

Toyota Tsusho Corporation
Earnings Briefing for Fiscal Year Ended March 31, 2021 (FY2020)
Condensed Transcript of Q&A Session

Date & time: Thursday, May 6, 2021, 13:30-14:30

Attendees: Ichiro Kashitani, President/CEO
Hiroshi Tominaga, CSO
Hideyuki Iwamoto, CFO

Q. What is the status of automotive sales in the countries that Toyota Tsusho operates in? You mentioned that sales were good in South Africa and Russia, but what about in other countries?

A. In Central South America sales declined in the Dominican Republic and Jamaica. Jamaica has a tourism-based economy, so we think sales there will recover depending on the situation with vaccinations. In Asia/Oceania, sales declined in Cambodia and Thailand, and we think this situation will continue for the time being.

With respect to Russia, we need to look closely to determine if it was just the release of pent up demand all at once, or if it will continue. We think that sales will increase, even if not to the same extent as the increase in the fourth quarter of FY2020.

Q. The FY2020 full-year operating profit in Africa Division was ¥15.3 billion. The Automotive segment had good results. On the other hand, the FY2021 sales forecast seems to be low when viewed in comparison to fourth quarter results, so can you explain what is going to decline? Is there some sort of trend by region in Africa?

A. In Africa, there was a decline in Kenya and the rest of East Africa. In West Africa, there has not been much of a decline. We think that sales will grow in the Ivory Coast in particular going forward. We think Kenya will bottom out and then increase.

In FY2020, expenses were extremely low. In FY2021, we will increase gross profit while using budgeted funds smartly.

Q. Why did profit decline in the Machinery, Energy & Project Division in FY2020?

The medium-term management plan included plans for ¥140.0 billion in investment in renewable energy. Please tell us when this will contribute to earnings, and how much it will contribute.

Is this a phase in which profit contributions from Eurus Energy Holdings will grow? Or, is it a phase where there will not be much growth?

A. The ¥140.0 billion in investment was for projects that are already underway, and we will see launches over the next three years, including in Northern Hokkaido and also there will be replacement projects. If we win the projects we bid for, the investments will be made starting

three years from now. During the period covered by the medium-term management plan, development costs are up front, so Eurus Energy Holdings's contribution to profits will decline.

Q. Eurus Energy Holdings' gross total output will increase from 3,420MW in FY2020 to 4,900MW in FY2023. What areas will it invest in to grow output by 1,500MW?

I would think that this much of an increase in output would result in profit growth, so could you explain why profit will not increase?

A. Projects that will start operating in the next three years include the onshore project in the Netherlands and the project in Northern Hokkaido. Elsewhere, there are hydroelectric projects, phase 2 of the wind power project in Egypt, as well as projects in Mexico and Taiwan, and solar power and other projects. Projects that we are currently planning to bid for are included in the gross total output, so not all of the 1,500MW will contribute to profits. Also, there are many projects that won't start operating until FY2023, so over the next two years we do not think there will be any contributions to profits besides those from projects that are currently operating.

Q. Isn't your FY2021 forecast of ¥16.0 billion in Africa Division a bit conservative?

A. Approximately ¥1.0 billion from reversal of allowance for doubtful accounts was included for the fourth quarter of FY2020, so it looks better than it actually is. Growing the Africa business involves a variety of up-front costs, but we will recover these with gross profit growth.

Q. What are the reasons for the declines in segments for which you are forecasting a decline in earnings in FY2021 compared to FY2020?

A. For the Machinery, Energy & Project Division, we are expecting substantial renewable energy development costs, while at the same time we forecast profits conservatively in the machinery business and the existing renewable energy business. In the Chemicals & Electronics Division, FY2020 results included special demand in certain chemicals and electronics businesses. We are not expecting the same special demand in FY2021, and the outlook for semiconductors is uncertain, so our forecast is conservative. In Food & Consumer Services, we expect apparel to recover, but on the other hand, considering the fact that there was particularly high food-related demand in FY2020, we think result overall will be close to those of FY2020.

Q. Are you planning any new resource investments as part of the Next Mobility Strategy? You said there will be ¥20.0 billion in investment, but will this be large-scale resource-related investment?

A. We are basically planning to limit it to resource investments directly related to automobiles. Therefore, we will invest with a focus on lithium for batteries, and neodymium for motors. We will procure everything else from the market. New resource-related investment will be only for lithium. All of the rest will be investments in CASE-related startup companies and investment to acquire new technologies.

Q. Concerning the FY2020 results and FY2021 forecasts for the Metals Division and Global Parts & Logistics Division, what is the reason for them not being related to the number of Toyota vehicles produced? Are these conservative forecasts?

A. The forecast is for 14% year-on-year growth from 8.18 million vehicles in FY2020 to 9.36 million vehicles in FY2021, and we based our forecasts on this. We are expecting a decline in the first half due to factors such as impacts relating shipping containers, semiconductors, and resins, but we are expecting a recovery in the third and fourth quarters.