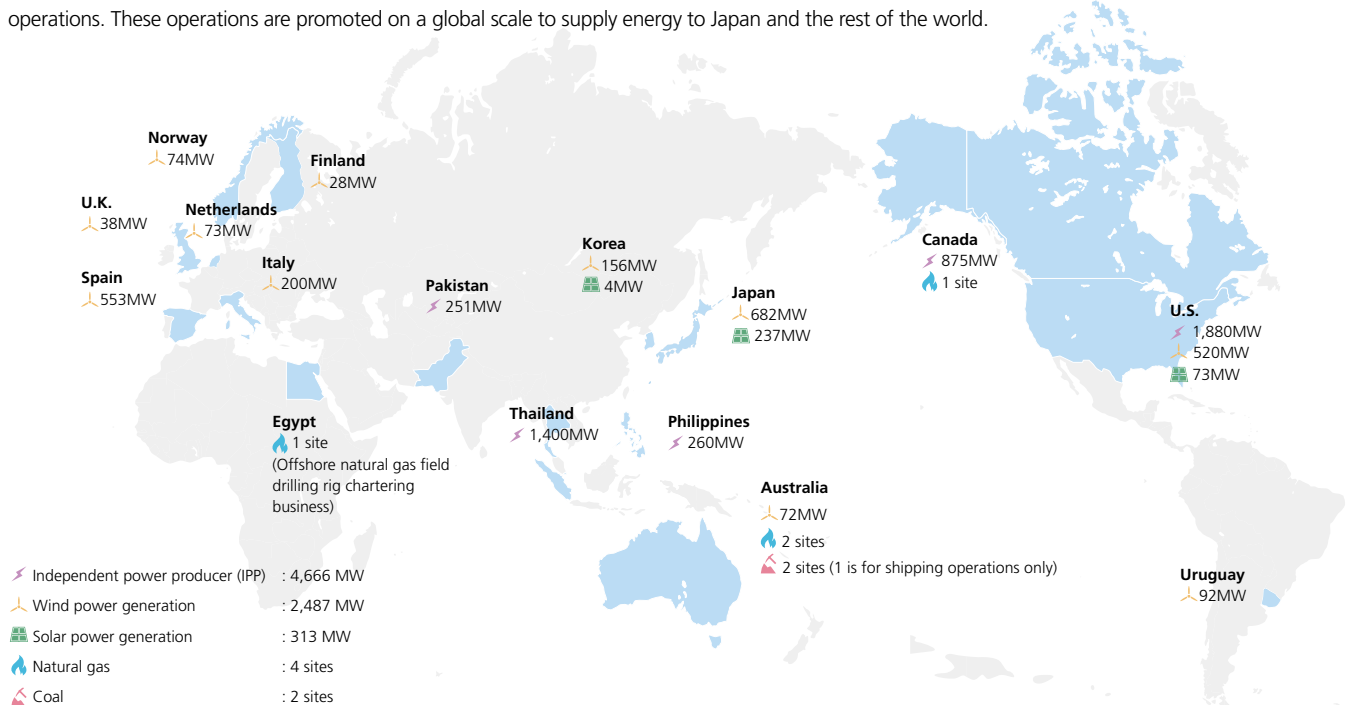
### Integrated Support Capabilities for Machinery and Equipment and a Value Chain Extending from Resources Development to Stable Supply

The Machinery, Energy & Project Division not only procures and sells various types of machinery and equipment but also provides comprehensive support services from planning, proposals, and technological development to quality control, efficient logistics, installation, and after-sales services. Each of these elements contributes significantly to build customers' production systems. The division also helps to ensure stable supplies of energy resources on a global scale by developing, procuring, and supplying such resources as oil, natural gas, and coal, while developing and operating electric power generation and water treatment businesses.



### Global Promotion of Power Generation Businesses, Natural Gas and Coal Resource Development and Production Projects, and Peripheral Businesses

The division operates renewable energy and other power generation businesses, as well as natural gas and coal resource development and production projects. Moreover, the division is expanding into businesses in peripheral fields, such as offshore gas field drilling rigs and coal shipping terminal operations. These operations are promoted on a global scale to supply energy to Japan and the rest of the world.



Note: Only operational projects are displayed.

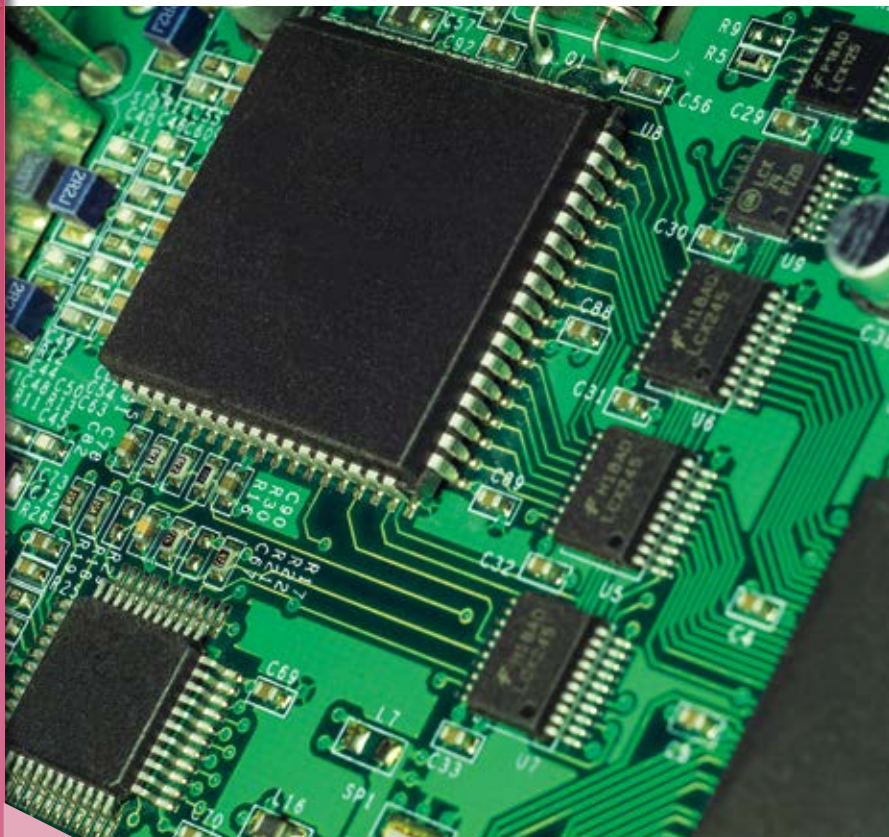
# Chemicals & Electronics Division

## Market Environment

As ICT is being fully integrated into a wide range of industries, chemical and electronics demand is increasing and needs are diversifying, particularly in emerging nations. Meanwhile, the automotive industry is developing new materials to make vehicles more lightweight and environmentally friendly, as well as accelerating innovation in autonomous driving and other next-generation mobility technologies.

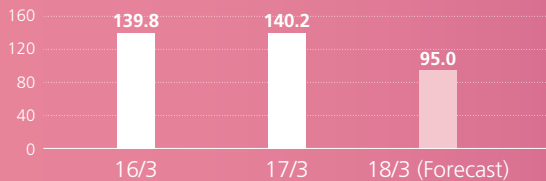
## Risks and Opportunities

Risks include declining crude oil prices and global economic uncertainty. Amid such risks, the division talks with customers to strengthen its ability to make proposals that satisfy needs. It also supplies products and services through strategic partnerships with a diverse range of suppliers. The division is proactive and flexible in addressing technological innovation in software and content, as well as hardware.



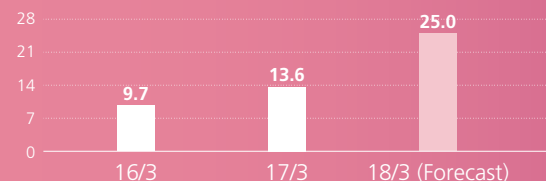
## Gross Profit

(Billion yen)



## Profit for the Year Attributable to Owners of the Parent

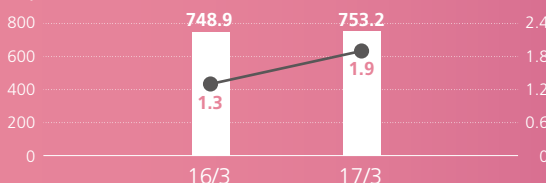
(Billion yen)



## Segment Assets / ROA

(Billion yen)

(%)



■ Segment assets ● ROA (right scale)

\* Certain businesses have been transferred to the newly established Africa Division from the fiscal year ending March 31, 2018.

\* For the convenience of readers, total assets at the fiscal year-end are presented as the denominator for ROA for the fiscal year ended March 31, 2016. In regard to ROA for the fiscal year ended March 31, 2017, the average between total assets at the beginning of the fiscal year and total assets at the fiscal year-end is presented as the denominator.

## Business Strengths

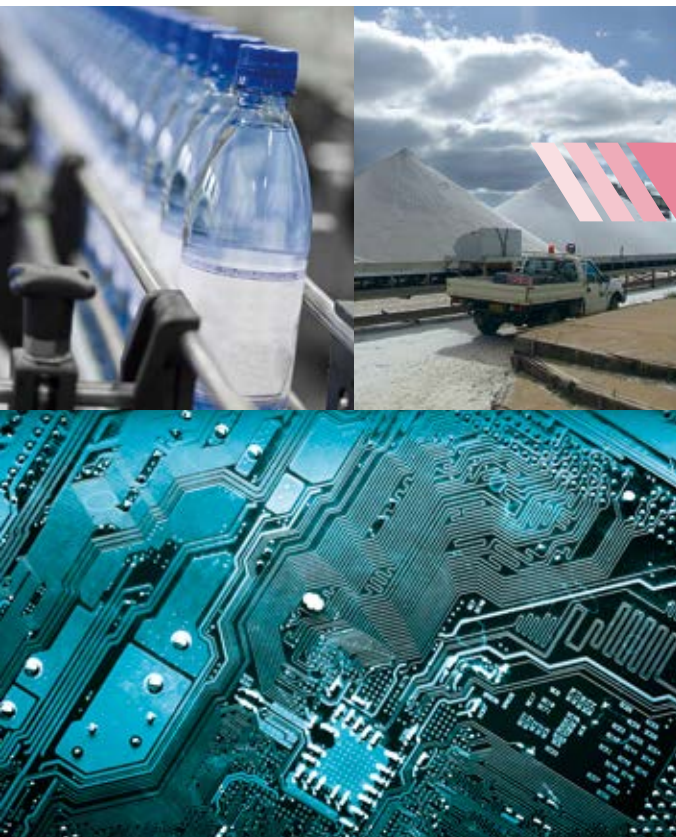
The Chemicals & Electronics Division takes an integrated approach to its three main businesses: automotive materials, chemicals, and electronics. We generate synergies between them to expand business.

In its automotive materials business, the division manufactures and sells automotive-use plastics and supplies materials and parts, while planning and proposing materials and parts for next-generation vehicles. We are able to address all our customers' needs through our global network.

In its chemicals business, the division handles chemical products in a wide range of fields, including detergent raw materials, hygiene materials, and packaging materials. We maintain strong sales capabilities and networks across Asia through which we continue to expand business, including active development of the iodine business.

In its electronics business, the division is Japan's largest trader of electronic components. We handle a wide range of electronic components and software incorporated into vehicles, consumer electronics, and industrial devices.

The division promotes a network business that globally links people and things. We also develop technologies for environmentally friendly vehicles such as plug-in hybrid vehicles and electric vehicles, along with devices and services for connected vehicles.



## Our Vision

The Chemicals & Electronics Division aims to foster the growth of individuals and organizations by existing at the core of value creation for customers, guided by the basic principles of trading companies: “creating something from nothing” and “serving society by anticipating change.”

### Soichiro Matsudaira

Member of the Board, Executive Vice President  
Chief Division Officer of  
Chemicals & Electronics Division



For the next generation’s autonomous driving society, we are developing infrastructure and technologies in tandem with efforts to develop, establish, and commercialize new services.

#### ► Medium- to Long-term Initiatives and Priority Strategies

The Chemicals & Electronics Division is involved in an expansive range of products, including vehicles, consumer goods, and resources. The division works with operating sites outside Japan and group companies, working across organizational and national boundaries to unite their capabilities. Together, they address the mix of diverse needs in industrialized and emerging nations. In this way, the division leverages its collective strengths and generates synergies to promote business expansion.

In its automotive materials business, the division is expanding its core business while raising operational efficiency. Our capabilities are being extended laterally across new regions and markets as we strive to propose new projects for next-generation vehicles.

In its chemicals business, the division generates synergies by integrating individual business units holding competitive positions in global markets. In this way, we nurture new businesses that can serve as earnings pillars for the future, while at the same time seizing opportunities presented by social change to establish new business.

In its electronics business, the division is strengthening its businesses in as well as outside Japan by enhancing and combining the know-how and functions of leading affiliates in anticipation of an evolving information society in which data speeds and volumes continue to grow.

Additionally, we are pursuing promising new technologies to support the development of more intelligent and information-oriented vehicles as well as more sophisticated traffic infrastructure, using our new functions to expand business.

## Business Strategy

### Chemicals & Electronics Division



**Life & Community**  
Contributing to the realization of a comfortable and healthy society

#### Superabsorbent Polymer (SAP) Production Capacity Increased in People's Republic of China

SDP Global Co., Ltd., in which Toyota Tsusho owns a 30% stake with the remaining 70% being held by Sanyo Chemical Industries, Ltd., has boosted the disposable diaper-use SAP production capacity of its Chinese subsidiary, San-Dia Polymers (Nantong) Co., Ltd., to 230,000 tons per year. The increased production will serve the rapid growth in demand for SAP used in disposable diapers in China and emerging nations. Toyota Tsusho will support the development of SDP Global Co., Ltd., and San-Dia Polymers (Nantong) with its sales and distribution networks as well as its raw material and fund procurement capabilities.

Moreover, SDP GLOBAL (MALAYSIA) SDN. BHD. was established as a new production base in Malaysia. To address growing demand

supported by improving living standards in the ASEAN region, the new company plans to commence production from the second quarter of 2018.



## Our Initiatives

to Achieve  
Toyota Tsusho's Global Vision



**Mobility**  
Contributing to the realization of a highly convenient society in the future

#### NEXTY Electronics Corporation Established

In April 2017, TOMEN Electronics Corporation and Toyota Tsusho Electronics Corporation merged to form the new electronics trading company NEXTY Electronics Corporation. NEXTY Electronics ranks as the largest electronics trader in Japan and the fourth largest in the world, as well as the world's largest in automotive industries.

NEXTY Electronics will further strengthen the technology, quality, and functions of its two predecessors and leverage its global network to become a leading global electronics trading company.



## Toyota Tsusho's Unique Value Creation Businesses

### Automotive Materials and Chemicals Value Chains

In the automotive materials business, the Chemicals & Electronics Division is globally developing integrated functions ranging from procurement of raw materials to plastics compounds, inventory and logistics, and parts processing. In the chemicals business, the division has constructed value chains that span a wide range of products from upstream to mid- and downstream fields.

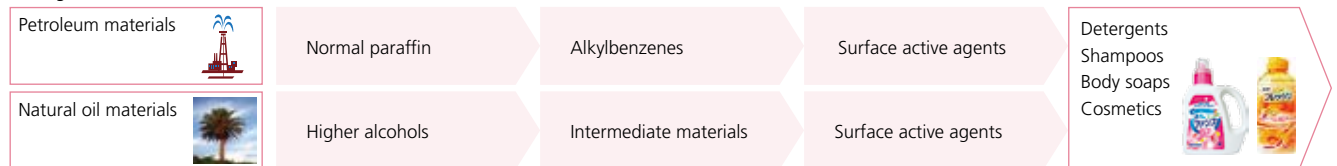
#### Automotive Materials Business

Note: The colored portions of the value chain represent our business domains.



#### Chemicals Business

(detergent value chain)



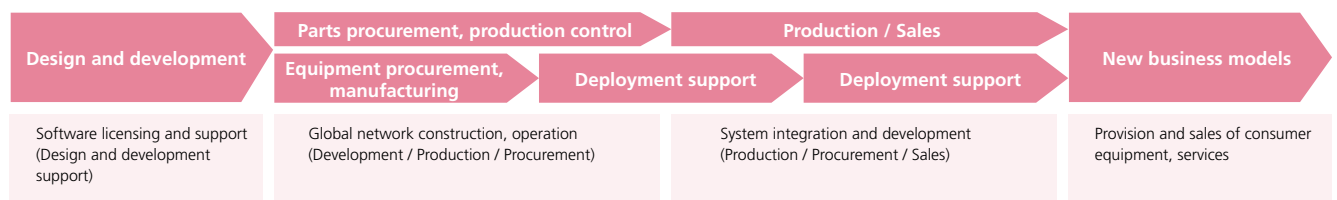
#### Electronics Value Chain

In the electronic devices business, the division stably supplies electronic devices through domestic and overseas operating sites while making new technical proposals and carefully managing factors relating to quality, costs, delivery, and after-sales services (QCDS). In the information industry business, the division provides ICT services around the world and throughout various value chains.

#### Electronic Devices Business



#### Information Industry Business



# Food & Consumer Services Division

## Market Environment

Although the Japanese market is shrinking due to population decline, consumer needs continue to diversify. Outside Japan, consumer demand is increasing amid population growth and economic expansion, mainly in emerging nations.

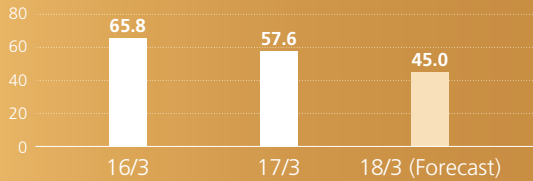
## Risks and Opportunities

The need to secure food supplies and supply them on a stable basis is expected to further increase in the face of climate change and other risks. Markets are continuing to grow as people seek better standards of living, primarily in emerging nations. The division is building value chains globally to supply safe, secure, and comfortable goods and services that meet the needs of local communities.



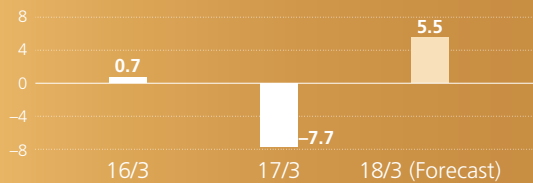
## Gross Profit

(Billion yen)



## Profit (loss) for the Year Attributable to Owners of the Parent

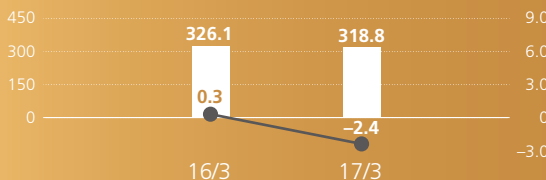
(Billion yen)



## Segment Assets / ROA

(Billion yen)

(%)



■ Segment assets ● ROA (right scale)

\* Certain businesses have been transferred to the newly established Africa Division from the fiscal year ending March 31, 2018.

\* For the convenience of readers, total assets at the fiscal year-end are presented as the denominator for ROA for the fiscal year ended March 31, 2016. In regard to ROA for the fiscal year ended March 31, 2017, the average between total assets at the beginning of the fiscal year and total assets at the fiscal year-end is presented as the denominator.

## Business Strengths

The Food & Consumer Services Division is contributing to healthier, more prosperous ways of life through initiatives in its four core businesses: grain, food, insurance, and lifestyle.

In its grain business, the division's four grain silos in Japan serve as the foundation of feed processing complexes. In addition, the division's long history in the grain silo business, and the know-how gained through operations, represent its core strengths in the grain business.

In the food business, the division owns processing centers in a wide range of fields in and outside Japan as well as food service companies. By conducting safety management unique to Toyota Tsusho, the division is providing high-quality products to the market.

In the insurance business, the division operates leading-class sales agencies in Japan as well as a broad range of insurance broker businesses overseas. At the same time, the division is expanding into new fields by providing new insurance services.

In the lifestyle business, the apparel operations act as a comprehensive supplier through strengths such as functional materials and an extensive production network that manages materials development, sales, and delivery. Also, in the construction business, the division is focusing its efforts on hotel residences, which support companies in expanding their operations outside Japan. In the healthcare business, the division is also making efforts in nursing care, medical facility, and medical treatment-related services businesses.





## Our Vision

**As the Food & Consumer Services Division is in charge of leading the Life & Community domain, we offer people and societies healthy, prosperous living environments and create new business models.**



### Yoshiki Miura

Senior Managing Executive Director,  
Chief Division Officer of  
Food & Consumer Services Division

#### ► Medium- to Long-term Initiatives and Priority Strategies

In its grain business, the Food & Consumer Services Division is building a value chain that extends from grain accumulation in global markets to sales in Japan and other countries around the world. To this end, the division is expanding market share in emerging consumer nations while strengthening alliances with strategic partners and bolstering procurement capacity in grain-producing regions for new synergies.

In its food business, the division actively invests to acquire manufacturing and sales capabilities through alliances with and M&As of food processors and manufacturers in and outside Japan. Through this strategy, we are developing businesses outside Japan and expanding food distribution operations, mainly around food services. Furthermore, the division invests in agricultural production, aquaculture, and compost and fertilizer manufacturing to support the development of recycling-oriented agricultural and aquaculture systems while helping preserve biodiversity.

In its insurance business, the division is strengthening agency and brokerage operations in and outside Japan, while expanding the business domain through multifaceted medical insurance programs, mainly in emerging nations, and the development of proprietary insurance and other services designed to help customers to hedge diversifying risks.

In its lifestyle business, the division is bolstering its apparel planning and proposal functions based on its proprietary fiber materials,

while developing specialized manufacturing functions with the goal of expanding its Japanese business and building new business outside Japan. In the medical business, the division is contributing to better healthcare in emerging nations by offering Japanese medical technologies and services locally and introducing peripheral medical services. In the healthcare business, the division is building on the existing nursing care product business by expanding its business realm to more specialized services for seniors and active seniors. In the construction-related business, the division provides infrastructure on a global basis to support consumer lifestyles and corporate business activity, with an emphasis on services in and outside Japan.

## Business Strategy

### Food & Consumer Services Division



Life & Community  
Contributing to the realization of a comfortable and healthy society

#### Grain Infrastructure Company Acquired in the Federative Republic of Brazil

Amid increased global demand for grain, the company acquired NovaAgri Infra-Estrutura de Armazenagem e Escoamento Agrícola S.A. in the Federative Republic of Brazil, where grain production is expected to expand. In doing so, the company gained footholds into the grain infrastructure business.

In addition to the infrastructure business, the company aims to expand grain accumulation and export businesses to realize a stable grain supply.



## Our Initiatives

to Achieve  
Toyota Tsusho's Global Vision



Life & Community  
Contributing to the realization of a comfortable and healthy society

#### Global Gate Becomes New Landmark in Sasashima Live 24 District

On March 31, 2017, Sasashima Live 24 Special Purpose Company\* completed the Global Gate building in Nagoya's Sasashima Live 24 district. Office tenants began moving into the building from April, while the hotel, conference facilities, and commercial facilities are slated to open in fall 2017. The new building is a landmark in the Sasashima Live 24 district, a large-scale project to redevelop the former cargo railyard extending south of Nagoya Station. The project is also a key vehicle through which Toyota Tsusho can contribute to the local community.

\* A five-company consortium comprising Toyota Tsusho Corporation, Daiwa House Industry Co., Ltd., Nippon Tochi-Tatemono Co., Ltd., ORIX Corporation, and Meitetsu Real Estate Development Co., Ltd.



## Toyota Tsusho's Unique Value Creation Businesses

### Supporting People's Lives in a Wide Range of Businesses

The Food & Consumer Services Division provides a wide range of products and services that support people's lives. As the core division in charge of the Life & Community domain, the division strives to promote business with the consumer always in mind, while swiftly responding to fast-changing markets.



#### Grain Business

Investing in a grain infrastructure company in the leading production market of Brazil to build a broad value chain from grains procurement through global sales



#### Food Business

- Investing in catering companies to expand food services and other food distribution business
- Developing businesses that help solve social issues related to the agriculture and aquaculture businesses

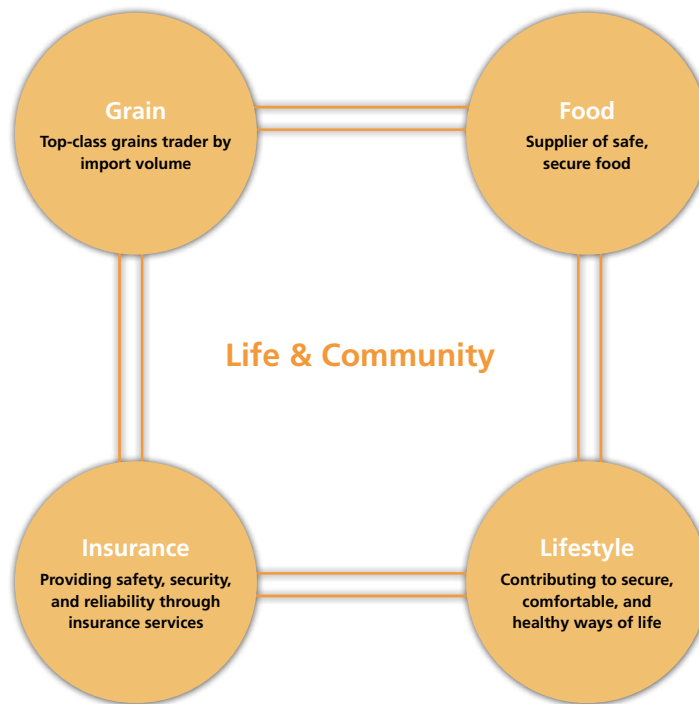
#### Insurance Business

Expanding realm of operations covering insurance products for individuals and companies as one of Japan's largest agencies, while introducing comprehensive insurance services throughout Asia with a focus on medical insurance



#### Lifestyle Business

- Providing emerging nations general hospital management, hotel residences, and other services to offer Japanese quality standards overseas
- Promoting an apparel business encompassing materials development, manufacturing, logistics, and sales



# Africa Division

## Market Environment

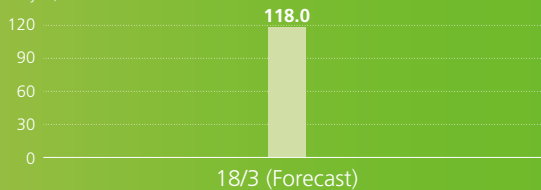
The African market, which is the focus of the division, is expected to experience sustainable growth starting in fiscal 2018, following what is thought will have been the bottoming out at the end of fiscal 2016 of a period of economic sluggishness. In the medium term, Africa is expected to post a growth rate higher than the global average. This expansion is expected to increase the middle class from 350 million people in 2010 to 500 million people by 2030.

## Risks and Opportunities

Africa poses various risk factors, including political instability, the spread of infectious disease, and terrorism. At the same time, the continent is attracting higher investment amid population and economic growth. While Africa is generally a blue ocean market with limited entry by global companies, Toyota Tsusho aims to grow together with local communities to establish the No. 1 corporate presence in Africa.

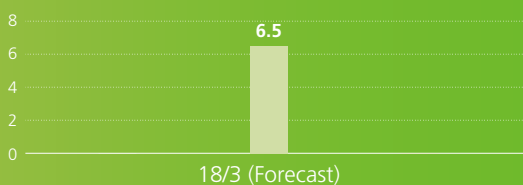
## Gross Profit

(Billion yen)



## Profit for the Year Attributable to Owners of the Parent

(Billion yen)



\* In the fiscal year ending March 31, 2018, each product division will consolidate its Africa-related businesses to establish the new Africa Division.



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## Business Strengths

For more than 90 years, Toyota Tsusho has striven to develop markets in Africa from a long-term perspective by growing with communities and their people through trade and investments. In 2012, Toyota Tsusho acquired a capital stake in France's largest trading company, CFAO, to solidify its business foundation in Africa. Then, in December 2016 CFAO became a wholly owned subsidiary, paving the way toward a unified effort by all Toyota Tsusho Group affiliates to accelerate business initiatives in this strategically important region. The establishment of the Africa Division in April 2017—the company's first business division dedicated to a single region—furthered this strategy. The Africa Division is now tasked with promoting a diversified business in 53 of 54 African nations by maximizing the talents of a professional workforce of some 15,000 employees.

The Automotive SBU\* is expanding and strengthening the automotive value chain, which currently boasts a sales and after-sales service network in all Sub-Saharan countries, motorcycle production in Nigeria, and automotive production support in South Africa.

The Healthcare and Chemical SBU supports human health with a pharmaceutical wholesaling business in 22 nations, mostly in north-west Africa.



Photo credit: Thomas Renaut.

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## Our Vision

**As Toyota Tsusho's first region-focused business division, the Africa Division will leverage CFAO as its regional headquarters to establish the No. 1 presence in Africa based on the philosophy "With Africa, For Africa."**

### Takashi Hattori

Senior Managing Executive Officer,  
Chief Division Officer of Africa Division



The Consumer Goods and Services SBU has opened a shopping center in the Republic of Côte d'Ivoire in partnership with Carrefour, along with a joint-venture brewery with HEINEKEN. In these ways, the business is catering to the needs of an emerging middle class. We are also promoting the agriculture business through such ventures as the Republic of Kenya's first domestic fertilizer production and sales company.

In the Technologies and New Business SBU, the division is contributing to African growth through the development of critical electric power infrastructure, including the completion of the Olkaria geothermal power plant in the Republic of Kenya.

#### ► Medium- to Long-term Initiatives and Priority Strategies

The Africa Division is pursuing four major medium- to long-term initiatives:

1. Strong global and local brands: We will promote strong brands desired by customers by anticipating the needs of local societies in each region of Africa and laying the seeds for brand success.
2. Businesses along entire value chain: We aim to build fully unified value chains in each of our four businesses (automotive; healthcare and chemicals; food and consumer goods and services;

and machinery, technology, and new business) from such upstream activities as production through to such downstream activities as retail. This will ensure that we provide customers with comprehensive, optimized solutions and added value.

3. High operational quality: We will prioritize lean management, an optimized governance structure, and safety and *Kaizen* continual improvement activities as key operational strategies.

4. Corporate entities growing in tandem with local communities: As an organization representing leading companies in both Japan and France, we will actively implement strategic CSR initiatives to promote the development and appointment of human resources and leaders in the local community at each operating entity.

To optimize its initiatives, the division will realize maximum synergy among its businesses, create new business vital to future growth, generate added value for customers through cross-functional activities, and promote the development of a new corporate culture.

\* SBU: Strategic Business Unit

**Life & Community**  
Contributing to the realization of a comfortable and healthy society

### Opens as Leading Modern Brewery for West Africa

HEINEKEN and CFAO have opened a state-of-the-art brewery 24 km north of Abidjan City, the largest industrial city in the Republic of Côte d'Ivoire, in the Anyama industrial park. The brewery was constructed by BRASSIVOIRE, a joint venture between HEINEKEN and CFAO.

The brewery, into which approximately 100 billion CFA francs (about 150 million euros) has been invested, has an annual capacity of 160 million liters. In November 2016, the brewery began producing and selling the Ivoire brand along with Heineken® and Desperados throughout the country. Since opening in September 2015, the plant has directly employed 200 people.



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## Our Initiatives

to Achieve  
Toyota Tsusho's Global Vision

**Life & Community**  
Contributing to the realization of a comfortable and healthy society

### Republic of Kenya's First Fertilizer Domestic Production and Sales Company Established

Although the Republic of Kenya is one of Africa's major agricultural producers, it currently imports 600,000 tons of fertilizer every year to cover its domestic farming demand. This demand is expected to increase as the nation's agricultural industry continues to develop. However, transporting imported fertilizers is time-consuming and costly, and the fertilizers are not always suited to the local soil or crop, leading to acidification of farmland and reduced grain harvests. Establishing a domestic fertilizer manufacturing business has therefore long been a key issue.

Toyota Tsusho Fertilizer Africa Limited was established in 2015 to help resolve this issue. The company worked with the local Moi University and international organizations to develop Baraka Fertilizer\* as a new blend suited to Kenyan soil and crops. Today,

the company is manufacturing and selling fertilizers specially blended for maize and wheat—major agricultural products in the Republic of Kenya—and another for rice grown in the Mwea district, Kenya's main rice paddy district. The supply of new fertilizers suited for the country's crops and soil will contribute to the achievement of a stable food supply.

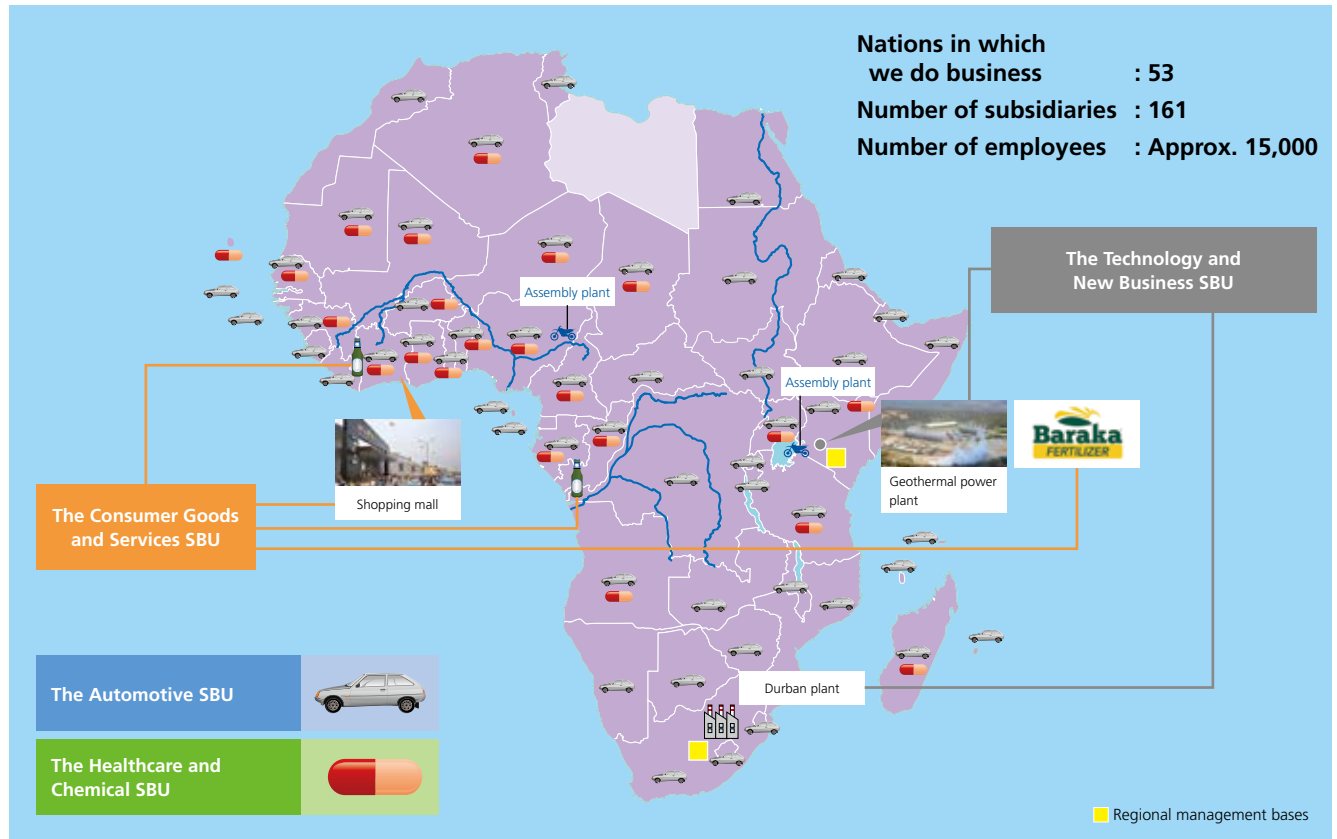
\*"Baraka" is Swahili for "blessing".



## Toyota Tsusho's Unique Value Creation Businesses

### Network Covering 53 of 54 African Nations

Regional economic communities have been established across Africa. Toyota Tsusho approaches the African market through these regional economic communities instead of a country-by-country basis. Toyota Tsusho leverages regional headquarters in French Republic, Republic of South Africa, and Republic of Kenya to promote business with the aim of optimizing entire communities.



### Toyota Tsusho's Group Vision for Africa "With Africa, For Africa"

Based on the philosophy "With Africa, For Africa", the Toyota Tsusho Group is creating businesses with the long-term view of cultivating deep local roots and growing with the people of local communities. In 2012, Toyota Tsusho signed a comprehensive memorandum of understanding with the Republic of Kenya (which was renewed for five years in 2016) to act as its strategic partner and support the country's national vision. Similarly, the entire Toyota Tsusho Group is working hand in hand with each African nation to support sustainable growth for Africa. Aiming to be a true leading group, we are also looking beyond business creation to contribute to the autonomous growth of the continent through proactive measures to develop human resources and make social contributions.

<p><b>Business Creation</b></p> <p>Memorandum of understanding with the Republic of Kenya renewed (August 2016)</p>	<p><b>Human Resources Development</b></p> <p>Toyota Kenya Academy</p>	<p><b>Social Contributions</b></p> <p>Social contribution-style venture fund for Africa Project list</p>
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# ESG

*Environment  
Social  
Governance*

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**On the basis of the corporate philosophy of “living and prospering together with people, society, and the planet”, the Toyota Tsusho Group implements the group’s environmental policy. All officers and employees participate in environmental activities to promote this policy.**

### Toyota Tsusho Group’s Environmental Policy

- As a responsible corporate citizen, we strive to reduce impact on the environment, conserve energy, recycle resources, and eliminate environmental pollution, while placing a high priority on not disturbing the global environment in conducting business.
- We promote environment-related businesses, such as the efficient use of waste and the preservation of natural resources, and contribute to the realization of a recycling-oriented economy and society in collaboration with our affiliates and business partners.
- We comply with all environmental requirements, including environmental laws and regulations and industry guidelines.
- We participate in activities to reduce impact on the environment by establishing an environmental management system and implement *Kaizen* (continuous improvement) of these activities through periodic review and the application of creative ideas.
- We enhance environmental awareness among employees by providing environmental training and promoting a thorough understanding of our environmental policy.

### Structure for Promoting Environmental Management

The Toyota Tsusho Group’s environmental management systems conform to the ISO 14001 standards in Japan and are managed in accordance with environmental management rulebooks (independent standards) overseas. Both in Japan and overseas, we perform periodic internal audits to raise the level of environmental management.

The Conference on the Global Environment, held under the auspices of the CSR Committee, is held

each year to report on group environmental preservation programs and provide notice and share information on statutory amendments. The Safety Management Improvement Committee meets monthly, with attendance by corporate officers, to report on environmental incidents, share information on countermeasures, and take preventive measures.

### Environmental Compliance Measures

Existing Toyota Tsusho Group business companies periodically perform quantitative evaluations of the risks of environmental pollution and worksite management levels at each facility and take measures to reduce the risks of environmental pollution. In addition, compliance with environmental laws and regulations is evaluated every six months, and internal and external audits serve as double checks

on the status of compliance with laws and regulations with regard to priority issues.

Prior assessment and confirmation of environmental impacts are performed for new investment projects and measures are taken to protect the environment and prevent pollution.

### Proper Disposal of Waste and Measures to Prevent Oil Leaks from Vehicles

To protect the environment, the Toyota Tsusho Group places particular emphasis on ensuring the proper disposal of waste material and measures to prevent oil leaks from vehicles. The group prepared and distributes a Waste Management Manual regarding proper waste disposal and strictly complies with the Waste Disposal and Public Cleansing Law and local governmental ordinances.

With regard to oil leaks, the Toyota Tsusho Group implements comprehensive measures to prevent

leaks from vehicles and equipment while in operation and from facilities and heavy machinery during construction. The group is also equipping vehicles with oil prevention kits and taking other measures to prevent environmental pollution.

### Renewable Energy Generating Capacity:

# 2,800<sup>MW</sup>

Toyota Tsusho is working to support the transition to a low-carbon society and reduce greenhouse gas emissions by engaging in the power generation business using renewable energy including wind and solar power.

For more information:  
page 57 (diagram on  
bottom of page).



### Greenhouse Gas Emissions (Toyota Tsusho emissions)\*1:

# 188,000<sup>t-CO<sub>2</sub></sup>

The company’s Energy-saving Promotion Council meets to manage CO<sub>2</sub> emissions reduction plans and results and conducts energy-efficiency audits to check on the operational status of energy-using facilities.

\*1 Scope 1 and Scope 2: Fuel, electric power, heat, and so on used by the company

### Indirect Emissions of Greenhouse Gases (Logistics related)\*2:

# 21,490<sup>t-CO<sub>2</sub></sup>

The company’s Waste Management Manual investigates optimization of transport routes, consolidation of cargo, increasing the efficiency of container loading, and other issues and takes measures to reduce CO<sub>2</sub> emissions resulting from the transport of cargo by collaborating with transportation companies.

\*2 Scope 3 Category 4: Transport of the company’s cargo by other companies

### Reducing the Landfill Waste Ratio (Zero emissions)

# 0.052%

The Toyota Tsusho Group is working to reduce its waste output and is implementing recycling with an ultimate target of completely eliminating landfill waste. All group companies are working to achieve zero emissions.



For details on Toyota Tsusho’s environmental management and initiatives, refer to the Environment page under Approach to CSR on the company’s website.  
<http://www.toyota-tsusho.com/english/csr/activities/environment/>

All Toyota Tsusho Group officers and employees are involved in the following measures relating to our relationship with society undertaken from a variety of perspectives with a focus on human resources and safety.

### Principles Concerning Employees

We aim to realize our management strategies without being constrained by past experiences or preconceptions and based on the watchwords "On site, hands on, in touch." Accordingly, from the perspective of overall optimization, the Toyota Tsusho Group will employ, develop, and advance employees who can cooperate and lead the way to an even better future.

### Key Points for Promoting CSR from an Employee Perspective

- Build an environment that allows employees to work with vitality.
- Create frameworks for promoting constant and autonomous reforms and *Kaizen*.
- Develop human resources capable of responding flexibly, quickly, and sincerely to changes in the global business environment.
- Promote teamwork with an eye toward overall optimization as an organization.

## Human Resources Development

### Basic Approach

Toyota Tsusho conducts various educational and training programs and strives to enhance employee skills so that it can develop human resources who are able to put into practice the keywords of the Toyota Tsusho Group Way: "A passion for business," "On site, hands on, in touch," and "Teamwork." We prioritize the development of human resources capable of creating global businesses and management human resources able to interact with their counterparts at other leading global companies in order to utilize diverse human resources and continuously and actively create value with our global partners.

### Promotion of Diversity and Inclusion

Amid a backdrop of constantly changing business environments and diversifying customer needs, Toyota Tsusho believes that respecting and accepting various differences, including gender, age, and nationality, and making full use of those differences will help the entire Toyota Tsusho Group establish a competitive advantage. As such, we actively promote diversity and inclusion as a management strategy. We provide a variety of growth and employment opportunities and are taking measures to create environments in which diverse personnel can work with enthusiasm, such as encouraging

### Educational Programs

Our educational systems and programs are made up of three parts: on-the-job training, off-the-job training (seminars), and self-improvement. Each year, every employee creates and submits a long-term career plan, and employees are encouraged to take full advantage of the various educational programs toward achieving their goals.

employees to take paid vacation time and male employees to take childcare leave, enhancing work and life, and introducing reforms to enable flexible and high-productivity working styles. We are also taking various intangible measures, such as fostering a corporate culture that accepts and uses diversity and raising employee awareness.

Number of employees who took childcare leave:

**68** total, including  
**16** men

Scope of calculation: Toyota Tsusho Corporation

In the fiscal year ended March 31, 2017, we encouraged male employees and their supervisors to take childcare leave, and the number of men who took childcare leave increased to 16 (from seven in the previous fiscal year).

Number of rehired retired workers

**30**

Scope of calculation: Toyota Tsusho Corporation

The rehiring rate remained around 50%, but has increased every year since 2014. The number of rehired employees is expected to double in the next five years.

Number of employees with disabilities

**70**

Scope of calculation: Toyota Tsusho Corporation, Toyotsu Office Service Corporation, and Toyotsu Human Resource Corporation

The number of employees with disabilities is increasing each year. We will continue to establish work environments in which persons with disabilities can work with enthusiasm and a sense of confidence, and we will continue to actively hire such persons.

Lost time injury rate

Japan: **0.23**  
Overseas: **1.92**

In the fiscal year ended March 31, 2017, there were seven work-related accidents in Japan and 42 overseas. The lost time injury rate was 0.23 in Japan and 1.92 overseas.



For details on Toyota Tsusho's human resource and occupational health and safety initiatives, please refer to the Approach to CSR page on the company's website.  
<http://www.toyota-tsusho.com/english/csr/activities/>

### The Toyota Tsusho Group's Policies on Safety and Health

- Recognizing that good communications are paramount for ensuring safety and health, top management places a high premium on dialogue with employees.
- While strictly adhering to relevant safety and health laws and the internal workplace business rules and procedures of our customers, we have established our own standards, as we work to raise the level of our safety and health management.
- We utilize occupational safety and health management systems and implement *Kaizen* (continuous improvement) as we aim to continually raise safety and health levels.
- To promote safety and health activities at all companies throughout the Toyota Tsusho Group, we will establish the necessary organizations and structures and clarify the locations of responsibilities.
- To progress with the creation of comfortable and healthy workplaces, we will provide all employees with sufficient and necessary education for ensuring their safety and health.

Based on the belief that safety management is a matter of human resource development, Toyota Tsusho conducts safety and health education not just for Toyota Tsusho Group employees, but upon request, also for the employees of suppliers. We conduct rank-based safety and health training for new employees, mid-level employees, managers, and executives and are expanding the scope of education by conducting training for persons involved in operations at suppliers. To heighten employee sensitivity to danger by having them experience hazardous work, in 2009 we established a Practical Safety Workshop at Toyota Steel Center Co., Ltd. The workshop offers simulations of some 50

different types of hazard, including being squeezed between objects and dangers involving heavy items. Workshop attendance is open to all group employees as well as the personnel of suppliers who take part in Toyota Tsusho's Safety and Health Cooperation Council. The workshop serves to raise employee awareness regarding safety and health. Taking into consideration that since Toyota Tsusho is a trading company much of its work takes place in offices, in the fiscal year ended March 31, 2017, we began conducting Office Safety Workshops and are taking measures to raise awareness of safety with regard to office work.

### Overseas Crisis Management (Security Measures)

In response to a major terrorist attack in Algeria in January 2013, the Security Management Group was established as a specialist organization within the Human Resources Department in April of that year. In April 2017, the group was integrated with the BCM Promotion Group from the General Administration Department, creating the Crisis Management & BCM Department. Our Education & Training Program includes pre-assignment seminars for employees (and their families) stationed overseas, and hands-on training that enables them, in a controlled environment, to learn about and to experience the risks unique to their country or region.

- 1) A seminar on basic precautions while on business trips abroad is held for young employees with little overseas experience.
- 2) High-risk Area Training, which includes topics such as terrorism, is conducted for personnel assigned to high-risk countries.

We have stepped up our monitoring and analysis of security information and we have developed a website through which we share information with the Toyota Tsusho Group employees all around the world. We have also established a 24/7 response system offering medical consultation with a physician by telephone and emergency medical transport for employees stationed overseas.



Training how to protect one-self while helping a wounded person to escape from the scene of a terrorist attack

### Supply Chain CSR

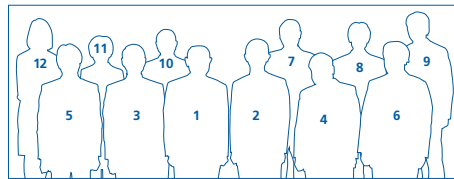
The company established the Toyota Tsusho Supply Chain CSR Behavioral Guidelines in 2012. Under these guidelines, we aim to coordinate CSR initiatives and foster mutual support for sustainable growth throughout our supply chain by having our suppliers and other business partners share a common understanding of CSR.

The Toyota Tsusho Group is building a global supply chain and shares the Toyota Tsusho Supply Chain CSR Behavioral Guidelines with suppliers and other business partners so that we can carry out business activities while taking into consideration risks to human rights, occupational safety and health, and the environment throughout the entire supply chain.

We conduct questionnaires and site surveys as part of our supply chain management and have implemented conflict mineral surveys annually since 2013.

#### Toyota Tsusho Supply Chain CSR Behavioral Guidelines

- Respect the human rights of employees and refrain from inhumane treatment of others.
- Prevent forced labor, child labor, and insufficiently compensated labor.
- Strive to furnish a safe, hygienic, and healthy work environment.
- Refrain from discrimination in hiring.
- Comply with all related laws and international rules, conduct fair trading, and thoroughly prevent corruption.
- Ensure the quality and safety of goods and services.
- Strive to maintain a sound global environment.
- Promptly and appropriately disclose information concerning the above.



## Management Structure



### Board of Directors \* Representative Director

- |   |   |   |   |  |   |
|---|---|---|---|--|---|
| <b>1</b> Chairman of the Board*<br><b>Satoshi Ozawa</b> | <b>2</b> President & CEO*<br><b>Jun Karube</b>          | <b>3</b> Member of the Board<br><b>Yasuhiko Yokoi</b>   | <b>4</b> Member of the Board<br><b>Kuniaki Yamagiwa</b> | <b>5</b> Member of the Board<br><b>Soichiro Matsudaira</b> | <b>6</b> Member of the Board<br><b>Yuichi Oi</b>      |
| <b>7</b> Member of the Board<br><b>Yasuhiro Nagai</b>   | <b>8</b> Member of the Board<br><b>Hiroshi Tominaga</b> | <b>9</b> Member of the Board<br><b>Hideyuki Iwamoto</b> | <b>10</b> Member of the Board<br><b>Jiro Takahashi</b>  | <b>11</b> Member of the Board<br><b>Yoriko Kawaguchi</b>   | <b>12</b> Member of the Board<br><b>Kumi Fujisawa</b> |

## Executive Officers

### President & CEO

**Jun Karube**

### Executive Vice Presidents

#### Yasuhiko Yokoi

Assistant to President;  
Chief Officer Responsible for  
Tokyo Head Office and Public Affairs;  
Responsible for Global Strategy and  
Management;  
Officer Responsible for Japan Regional Strategy  
& Coordination;  
Chief Regional Officer for Europe;  
Chief Regional Officer for Emerging Regions

#### Kuniaki Yamagiwa

Assistant to President;  
Responsible for Special Tasks Assigned  
by President;  
Officer Responsible for Global Strategy  
and Management

#### Soichiro Matsudaira

Officer Responsible for Tokyo Head Office;  
CTO (Chief Technology Officer);  
Chief Division Officer of Chemicals &  
Electronics Division

#### Yuichi Oi

Chief Officer Responsible for  
Japan Regional Strategy & Coordination;  
Chief Division Officer of Global Parts &  
Logistics Division

### Senior Managing Executive Officers

#### Takashi Hattori

Officer Responsible for Tokyo Head Office;  
Chief Division Officer of Africa Division;  
Chief Regional Officer for Africa

#### Yoshiki Miura

Chief Division Officer of  
Food & Consumer Services Division

#### Hideki Yanase

Chief Regional Officer for Asia & Oceania;  
President of Toyota Tsusho Asia Pacific Pte, Ltd.

#### Toshiro Hidaka

Chief Division Officer of Machinery, Energy &  
Project Division

#### Minoru Murata

Chief Division Officer of Metals Division;  
Chief Regional Officer for North America

#### Ichiro Kashitani

Chief Division Officer of Automotive Division;  
Division Officer of Africa Division

#### Richard Bielle

Deputy Chief Division Officer of Africa Division;  
Chairman of the Board of Directors of CFAO SAS

### Managing Executive Officers

#### Tetsuro Hirai

Division Officer of Automotive Division

#### Shizuka Hayashi

Deputy Chief Division Officer of Metals Division;  
General Manager of Metal Products  
Department 1

#### Takeshi Matsushita

Deputy Chief Division Officer of Food &  
Consumer Services Division

#### Takahiro Kondo

Deputy Chief Division Officer of Machinery,  
Energy & Project Division;  
Chief Regional Officer for East Asia;  
General Manager of NEXT Mobility Machinery  
Business Department

#### Kiyoyoshi Oba

President of Toyota Tsusho (Thailand) Co., Ltd.

#### Yuji Hamamoto

Division Officer of Machinery,  
Energy & Project Division

#### Yoshihiro Inoue

Division Officer of Machinery,  
Energy & Project Division

#### Mitsuhiro Tsubakimoto

Chairman of Toyota Tsusho (China) Co., Ltd.;  
Regional Chief Operating Officer for East Asia;  
General Manager of Beijing Liaison Office

#### Jun Eyama

Division Officer of Global Parts &  
Logistics Division

#### Yasuhiro Nagai

CCO (Chief Compliance Officer);  
CAO (Chief Administrative Officer);  
Toyota Branch General Manager

#### Hiroshi Tominaga

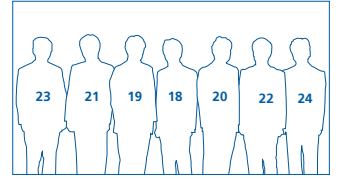
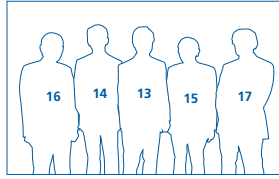
Officer Responsible for Public Affairs;  
CSO (Chief Strategy Officer);  
CIO (Chief Information Officer)

#### Hideyuki Iwamoto

CFO (Chief Financial Officer)

#### Tsutomu Suzuki

President of Toyota Tsusho Europe S.A.;  
President of Toyota Tsusho U.K. Ltd.



## Audit & Supervisory Board Members

**13** Audit & Supervisory Board Member (full-time)

**Yoshihiro Shiji**

**15** Audit & Supervisory Board Member

**Tetsuro Toyoda**

**17** Audit & Supervisory Board Member

**Yuichiro Kuwano**

**14** Audit & Supervisory Board Member (full-time)

**Yasushi Shiozaki**

**16** Audit & Supervisory Board Member

**Kazunori Tajima**

## Chief Division Officers

**18** **Soichiro Matsudaira**  
Chief Division Officer of Chemicals & Electronics Division

**22** **Toshiro Hidaka**  
Chief Division Officer of Machinery, Energy & Project Division

**19** **Yuichi Oi**  
Chief Division Officer of Global Parts & Logistics Division

**23** **Minoru Murata**  
Chief Division Officer of Metals Division

**20** **Takashi Hattori**  
Chief Division Officer of Africa Division

**24** **Ichiro Kashitani**  
Chief Division Officer of Automotive Division; Division Officer of Africa Division

**21** **Yoshiki Miura**  
Chief Division Officer of Food & Consumer Services Division

## Executive Officers

**Hiroshi Tasaka**  
Division Officer of Food & Consumer Services Division;  
President of Fukusuke Corporation

**Masanori Kondo**  
Division Officer of Machinery, Energy & Project Division;  
Division Officer of Automotive Division

**Satoshi Suzuki**  
President of Toyota Tsusho Mexico, S.A. de C.V.

**Motoya Hayata**  
Division Officer of Food & Consumer Services Division;  
Chairman of NovaAgri

**Naoji Saito**  
Division Officer of Metals Division;  
President of Toyota Steel Center Co., Ltd.

**Kazuo Yuhara**  
Officer Responsible for Global Strategy and Management;  
Division Officer of Metals Division;  
Division Officer of Machinery, Energy & Project Division

**Naoyuki Hata**  
Division Officer of Metals Division

**Masato Yamanami**  
Division Officer of Automotive Division

**Hideyuki Inazumi**  
Division Officer of Machinery, Energy & Project Division;  
President of Eurus Energy Holdings Corporation

**Atsushi Aoki**  
Division Officer of Chemicals & Electronics Division;  
President of NEXTY Electronics Corporation

**Haruyuki Hattori**  
Division Officer of Food & Consumer Services Division

**Tetsuya Kamiya**  
Division Officer of Chemicals & Electronics Division

**Shigeki Maeda**  
Division Officer of Global Parts & Logistics Division

**Akihiro Sago**  
President of Toyota Tsusho America, Inc.

**Kazuyuki Urata**  
Division Officer of Chemicals & Electronics Division

**Toshimitsu Imai**  
Division Officer of Africa Division;  
Vice Chairman of the Board of Directors of CFAO SAS

**Toshio Araki**  
Division Officer of Metals Division;  
President of Toyota Chemical Engineering Co., Ltd.

**Yasuhiro Kakihara**  
Division Officer of Chemicals & Electronics Division;  
General Manager of Electronics Devices Department

**Hiroki Nakayama**  
President of PT. Toyota Tsusho Indonesia

**Hiroshi Yonenaga**  
Division Officer of Global Parts & Logistics Division;  
General Manager of Industrial Materials & Products Department

**Shiro Irikawa**  
Division Officer of Automotive Division;  
General Manager of Dealer Business Department

**Tatsuya Watanuki**  
General Manager of NEXT Technology Fund Development Department

Note: Company names and titles are as of June 23, 2017.

**The Toyota Tsusho Group is actively pursuing increased management efficiency, transparency, thorough compliance, and a healthy financial position based on its audit & supervisory board member system and executive officer system.**

## Basic Approach

The corporate philosophy of Toyota Tsusho is, “Living and prospering together with people, society, and the planet, we aim to be a value-generating corporation that contributes to the creation of prosperous societies.” The Toyota Tsusho Group has established behavioral guidelines as a fundamental code of conduct for realizing this philosophy in a legally compliant and appropriate manner as a good corporate citizen.

In line with its corporate philosophy, the company has established systems that ensure proper business processes are followed. As a result, the company has been actively working to increase the efficiency, transparency, and compliance of its management, as well as the health of its financial position. In addition, in accordance with Japan’s Corporate

Governance Code, the company recognizes that well-rounded corporate governance is essential both for continued corporate growth and for raising its corporate value in the medium and long term, and will respond in a sincere manner to any issues that may arise.

The company believes that providing all its stakeholders with satisfactory added value and contributing to society will accelerate the sustainable growth of the Toyota Tsusho Group and thereby lead to increased corporate value.

## Promotion Structure

Toyota Tsusho has adopted the system of a company with a board of auditors in order to ensure transparent and sound management, and has also introduced an executive officer system with the aim of improving management efficiency and strengthening internal control.

The company carries out consolidated management based on a divisional organization. At present, the company comprises seven sales divisions, as well as organizations under direct control of Executive Vice Presidents, and the Administrative Units.

From this fiscal year onward, Executive Officers now include the President & CEO and Executive Vice Presidents, strengthening the executive officer system. The company has also ensured that each Chief Division Officer is, in principle, an executive officer, further streamlining the Board of Directors, and enabling fast-paced management that is in close contact with the frontlines.

Toyota Tsusho also aims to further separate overall company management (directors) and the execution of duties (executive officers) at the various divisions. This will improve the Board of Directors’ supervision of the execution of duties, clarify authority and responsibilities, and strengthen internal control.

### Board of Directors

The Board of Directors comprises 12 directors, three of whom are outside directors. The board makes important management decisions, supervises the execution of business by directors, receives regular reports from chief division officers, and monitors execution conditions at each sales division. The company has submitted notification that three outside directors satisfy the criteria for independence as specified by securities exchanges. Directors are appointed for a one-year term, and the Board of Directors in principle meets once a month.

The company has established a support framework so that the outside directors can satisfactorily fulfill their management and supervisory functions. Before every meeting, the Board of Directors’ Secretariat—or, when necessary, the sales divisions themselves—provides explanations concerning business details. This enables the outside directors to gain a firm understanding of the issues at hand and helps to enhance discussions among the Board of Directors.

### Evaluating the Effectiveness of the Board of Directors

The Board of Directors’ Secretariat conducts hearings, analysis, and evaluations with each of the outside directors regarding the effectiveness of the Board of Directors, and reports the results to both the chairperson of the Board of Directors and the President & CEO. The company believes that, by reviewing what topics should be discussed and decided by the Board of Directors and by seriously engaging with the guidance of the outside directors, the discussions and exchanges of opinions carried out by the Board of Directors have been revitalized and the effectiveness of the Board of Directors has increased.

The company will seek to further improve the effectiveness of the Board of Directors by engaging in the following manifest issues:

1. Each sales division’s policies and initiatives, which are based on the Mid-term Business Plan, should be reported to the Board of Directors.
2. Information sharing should be improved between outside directors and auditors.
3. The functions of the Board of Directors should be enhanced by reorganizing the management system and reviewing agenda items.
4. Discussions should take place about the company’s guidelines for basic responses to changes in its operating environment and business risks and opportunities.

### Audit & Supervisory Board

The Audit & Supervisory Board is made up of five members (three of whom are outside Audit & Supervisory Board members) who perform a checking function from an external viewpoint.

All Audit & Supervisory Board members regularly exchange opinions with directors, executive officers, and the independent auditor, as well as the Audit Department and other organizations. In this way, the Audit & Supervisory Board members strive to ensure the legality, appropriateness, and efficiency of business execution. The Audit & Supervisory Board in principle meets once a month.

## Functions and Roles of Committees and Meetings

Toyota Tsusho has established a variety of committees and meetings with the aim of strengthening its corporate governance. The company has created a companywide meeting system to deal with issues that affect the entire company; directors and executive officers consider countermeasures for each individual management issue and, where appropriate, consult the Board of Directors.

### Executive Compensation Meeting and Executive Appointment Meeting

The Executive Compensation Meeting evaluates the compensation received by directors, while the Executive Appointment Meeting scrutinizes nominations for directors. Both meetings include outside directors among their members, and the Board of Directors considers the findings of these meetings when making its decisions.

### Executive Committees

#### Executive Board Member's Meeting

The Executive Board Members Meeting comprises the chairman of the board, President & CEO\*, Executive Vice Presidents, CSO/CIO\*, CFO\*, and CCO/CAO\*. The Executive Board Members Meeting meets, in principle, twice a month to discuss important issues and share information.

#### Operating Committee

The Operating Committee is comprised of directors—excluding outside directors—and the Executive Officers. In principle, the Operating Committee meets monthly on the same date as the Board of Director's meeting. The Operating Committee receives reports on decisions made by the Board of Directors, reports from the business divisions, and reports on management issues from throughout the company. This reporting system accelerates the speed of management and ensures appropriate monitoring of business execution.

### Other Executive Committees and Sub-organizations

Committee	Role	Frequency of meeting
Policy Meeting	Discusses management plans	Once a year
Investment Strategy Meeting	Discusses each operating division's investment strategies	Once a month
Investment and Loan Committee	Discusses investment and lending projects	3 times a month
Investment and Loan Meeting		4 times a month
NEXT Technology Fund Council	Discusses projects that develop new markets through new technologies, products, and services from a medium- and long-term perspective	Once a month
Chief Division Officer Meeting	Shares cross-divisional information	Once a month

### ERM Committee

The ERM Committee comprises the Executive Vice Presidents, Executive Officers, and the CCO and meets, in principle, four times a year.

Its main purpose is to grasp significant risks that could have an impact on the management of the Toyota Tsusho Group and create a structure to control these risks, thereby ensuring the enhancement of corporate value. As part of this mission, the committee audits the process of managing individual risks, discerns risks for the Toyota Tsusho Group, and sets risk buffer limitations.

### CSR Committee

For information on the CSR Committee, please see page 30. 

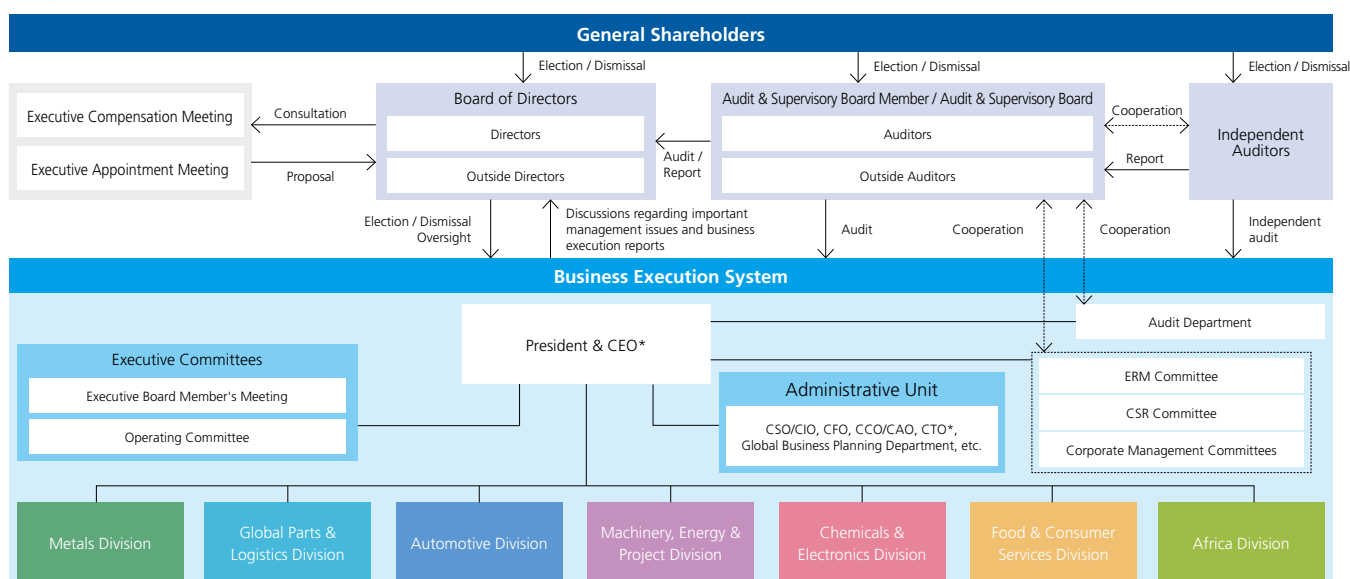
### Corporate Management Committees

Corporate management committees provide opportunities for discussion among executives in charge of multiple divisions throughout the company and are designed to discuss and determine policies on themes of important management strategy that span the entire company.

Committee	Role	Frequency of meeting
Global Human Resources Committee	Shares information on local associates outside Japan with the capabilities to become future managers and discusses measures to strengthen human resources development	Once a year
Human Resources Enhancement Committee	Discusses various themes related to human resource training to reinforce human resources	Once a month
Overseas Regional Strategy Committee	Plans and promotes strategies for key overseas markets, as well as for emerging nations and resource-rich nations	Once a year
Cost Reduction and Kaizen Promotion Committee	Promotes reductions in costs throughout the company, and shares and develops improvement case studies throughout the company	Twice a year
IT Strategy Committee	Discusses companywide policies on IT strategies	Twice a year

\* CEO: Chief Executive Officer  
 CSO: Chief Strategy Officer  
 CFO: Chief Financial Officer  
 CAO: Chief Administrative Officer  
 CTO: Chief Technology Officer  
 CIO: Chief Information Officer  
 CCO: Chief Compliance Officer

### Corporate Governance Structure (As of April 2017)



## Appointed Outside Officers

Some of the essential elements in the appointment of outside directors are knowledge of governance and accounting, risk discovery capabilities, wide-ranging business-related insight, insight gained from global

experience, and making a contribution to promoting diversity. Within this framework, the company appoints outside directors with emphasis on candidates who possess a wealth of knowledge and experience.

Outside Directors	Major concurrent positions (As of July 1, 2017)	Reason for selection	Frequency of attendance at Board of Director's meetings
Jiro Takahashi	Representative Director and Chairman, MEIKO TRANS Co., Ltd.	Mr. Takahashi has served as a manager at MEIKO TRANS Co., Ltd., for several years and has also accumulated experience in his position as chairman of the Nagoya Chamber of Commerce & Industry. Mr. Takahashi was selected as an outside director with the aim of incorporating his wealth of general management experience and broad range of expertise into the company's management.	13 / 15
Yoriko Kawaguchi	Director, Japan Petroleum Exploration Co., Ltd.	Ms. Kawaguchi has work experience in several important government offices, such as the Ministry of the Environment and Ministry of Foreign Affairs, and was also Managing Director of Suntory Holdings Ltd. (in charge of the Lifestyle and Environment Department). Ms. Kawaguchi was selected as an outside director with the aim of incorporating her wealth of specialized insight regarding environmental issues and international political and economic trends into the company's management.	14 / 15
Kumi Fujisawa	Director, The Shizuoka Bank, Ltd., Director, CREEK and RIVER Co., Ltd.	In addition to having founded and served as representative director of an investment trust evaluation company, Ms. Fujisawa participated in establishing SophiaBank and serves as its representative director. She has worked in the Ministry of Economy, Trade and Industry, the Financial Services Agency, and has held many other government-related positions. Ms. Fujisawa was selected with the hope that her wealth of experience and wide-ranging insights can be incorporated into the company's management.	14 / 15

Outside Audit & Supervisory Board members	Reason for selection	Frequency of attendance at Board of Director's meetings	Frequency of attendance at Audit & Supervisory Board meetings
Tetsuro Toyoda	Mr. Toyoda also serves as an executive with one of the company's important business partners. He was selected for his broad insights into and deep understanding of the company's business, and his ability to bring a shareholder's perspective to providing appropriate oversight and control over the board's performance of its duties.	15 / 15	13 / 14
Kazunori Tajima	As a certified public accountant, Mr. Tajima is well-versed in accounting and auditing, and was selected to bring his wealth of experience and expertise to providing a neutral, objective perspective to appropriate oversight and control over the board's performance of its duties.	14 / 15	14 / 14
Yuichiro Kuwano	Mr. Kuwano has been active as an attorney-at-law for many years and was selected to bring his wealth of experience and expertise to providing a neutral, objective perspective to appropriate oversight and control over the board's performance of its duties.	11 / 11*	10 / 10*

\* Since his appointment on June 23, 2016

## Executive Compensation

Compensation for executives is discussed and determined by the Board of Directors using as reference the opinion of the Executive Compensation Meeting, and set within the overall limit set by the General Meeting of Shareholders, taking into consideration the company's performance, management environment, and other factors.

Compensation for Audit & Supervisory Board members is determined through discussions at meetings of the Audit & Supervisory Board, and set within the overall limit set by the General Meeting of Shareholders, taking into consideration general conditions, responsibilities, and other factors.

Executive category	Total amount of compensation and other remuneration (Millions of yen)	Total amount of compensation by executive category (Millions of yen)			Number of executives (People)
		Basic remuneration	Stock options	Bonuses	
Directors (excluding outside directors)	990	532	—	458	15
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	82	82	—	—	2
Outside Audit & Supervisory Board members	75	75	—	—	7

Notes:

- Included above are two directors and one Audit & Supervisory Board member who were appointed at the 95th General Meeting of Shareholders, which was held on June 23, 2016.
- At the 96th General Meeting of Shareholders, which was held on June 23, 2017, the upper limit for the compensation of directors in total was set at 70 million yen per month.
- At the 93rd General Meeting of Shareholders, which was held on June 20, 2014, the upper limit for the compensation of Audit & Supervisory Board members in total was set at 16 million yen per month.



## Messages from Outside Directors



Member of the Board  
Jiro Takahashi

**We must not be excessively affected by immediate positives and negatives—instead, let us hold on to our beliefs and advance forward.**

Just as in life, a company's performance has peaks and troughs. Our performance during the fiscal year ended March 31, 2017, has improved significantly compared with the last fiscal year. I believe that the hard work of the chairman, the President & CEO, and all Toyota Tsusho employees is reflected in the company's results, and that this is something we can all be proud of. For the current fiscal year, we have adopted the IFRS in our accounting processes, and for this reason it is not certain that we are not able to make accurate year-on-year comparisons. However, I am convinced that the power of the company's employees, who have converted deficits into profits, is demonstrated in a desire to unite, and a desire to do one's best in various fields—and that these desires have generated synergistic effects.

This is something often seen in team sports: when the players on two teams are compared individually, there seems to be little difference in the strength of the teams; however, when these same two teams compete, the more motivated team enters what might be called, "the zone," and firmly takes advantage of the ebbs and flows of the game.

In order to maintain this desire, however, I believe that strong leadership is essential. If we can lead by action, and concentrate the power of younger employees through the principle of Genchi, Genbutsu, Genjitsu (on site, hands on, in touch), then I have no doubt that the company will considerably grow in strength.



Member of the Board  
Yoriko Kawaguchi

**Toyota Tsusho is unremitting in its desire to improve itself, and has established a climate of forward progress.**

Having suffered the significant effects of the fall in resource prices, the previous fiscal year was a tough year for Toyota Tsusho and for all trading companies. In the fiscal year ended March 31, 2017, the Company was able to realize a V-shaped recovery, and this is a result we should be happy with. I now fully recognize and understand the spectacular hidden potential of Toyota Tsusho, and, as an outside director, I hope I will be able to promote activities that further raise the company's standards.

In addition, Japan's corporate governance has been strengthened. It is now mandatory for companies to appoint outside directors, while self-evaluations for directors and performance evaluations for boards of directors have also been introduced. These reforms have led to stricter criteria governing the nature and the roles demanded of outside directors. I am aware of the great responsibility I bear, and I recognize that I must study hard to fulfill my roles.

Toyota Tsusho is unremitting in its desire to improve itself, and has established a climate of forward progress. I am delighted that, together with the other directors and by further energizing the Board of Directors, I have an opportunity to contribute to improving the corporate value of the company.



Member of the Board  
Kumi Fujisawa

**We are monitoring organizational and personnel management in order to enable the strength of our workplaces to shine.**

Looking back over my three years as an outside director, it is clear that Toyota Tsusho has sincerely listened to my voice and the voices of its other outside directors. At the same time, the company has sensitively responded to changes in the social environment and vigorously made adjustments and improvements to activities related to corporate governance, including the actions of the Board of Directors. From the next fiscal year, the company will reform the composition of its directors and Board of Directors in order to increase the speed of its decision-making.

As a global trading company, I believe the next task facing Toyota Tsusho is to encourage proactive ESG initiatives at its subsidiaries and affiliates across the world and, by establishing working environments that contribute to the realization of better future societies and by developing its business, to achieve improved performance. For this reason, I would like to investigate whether the organizational and personnel management is in place to enable Toyota Tsusho's employees to demonstrate their full potential.

Every month, after the Board of Director's meeting has taken place, the outside directors and senior management meet to exchange information and share opinions. Outside directors also participate in the Executive Review Meeting, which is attended by all company executives, and actively share their views on management issues. In addition, outside directors take part in and provide advice to such committees as the CSR Committee.

In order to encourage interactions with company employees, outside directors hold lectures and host discussion meetings with all ranks of employees, including general managers, group leaders, and female employees. They provide instruction on the new corporate culture and way of thinking, and help to further increase the motivation of all company employees.



## Internal Control

The Basic Policies on Establishing Internal Control Systems were enacted in 2006. Accordingly, the Board of Directors carries out monitoring and checks the efficiency and effectiveness of its business operations once a year.

With regard to risk management, each division regularly assesses the risks it faces and evaluates the countermeasures it has in place. The ERM Committee is responsible for assessing and evaluating cross-organizational risks.

As far as internal audits are concerned, the company audits the effectiveness of internal controls based on its annual plan. In addition to auditing the company and Toyota Tsusho Group companies, Audit & Supervisory Board members attend important internal meetings, including the Board of Director's meetings, and monitor and supervise business execution and legal compliance.

## Compliance

Toyota Tsusho endeavors to ensure that executives and employees perform their duties in accordance with laws, regulations, and the company's Articles of Incorporation.

The company has established the CSR Committee, which is chaired by the President & CEO, to focus on CSR responses and activities from an ESG perspective.

In addition, in July 2016 Toyota Tsusho enacted its Global Code of Conduct & Ethics (COCE), which defines the company's behavioral guidelines. COCE was formulated by a team of Toyota Tsusho Group employees from Japan and overseas. The company issues the COCE Booklet in various languages (it is currently available in 20 different languages) and has made it available on the company intranet. Knowledge of the booklet has been thoroughly disseminated, and both executives and employees have pledged to follow COCE.

Internal and external reporting lines are also available, via which employees can report or consult on matters related to corporate ethics.

### Raising Awareness of Compliance

Toyota Tsusho offers various types of training and seminars in an effort to ensure compliance with laws and regulations and the internalization of specific codes of conduct in the day-to-day work of its executives and employees.

In the fiscal year ended March 31, 2017, we held training for various levels of the organization, including new employees, managers, and executives, as well as for specific groups such as newly appointed executives at domestic Toyota Tsusho group companies and employees about to be stationed overseas.

The company also conducts training for executives and employees to raise awareness of topics such as insider trading, bribery prevention, cartels, CSR, and COCE via e-learning and information sessions. In addition, the company provides executives with the Laws & Ordinances Handbook for Executives and employees with a compliance manual so that the entire company workforce is familiar with important laws.

## Risk Management System

Toyota Tsusho defines "risk" as "an event with the potential to cause unexpected losses in business operations, or cause damage to the Toyota Tsusho group's assets and trust, etc." as laid out in the Risk Management Basic Policy. The company's fundamental approach is to recognize and consider the various risks that occur in the course of business operations, ensure management safety, and increase corporate value by exposing itself to risk only within an appropriate and controlled range.

In order to accomplish the above, the company has established the ERM Department, the role of which is to comprehensively manage the risks of the Toyota Tsusho group. With regard to risks faced by the group as a whole, the company works closely with each department and group company to establish and strengthen a consolidated risk management system. With regard to the management of financial risks, the company

regularly measures its risk assets, and endeavors to ensure that the total amount of its risk assets is balanced by risk buffers (risk tolerance) on a consolidated basis. In addition, in order to conduct risk management activities in an appropriate manner, the company has established supervisory departments for each type of risk and put in place management regulations and guidelines. This facilitates the assessment and management of risk in an appropriate manner.

Moreover, the ERM Committee, which is chaired by the Executive Vice President, meets regularly to identify and assess companywide issues connected to the risks outlined on the following page, and discuss and promote any necessary countermeasures.

## Main Financial Risks

### Risk Management Policy

Toyota Tsusho's basic risk management policy is as follows:

1. Limit the total amount of risk assets to no more than the amount of risk buffer
2. Assess and ensure risk-return

### Risk Asset Management

In order to fulfill its basic risk management policy, Toyota Tsusho calculates risk assets as the maximum amount of expected loss should a risk materialize by multiplying the amount of assets on its balance sheet by the risk weight, or maximum expected loss rate. In addition, in order to ensure management safety, the company regularly scrutinizes the balance between total risk-asset value and risk buffer on a consolidated basis, and reports the results to upper management.

(Billion yen)	Japanese GAAP		IFRS		
	16/3 Results	17/3 Results	16/3 Results	17/3 Results	Goals of the Mid-term Business Plan
Risk assets (RA)	850.0	890.0	890.0	930.0	–
Risk buffer (RB)	790.0	910.0	880.0	1,010.0	–
RA:RB	1.08	0.98	1.01	0.92	Less than 1.00

Risk assets were less than the risk buffer in the fiscal year ended March 31, 2017. However, in order to achieve the goals of its Mid-term Business Plan, Toyota Tsusho will continue to increase the risk buffer based on net income, thereby maintaining a healthy and stable financial position. The company also conducts country risk management to prevent an excessive accumulation of risk. It evaluates the total amount of risk assets as outlined above for each country, and keeps this total beneath the upper value determined for each country.

## Information Disclosure (Communications with Stakeholders)

### IR Activities

Toyota Tsusho believes in the importance of sincere and fair information disclosure, and fulfills its responsibilities of accountability to investors, analysts, and other stakeholders. The company also understands the necessity of establishing long-term relationships of trust, and of earning the trust and esteem of its stakeholders via two-way communication.

In order to achieve these goals, the company continuously provides all information it deems essential and, at the same time, develops IR activities that make use of third-party opinions to improve management.

Toyota Tsusho holds financial results briefings four times a year for domestic analysts and institutional investors as a way to communicate with its shareholders and investors. In addition, in order to promote greater understanding of its business activities, the company holds business briefings and facility tours as appropriate (in the fiscal year ended March 31, 2017, for example, the company held an electronics business briefing, and facility tours in the Tokai region).

For overseas investors, Toyota Tsusho has visited Europe, Asia, and the Middle East and continued to hold individual meetings since the fiscal

### Business Investment Risk Management

With regard to new investments, Toyota Tsusho debates the suitability of the investment from a strategic point of view and its priority within the company as a whole. In addition to members from the sales department in charge, representatives from the Administrative Division also participate from the initial stages, and consider from a variety of viewpoints whether the return on investment and the analysis of various types of risk meet the company's investment standards. In addition, after an investment has been made the company monitors whether the forecast return on investment is being delivered and whether the investment is providing profit commensurate to the risks involved. If the investment is not meeting expectations, the company acts according to strict rules regarding the restructuring of or withdrawal from the investment made.

### Credit Risk Management

Toyota Tsusho rates suppliers on eight levels based on their financial position using independent criteria, and specifies limits for each type of transaction, such as accounts receivable or advance payments. For suppliers who receive low ratings, the company endeavors to prevent losses by reviewing transaction conditions, establishing transaction policies such as protection of accounts receivable or withdrawal, and conducting individually focused management.

### Market Risk Management

Toyota Tsusho specifies position balance limits for transactions that are exposed to the risk of commodity price fluctuations, such as inventory or purchase contracts without sales contracts and sales contracts without purchase contracts, and regularly monitors whether these limits are being applied. With regard to financial instruments that are traded on exchanges and subject to volatile price fluctuations, such as non-ferrous metals, grains, and cotton, the company specifies and manages loss limits in addition to position balance limits, in order to minimize the risk of losses occurring.

year ended March 31, 2015. The company also frequently holds company briefings with individual investors. In the fiscal year ended March 31, 2017, the company held a total of 22 meetings primarily in Tokyo and the three major metropolitan areas, which were attended by approximately 1,600 investors. In addition, the company has enhanced its website content in order to further individual investors' understanding of Toyota Tsusho, and also improved its information disclosure to global stakeholders by expanding the scope of its English translations to include disclosure materials.

### General Meeting of Shareholders

Toyota Tsusho wishes to encourage as many shareholders as possible to attend its General Meeting of Shareholders and, as such, avoids holding the meeting on dates commonly used by other companies for shareholder meetings. The company also strives to provide shareholders with sufficient time to examine the details of proposals. For this reason, it sends its convocation notice in advance, uploads an English translation of the notice on its website, and participates in platforms for shareholders to exercise their voting rights.

# Social Contribution



For additional information on management and initiatives regarding social contribution, please refer to the Social Contribution Activities page of the CSR section on Toyota Tsusho's website.  
<http://www.toyota-tsusho.com/english/csr/activities/social/>

## Basic Policy for Social Contribution Activities

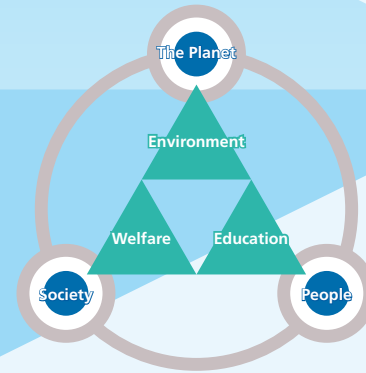
As a good corporate citizen, Toyota Tsusho Corporation aims to "live and prosper together with people, society and the planet," and to contribute to the creation of a prosperous society.

## Promotion of Activities

Toyota Tsusho positions people (education), the planet (environment), and society (welfare) as key themes in light of its corporate philosophy, and vigorously promotes social contribution activities around the world to help realize a more prosperous society.

In terms of specific activities, we select and implement substantive and effective programs that strike a balance among the three approaches of "by company," "by officer and employee," and "by business activity." Toyota Tsusho also encourages officers and employees, supporting their participation in these activities, while the company as a whole voluntarily participates in activities in an autonomous manner aimed at realizing the creation of a prosperous society and at fulfilling its corporate social responsibilities.

## Three Key Themes



## Environment

Toyota Tsusho engages in a variety of environmental preservation activities in Japan and overseas to contribute to the development of a sustainable society and the planet. In the fiscal year ended March 31, 2017, we participated in the Kamikawa no Sato Special Green Zone Restoration Project conducted in cooperation with Hachioji City and the Life Style Research Institute of Forests. Approximately 20 employee volunteers created footpaths and restored waterways so that rice seedlings can be planted as a first step toward revival of rice paddies. Planting, cultivating, and harvesting are planned for the future, as well as are measures for restoring vegetation in Kamikawa no Sato and rejuvenating its *satoyama* (a managed landscape used for agriculture).



Volunteers created footpaths and restored waterways in preparation for planting seedlings

## Education

Toyota Tsusho is involved in a range of educational programs, including a scholarship program for foreign students and support to improve the educational environment in regions where there is little access to education. The scholarship program provides financial support to outstanding, self-supporting foreign students enrolled at Japanese universities. To date, more than 400 foreign students have received support. In the fiscal year ended March 31, 2017, financial support was provided to 30 foreign students from 16 countries, mainly in Asia, Africa, Europe, and the United States.



A social event periodically held for scholarship students

## Social Welfare

Toyota Tsusho conducts various social welfare programs including support for persons with disabilities and poverty countermeasures in developing countries. With regard to support for persons with disabilities, Toyota Tsusho has co-sponsored the Toyota Tsusho-Aioi Nissay Dowa Insurance Cup Tokai Wheelchair Twin Basketball Kariya Tournament since 2008. Employee volunteers also participate in event operations. Wheelchair twin basketball is a competitive sport that was created in Japan for individuals with severe quadriplegic disabilities. The sport serves to maintain and promote the physical and mental well-being of individuals who tended to remain at home or in care facilities and promotes motivation to participate in society.



Approximately 30 employees from Toyota Tsusho and Aioi Nissay Dowa Insurance are involved in event operations



An intense competition

## Recovery Support Following the 2011 Great East Japan Earthquake

Toyota Tsusho supports the operation of workshops on adaptation for children living in temporary housing and disaster-stricken areas and conducts other activities tailored to needs in disaster-stricken areas including employee participation in Toyota Group disaster area recovery support volunteer activities. We also hold in-house markets offering food products and processed foods from disaster-stricken areas and provide toy building blocks to children living in those areas. In the fiscal year ended March 31, 2017, approximately 80 employees participated in volunteer activities and five boxes of building blocks filled by employees were sent to nursery schools and kindergartens in Fukushima Prefecture. Toyota Tsusho will continue to provide support to disaster-stricken areas in the future.



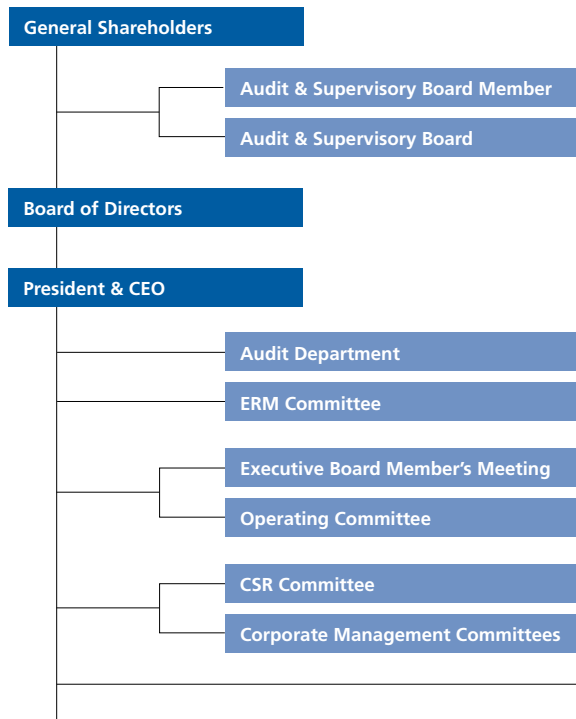
Employees' thoughts turn to children in disaster-stricken areas as they participate in support activities



Employees clean up after the Sanriku-Ofunato Summer Festival

# Organizational Chart

(As of July 1, 2017)



- Administrative Unit**
- Kaizen & Cost Reduction Department
  - Global Logistics Management Department
  - Safety and Global Environmental Promotion Department
  - New Business Development Department
  - NEXT Mobility Development Department
  - NEXT Technology Fund Department
  - Corporate Planning Department
  - Public Affairs Department
  - IT Strategy Department
  - Accounting Department
  - Business Accounting Department
  - Finance Department
  - Enterprise Risk Management Department
  - Legal Department
  - Secretarial Department
  - Global Human Resources and General Affairs Department
  - Crisis Management & BCM Department
  - Global Strategy and Management
  - East Asia Regional Strategy and Management Department
  - Regional Strategy & Coordination Department

- Overseas Branches and Offices**
- Overseas Affiliates**
  - Domestic Branches**
    - Head Office(Nagoya)
    - Tokyo Head Office
      - Hokkaido Branch
      - Sapporo Office
      - Tohoku Branch
      - Niigata Branch
      - Hamamatsu Branch
      - Mishima Sub Branch
      - Toyota Branch
      - Osaka Branch
      - Hokuriku Branch
      - Hiroshima Branch
      - Takamatsu Sub Branch
      - Kyushu Branch
      - Nakatsu Office

Number of Domestic Sites	
TTC HQ	: 2
Branches	: 9
Sub-branches	: 2

Number of Overseas Sites	
Branches and Offices	: 21
Affiliates	: 29



# Corporate Data

(As of March 31, 2017)

Name	TOYOTA TSUSHO CORPORATION
Head Office	9-8, Meieki 4-chome, Nakamura-ku, Nagoya 450-8575, Japan
Established	July 1, 1948
Number of Employees	Parent company: 3,614 Consolidated: 57,988
Paid-in Capital	64,936 million yen
Common Stock	Authorized: 1,000,000,000 Issued: 352,118,524 (excluding 1,937,992 treasury stock)
Number of Shareholders	41,933

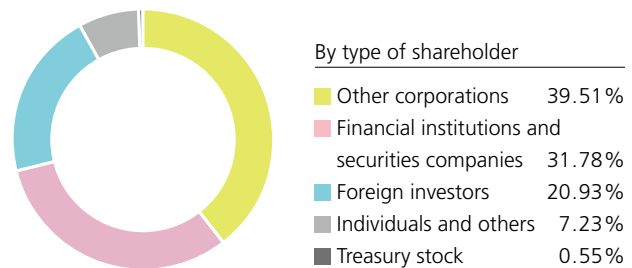
Stock Listings	Tokyo, Nagoya (Ticker code 8015)
Independent Auditors	PricewaterhouseCoopers Aarata LLC
Transfer Agent for Shares Special Management of Accounts	Mitsubishi UFJ Trust and Banking Corporation
Address	Stock Transfer Agency Department Mitsubishi UFJ Trust and Banking Corporation 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081 Phone (free dial within Japan): 0120-232-711 (Tokyo) 0120-094-777 (Osaka)
Handling Offices	All branches nationwide of Mitsubishi UFJ Trust and Banking Corporation All branches nationwide of Nomura Securities Co., Ltd.
Website	<a href="http://www.tr.mufg.jp/english/">http://www.tr.mufg.jp/english/</a>

## Major Shareholders

Name	Number of shares (Thousands)	Shareholding (%)
Toyota Motor Corporation	76,368	21.69
Toyota Industries Corporation	39,365	11.18
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,206	7.16
Japan Trustee Services Bank, Ltd. (Trust Account)	15,226	4.32
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,098	2.30
Mitsui Sumitomo Insurance Co., Ltd.	5,400	1.53
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,249	1.21
Sumitomo Mitsui Banking Corporation	4,249	1.21
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,049	1.15
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,039	1.15

\* The calculation of shareholding ratios excludes treasury stock (1,937,992 shares).

## Breakdown of Issued Shares



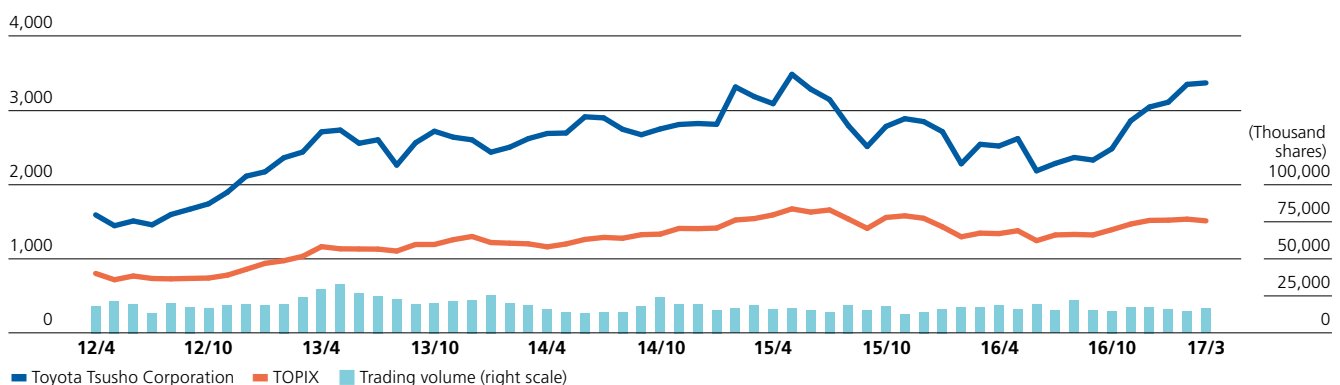
## Credit Ratings

(As of July 1, 2017)

	Long-term	Short-term
Rating and Investment Information (R&I)	A+ (Stable)	a-1
Standard & Poor's (S&P)	A+ (Stable)	A-1
Moody's	A3 (Stable)	-

## Stock Price Range and Trading Volume

(Yen / Point)



## Guarantee of Environmental Data

The Toyota Tsusho Group obtained verification from Lloyd's Register Quality Assurance (LRQA) with regard to some energy-derived CO<sub>2</sub> emission amounts and water use amounts for the fiscal year ended March 31, 2017.



### Items Subject to Verification

- Greenhouse gas (CO<sub>2</sub>) emissions volume (Pages 23 and 71)
- Water usage volume



The LRQA certificate is posted on the Environment page under Approach to CSR on Toyota Tsusho's website.  
<http://www.toyota-tsusho.com/english/csr/activities/environment/>

### Inclusion in SRI Indices

As of July 2017, Toyota Tsusho was included in the following socially responsible investment (SRI) indices.



#### MSCI Japan ESG Select Leaders Index

An index of comprehensive ESG risks that targets the 500 companies with the highest market capitalization in Japan that have received relatively outstanding ESG evaluations within their industries.



#### MSCI Japan Empowering Women Index (WIN)

An index that targets the 500 companies with the highest market capitalization in Japan that excel in gender diversity in their industries based on the gender diversity score developed by MSCI.



# TOYOTA TSUSHO CORPORATION

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