

Toyota Tsusho Corporation
Earnings Briefing for Fiscal Year Ended March 31, 2022 (FY2021)
Condensed Transcript of Q&A Session

Date & time: Monday, May 2, 2022, 13:00-14:00

Attendees: Ichiro Kashitani, President & CEO
Hiroshi Tominaga, CSO
Yasushi Aida, Assistant to CFO

Q. What are your assumptions behind your fiscal 2022 earnings forecast, especially your assumptions concerning the impact of automotive sales in Russia?

A. Our forecast for fiscal 2022 was based on our 222.2 billion yen in profit fiscal 2021, and we have factored in the non-recurrence of the impacts from one-time gains and losses and soaring market prices, as well as a negative impact of several billion yen due to the situation in Russia and the impact of foreign exchange movements. We assume that every one-yen depreciation in the US dollar to yen exchange rate will result in a positive impact on profit of around one billion yen. We expect there to be almost no automotive sales in Russia in fiscal 2022, but we'll continue to closely watch the situation there. Regarding the number of Toyota automobiles produced, we're not in a position to discuss details, but we are expecting a roughly 10% year-on-year increase.

Q. You're forecasting profit of ¥250.0 billion in fiscal 2024, the final year covered by your mid-term business plan. That's a ¥40 billion increase versus the ¥210.0 billion in fiscal 2022. Which areas are you expecting profit to increase in?

A. The Mobility field will contribute the most to profit, and we think it will account for about two-thirds of the profit growth. Renewable energy will account for a large portion of our investments, but its contribution to profit during the period covered by the current mid-term business plan will not be so large.

Q. Do you plan to conduct a share buyback?

A. At the current point in time, we're not planning to conduct a share buyback. We will continue to return profits to shareholders through dividends.

Q. What is your outlook for automotive sales in your fiscal 2022 forecast? Also, supply shortages in Russia were mentioned at the third-quarter results briefing, but what is the impact of that at the moment?

A. Although the Automotive Division has factored in the negative impacts relating to Russia, it's seeing growth in automotive demand mainly in oil-producing countries as well as in Asia and Oceania, and the forecast, which also factors in the impact of the weak yen, is somewhat bullish at ¥30 billion yen. On the other hand, our forecast for the Africa Division is conservative, in light

of the risk of rising interest rates. The situation in Russia hasn't changed since the end of March 2022, and supply shortages haven't emerged.

Q. It appears that there was not a large loss related to Russia in the fourth quarter of fiscal 2021, but do you have any concerns?

A. We don't know how long the situation in Russia will continue, but our Russia-related exposure, including assets such as dealerships, is several billion yen, under 10 billion yen, and we don't expect a big impact on results even if there are unforeseen developments in the situation. In regions other than Russia and in other businesses, there are no situations more concerning than the one in Russia at this point in time.

Q. What is the impact of logistics issues and container shortages on business?

A. The impact of soaring logistics costs is expected to continue for all of 2022 and potentially into next year. Under the slogan "Keep the supply chain running" we will consider a variety of alternative methods and support our customers' production activities by further developing our business continuity measures. Logistics costs are currently three to five times higher than usual, and we need to discuss the cost burden for spot logistics with our customers. We have mainly factored this into our forecasts for the Global Parts & Logistics Division.

Q. What is your specific plan for broadening the battery supply chain?

A. In the battery supply chain we'll do our utmost to provide support in all areas other than manufacturing and development. In the resource field, we will increase the capacity of lithium carbonate through the second year covered by the mid-term business plan, and we intend to expand the production volume to 42,500 tons. We're also looking at options for the third year covered by the plan, and we'll work to make sure that we can meet demand. We also intend to launch production of lithium hydroxide this year.

In the field of raw materials and component processing, we'd like to contribute not only by supplying raw materials but also by adding functionality. We want to help manufacturers in a responsible manner in peripheral businesses such as installation and maintenance of machinery and equipment, installation of solar panels at factories, procurement of necessary energy, distribution of raw materials and finished products, and the recruitment and training of employees, so that they can focus on manufacturing and R&D.

In addition, we think that battery recycling will become an increasingly significant societal issue. In addition to Japan, China, and India, where we engage in the end-of-life vehicle disposal business, we are considering launching recycling businesses in other regions where battery recycling needs will emerge.

Q. With regard to the growth in renewable energy outlined in the mid-term business plan, what is the proportion of your own power generation capacity within the total power generation capacity of 3,610MW in fiscal 2021? Also, the power generation capacity will be increased from fiscal 2024 through fiscal 2029, but what are your expectations regarding the proportion of your own power generation capacity within the total capacity?

A. We are generating wind power and solar power mainly through Eurus Energy, and our own power generation capacity makes up about 60% of the total. It's my understanding that we'll maintain that proportion of roughly 60% as the power generation capacity is increased from fiscal 2024 through fiscal 2029.